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INVESTOR ESG GUIDE ON PRIVATE SECURITY AND HUMAN RIGHTS

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INVESTOR ESG GUIDE ON PRIVATE SECURITY AND HUMAN RIGHTS

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SUMMARY

Companies, international organisations, humanitarian agencies, civil society organisations and governments all use private security services to ensure the safety of their people, their activities and their assets.

Over the past two decades, this sector has expanded significantly with further growth forecast, especially in complex and high-risk environments where the risk of international human rights and humanitarian law violations are heightened.

Private-security-related adverse human rights impacts are common and typically include unfair working conditions, excessive use of force and sexual exploitation and abuse or gender-based discrimination and violence. Private security workers can be both perpetrators and victims of human rights abuse as rightsholders. Such abuses have led to operational disruption, customer boycotts, reputational damage, loss of the social license to operate, worsening conflict dynamics and legal action against private security companies and their clients. This impacts the businesses' operational continuity, sustainability, long term value creation and short-term share price thus threatening investment returns. As fiduciaries, institutional investors, including pension plan trustees and investment managers, are obligated to identify and mitigate these potential adverse impacts.

The bar is also being raised for both companies and investors. With increased regulatory pressures and societal focus on equality and justice, companies and investors must act to ensure human rights are respected.

Today, investors already navigate the complex value chains of their portfolio companies. A current wave of regulatory requirements seeks to mandate greater compliance with human rights standards.

Recent regulations include those in France¹, Norway² and Germany³ as well as notably the EU Corporate Sustainability Reporting Directive and the EU Corporate Sustainability Due Diligence Directive (see Annex 2). These directives draw heavily from two widely-recognised international normative frameworks:

- The United Nations Guiding Principles on Business and Human Rights (UNGPs)
- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct

These two instruments express the expectation that all businesses, including investment firms, private banks and wealth managers, should respect human rights. This is done by setting in place a policy, embedding it into business operations and relationships, conducting human rights due diligence and addressing remediation where necessary.

This Guide aims to achieve the following objectives:

- 1. Increase awareness of the human rights risks associated with investments in companies that utilise private security providers;**
- 2. Support investment firms in addressing these risks throughout the investment lifecycle with ten recommended actions.**

The majority of private security companies are privately owned, therefore the focus of this guide is on investments in portfolio companies that utilise private security, rather than investments directly in publicly traded private security companies. The guide should also be a useful due diligence tool for investors who hold shares in publicly traded security companies.

1. ABOUT THIS GUIDE

The Guide is designed for the ESG-conscious global investor community.

Objectives

Its purpose is twofold:

To raise investor awareness about human rights risks and impacts connected to portfolio companies that procure the services of private security providers (PSPs). With better understanding, investors can make more informed decisions and act as catalysts for improved human rights performance.

To provide support for investment firms to conduct appropriate human rights due diligence (HRDD) on their portfolio companies that procure the services of PSPs.⁴

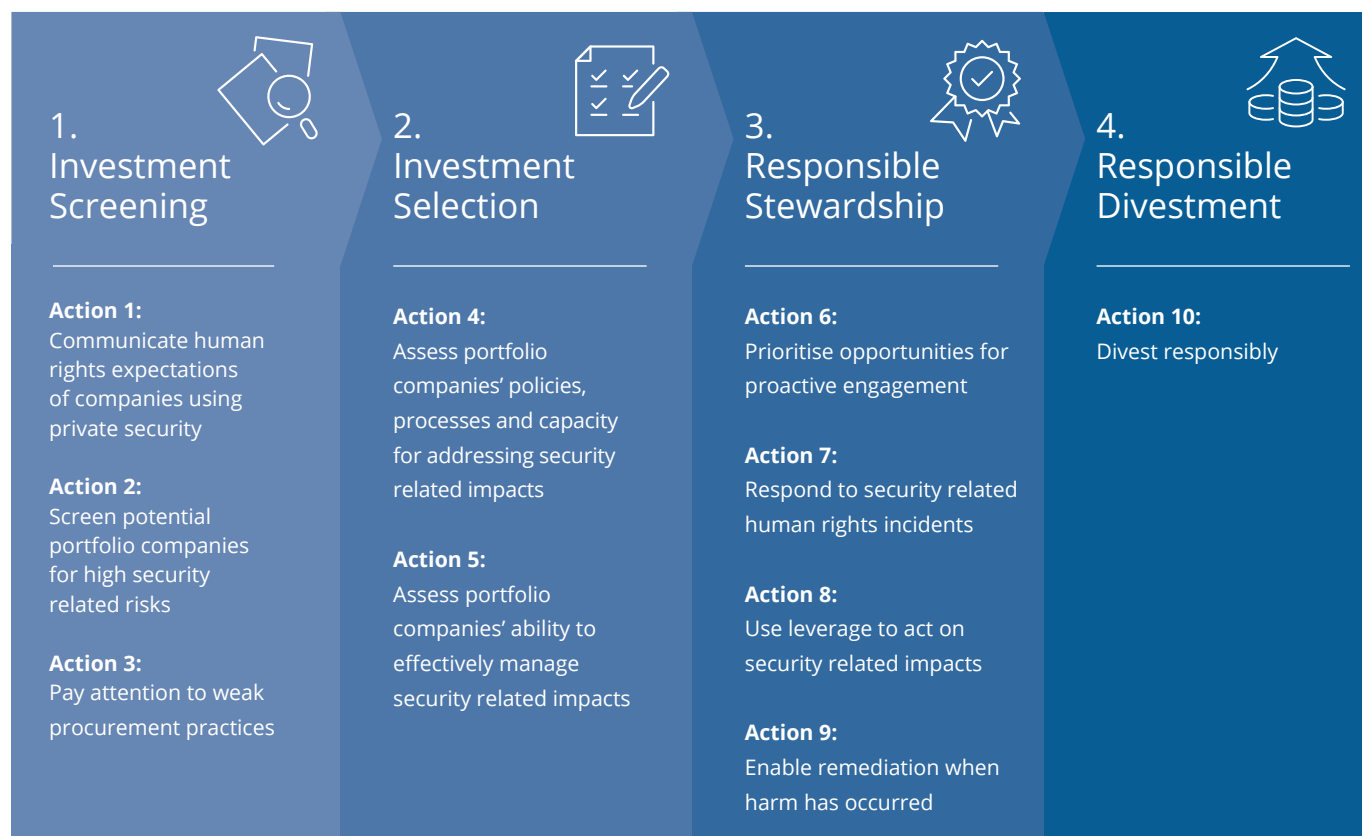
It should be seen as a supplement to investors' existing investment philosophy and ESG practices.

