Statement by Bennett Freeman
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Mr. Chairman and members of the Child Labor Consultative Group, thank you for the opportunity to testify today. I am Bennett Freeman, Senior Vice President of Sustainability Research and Policy at Calvert Asset Management Company.

Calvert is a Sustainable and Responsible Investment (SRI) management company that offers mutual funds and separate accounts to institutional investors, retirement plans, financial intermediaries, and their clients. As an SRI, we seek to invest in companies with high standards and strong performance in the areas of workplace, environment, product safety and impact, community relations, human rights, indigenous peoples' rights, and governance and ethics. Founded in 1976 and based in Bethesda, Maryland, Calvert manages over $14 billion in assets.

I am here today to testify about child and forced labor in the agricultural sector and why this is a critical issue to investors.

Let me start by saying that child and/or forced labor within any company's operations or supply chain is a significant risk to investors. In fact, a growing number of institutional investors is modifying their investment criteria to incorporate assessments of the risks connected to corporate labor and human rights practices. Any credible evidence of child or forced labor, or even allegations of such violations may negatively impact a company's stock price. Specifically, company value may suffer from poor brand reputation, supply chain disruptions, or related litigation.

Calvert recognizes that older children often play an important role in family farming in the US and abroad. Our concern is with farms or plantations that rely on younger children, exploited or kidnapped children, children working in dangerous conditions, or those children who must work in order for the family as a whole to reach a quota or earn a living wage. In some cases, the State ignores or abets child labor, most notoriously in Uzbek cotton production. I will discuss that example later in my testimony to highlight Calvert's work to address child and forced labor in supply chains.

When Calvert considers companies for potential investment, we conduct a thorough analysis of a company's labor record as part of our due diligence process. We look at workplace as a three-legged stool, comprised of policies, programs, and performance.

To understand a company's policy framework with respect to its labor practices, we review a company's code of conduct for its own operations. While not a specific requirement for investment, Calvert prefers to see labor policies that adhere to the International Labor Organization's (ILO) core standards – child labor, forced labor, nondiscrimination, and freedom of association and the right to collective bargaining. We believe this metric is especially important for companies that have large international workforces. Let me note that for companies lacking the ILO core standards, we regularly encourage them to adopt these standards through our corporate advocacy.

A company's supplier code of conduct is another key component that informs our judgment regarding a company's labor policy framework. Calvert believes that worker protection should also extend throughout a company's supply-chain, particularly when suppliers are operating in countries that are known for lax or insufficient labor and human rights regulations and enforcement. We also prefer that supplier codes of conduct adhere to the ILO core standards.

The second part of our due diligence process assesses the range of programs in place to uphold and support a company's labor codes. These may include management training and education surrounding labor codes, specific implementation of mechanisms for employees to provide feedback or report violations, and a social and/or environmental audit system.

The issue of measurable results leads me to the final component of our assessment process: performance. As Calvert has learned from its many years of experience in sustainability research and analysis, the mere existence of corporate labor policies and programs alone is not enough. Instead, the implementation of those policies and programs and how their extension across a company's overall operations is an equally critical component. We feel far more assured as investors when companies establish key performance indicators, targets for improvement, and report on results for reduction of child and forced labor.

For companies that rely on agricultural products, we recognize that internal and third-party labor audits are critical, particularly for high-impact products that tend to rely on "invisible" child or forced labor. As investors, we rely on programs such as Fair Trade Certification to assure us of reduced risk in this area, and as an indication that the company seeks to protect its brand reputation. We place less value on those programs that do not involve key stakeholders or that do not measure and report on performance

I would now like to take a few minutes to illustrate Calvert's corporate advocacy, as well as my own personal involvement, in not only raising awareness of forced child labor, but working through a multi-stakeholder coalition to address these issues in Uzbekistan.

Since late 2007, the spotlight has been trained not only by the international media but also increasingly by a coalition of major apparel brands, investors, human and labor rights organizations and trade unions that has taken shape to directly address the issue of forced child labor in Uzbekistan. Beginning in the UK and elsewhere in Europe with major brands and NGOs, the coalition extended across the Atlantic with the International Labor Rights Forum and the shareholder advocate As You Sow bringing together SRIs (including Calvert), faith-based investors, unions and a number of major American brands. Since then, a well-coordinated campaign has emerged that demonstrates some of the progress that can be made but also dilemmas that must be faced at a time when business is testing new roles with respect to human rights.

That progress came with remarkable speed. By spring 2008 the coalition had quickly developed and agreed on a common strategy comprised of two key elements of pressure and engagement: first, to build pressure on the Uzbek Government by gaining commitments of apparel brands to ban sourcing their cotton until the Uzbek Government publicly acknowledges the problem and commits credibly to address it; second to engage the Uzbek Government to acknowledge and address the problem most fundamentally on its own but also in coordination with the ILO and other sources of technical assistance. Such assistance should begin with an assessment mission to lay the basis for a multi-year engagement with the explicit mission of eliminating the use of child labor to harvest the country's cotton crop (whether through all adult workers and/or mechanization).

Beyond the clarity of the coalition's fundamental objective, three additional qualities have made this coalition particularly distinctive as a paradigm for the distance that business support for human rights—at least in this sector—has travelled.

First, the coalition includes not only companies that have long been committed to addressing labor and human rights issues such as Levi’s and Gap, but also Wal-Mart. Second, the degree of coordination and strategic cohesion among the companies (and their trade associations), investors, NGOs and unions is unusual. Third, the willingness of the brands to meet directly with the Uzbek Government and to lodge a complaint through the employers group of the ILO demonstrates that in this context they define their corporate responsibility as not only making a business decision but also taking a policy position in the broader interest of the industry.

The investment community relies on independent, third-party information and resources to fully evaluate a company’ overall workplace record. For this reason, this body’s mandate is extremely vital to our work.

Thank you.