

Norwegian pension fund withdraws investment in Indian seed company because of child labour

Risk of child labour highlighted by research ICN

The Norwegian Ministry of Finance has recently decided to withdraw its investment in the Indian company Zuari Agro Chemicals ('Zuari') because the contribution of the company to the worst forms of child labour. This decision was taken based on a recommendation from the Council on Ethics of the Norwegian Government Pension Fund Global (GPF).

Hazardous work by young children

In the autumn of 2011 and 2012 the Council on Ethics surveyed the prevalence of child labour in the production of hybrid cottonseed for Zuari. Zuari is outsourcing the multiplication of its seed to a large number of individual farmers through buyback arrangements, just like other seed companies. On the average, 20 to 30% of the workers at these farmers working for Zuari were children under 15 years, according to the findings of the Council. A rough estimation indicates that about 3,000 to 4,000 children are involved in the company's seed production: 20% of them is even younger than 10 years of age.

The Council does regard this as "the worst forms of child labour" because children under 14 are involved and because they are exposed to health risks because of the unprotected exposure to pesticides. The children also work for at least 8 months a year, sometimes up to 14 hours a day. Hazardous child labour by teenagers from 15 to 18 years - also prohibited under ILO Convention 182 - was not included in the study.

Risk of child labour well-known after research ICN

The Council on Ethics does attach great importance to the fact that Zuari has a close working relationship with the farmers, that the risk of child labour in the seed industry is well known and that the company has not taken concrete steps to combat child labour.

Regarding the risk of child labour in the seed industry, the Council refers to a research of the India Committee of the Netherlands (ICN) published in 2010 showing that approximately 230,000 children under 15 years are working in Indian seed production. In total, 530,000 children under the age of 18 are engaged in this dangerous work. In an earlier stage the Council has already, based on previous research of the ICN, urged companies like Bayer and Monsanto to make more efforts to combat child labour. Because these companies have indeed started acting on this, they were not excluded from investment by the Norwegian pension fund.

Response Zuari lacks credibility according to Council on Ethics

Zuari Agrochemicals was asked by the Council to react. Initially, the company did not respond to requests for information. Later, Zuari said that the company does not employ children. When the Council remarked that it concerned their suppliers (farmers), the company pointed

out that it does not have any direct control over individual farmers, and that the government has the formal responsibility for ensuring that the law is observed. It added that the company's *Code of Conduct* specifies that it does not accept child labour in the operations of its suppliers. When the final recommendations of the 2012 survey were presented to Zuari in March 2013 the company claimed that inspections were carried out on child labour by its representatives.

The Council on Ethics does not consider this response from Zuari as credible. The statements are contradictory (no control over farmers versus inspections) and the Council wonders how effective the inspections are. The Council does negatively compare Zuari with other companies that financially reward farmers who work without child labour and who have set up a control system with unannounced inspections, with a sharp drop in employment of young children as a result. Because the child labour at farmers who supply to Zuari has not significantly decreased between 2011 and 2012, the Council on Ethics concludes that the company is not seriously combating child labour.

Importance of exclusion Zuari

Although the Norwegian Pension Fund only possessed 1.5% of the shares of Zuari, worth almost € 1.8 million, its decision to exclude Zuari is still of substantial importance. The Council on Ethics of the Pension Fund advises only in exceptional cases to exclude exclusion from its investment universe, and the Norwegian Ministry of Finance is even more careful. If there is an opening to a dialogue with the company and/or the company is taking steps to improve, it is usually decided to place the company 'under supervision' and continue the dialogue. This has for example been recently decided regarding Shell with regard to its activities in the Niger Delta.

The decisions of the Norwegian Ministry are therefore also for other investors an (extra) reason to be critical with regard to investments in Zuari and other seed companies that work in countries with substantial child labour like India.

More information

- Press release of the Norwegian Ministry of Finance (Oct 14, 2013): <http://www.regjeringen.no/en/archive/Stoltenbergs-2nd-Government/Ministry-of-Finance/Nyheter-og-pressemeldinger/nyheter/2013/decisions-about-active-ownership-and-div.html?id=742311>
- Council on Ethics Recommendation on the exclusion of Zuari from the Government Pension Fund (Apr 18, 2013): <http://www.indianet.nl/pdf/ReportCouncilOnEthics-Zuari-2013-eng.pdf>
- ICN reports published in 2010 about child labour and below minimum wages in the Indian seed industry (press release ICN/Stop Child Labour/ILRF, Jun 10, 2010): <http://www.indianet.nl/pb100610e.html>