The Guide forms part of a suite to ensure adequate HRDD on private security companies:

- Investor ESG Guide on Private Security and Human Rights (this guide)
- ICoCA's Procurement Guide for Contracting Responsible Private Security Companies⁵
- ESG Rating Methodology⁶

Structure

The report recommends ten actions for investors to undertake with portfolio companies and as part of their own rights responsibilities.



Methodology

The *Investor ESG Guide on Private Security and Human Rights* was developed through:

- stakeholder engagement with ESG and PSPs experts;
- workshops with the investment community; and
- case studies from previous human rights studies by ICoCA and its CSO partners.



Authors

The *Investor ESG Guide on Private Security and Human Rights* is sponsored by the International Code of Conduct Association (ICoCA) with generous support from UK FCDO. ICoCA is a multi-stakeholder organisation working to ensure that private security providers respect human rights and international humanitarian law. The Association acts as the governance and oversight mechanism of the International Code of Conduct for Private Security Service Providers.^{7,8}

This report has been commissioned by ICoCA and developed by Enact Sustainable Strategies in partnership with the Investor Alliance for Human Rights.

- Enact Sustainable Strategies is a leading Nordic consultancy specialised in sustainability with a focus on business and human rights. Founded in 2005 to sustain global development, in 2015, Enact formed a Human Rights and Business Practice Group to help clients advance human rights.⁹
- The Investor Alliance for Human Rights, formed in 2018, is a non-profit collective action platform for responsible investment grounded in respect for people's fundamental rights. With over 200 members, the Investor Alliance focuses on implementing the investor responsibility to respect human rights, coordinating corporate engagements that drive responsible business conduct, and supporting standard-setting activities that push for robust business and human rights policies.¹⁰

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2. SECURITY AND HUMAN RIGHTS

A Growing Market for Security Services

Most modern multinational companies use private security services (see Annex 3 for a definition of private security services). Across the globe, companies, humanitarian agencies, government and State authorities, civil society and others utilise private security services to ensure safety and security for people, activities and premises.

With millions of individuals employed in the sector around the world, private security personnel outnumber the police in most countries.¹¹

Security services accounted for around a 3% share of the global administration, facility management, and business support services market in 2021.¹² This share is expected to increase to over 5% by 2032.

While market size is difficult to quantify, given the number of unlicensed operators, one recent estimate forecasts growth from \$288 billion in 2020 to \$417 billion in 2025.¹³ In some countries, more people are employed in private security than any other sector. Private security users span industries and sectors.

Yet the implications of contracting the services of private security providers, in terms of environmental, social and governance (ESG) risks and impacts are rarely highlighted.

Case 1: Security personnel as victims of forced labour and severe abuses

In the report “They think that we’re machines”, Amnesty International documents the experiences of migrant workers in the private security sector in Qatar, including projects linked to the 2022 FIFA World Cup.

The security guards were subjected to severe labour abuses, sometimes amounting to forced labour. It was common to work 12-hour shifts seven days a week – some workers reported not getting a day off for years.

In addition to excessive hours, workers faced arbitrary penalties, underpayment, hazardous working conditions and discrimination.¹⁴ Migrants recruited for low-paying jobs had to pay fees to recruitment agents, resulting in indebtedness and forced labour.

According to the report, it was common for employers to confiscate passports, preventing escape.

Exposing vulnerable workers to human rights abuses and poor work conditions, together with inadequate training, may undermine their willingness to respect human rights when performing their duties.



Human Rights Risks and Security

While the private security industry has experienced significant, sustained and global growth, the fastest growth has occurred in complex and high-risk environments with weak rule of law. This is where rights-respecting private security is particularly needed.

Human rights risks and impacts include, inter alia:

- working conditions, e.g., excessive working hours and failure to pay a living wage;
- using excessive force towards individuals or local communities;
- sexual exploitation and abuse and gender-based discrimination and violence.

If not addressed, such issues pose a financial risk through various medium:

- consumer boycott;
- difficulty recruiting or retaining staff;
- import bans;
- legal actions, compensation costs and fines;
- loss of social or legal license to operate;
- reputational damage;
- termination of contracts; and
- inability to access supply chains of companies with sustainability standards.

In situations of conflict, the risks for breaches of human rights and international humanitarian law are heightened and can exacerbate conflict dynamics.

In these contexts, it is common that national regulatory frameworks are inadequate, lacking government oversight and mechanisms to hold security firms accountable. Monitoring performance of security providers is challenging as providers often sub-contract the work to smaller companies or individuals.

Human rights impacts arise from two angles:

- **Affected stakeholder (victim):** Security workers are often exposed to human rights impacts themselves: long hours, emotional pressure, high-risk contexts and low wages. The workers are the rightsholders in this context.
- **Causing human rights impacts (perpetrator):** Security workers can cause or contribute to abuse of others in the performance of security services.

Addressing human rights impacts is key to enabling sound investments by managing salient material risks.

Case 2: Excessive use of force by security personnel leads to protests in local community

In 2020, at a Carrefour supermarket store in Brazil, a black man was beaten to death by a security guard contracted by Carrefour. The tragic incident was followed by protests urging people to boycott Carrefour. Its share prices dropped 6%.

The Brazilian state later sued Carrefour for damages, and the company settled for US\$22m.

In a statement, France's Carrefour SA promised to terminate the contract with the security company. The CEO called for a thorough review of the sub-contractor's training on security, diversity, and tolerance.¹⁵

A gender perspective

A gender lens is necessary in the context of encouraging security providers to fully meet their human rights due diligence responsibilities.

In a male-dominated sector, traditional notions of masculinity and ingrained stereotypes associated with male protection prevail. This may increase the risk of sexual exploitation and abuse and gender-based discrimination and violence, as well as influence the way security is experienced, create reluctance to report concerns and strengthen patriarchal patterns or biases.

Women and girls often face multiple and intersecting barriers that prevent them from reporting abuses by PSPs and seeking redress. These barriers include a lack of access to grievance mechanisms, a lack of training and leadership on the issue at the corporate level, compounded by harmful social and cultural norms, discriminatory laws, lack of access to basic services, or unequal power dynamics.

ICoCA's gender lens on private security

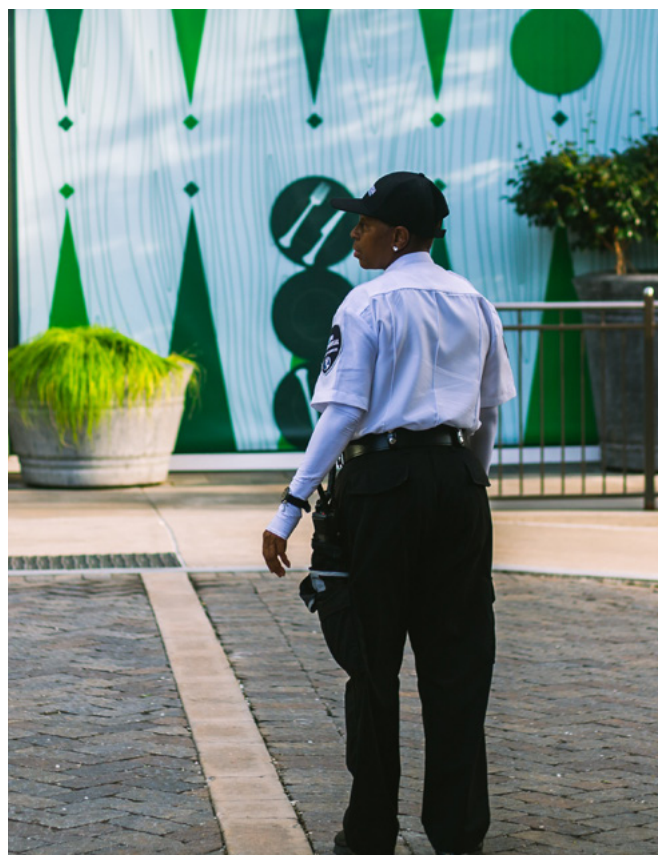
- The International Code of Conduct for Private Security Providers (the Code) addresses gender-based risks either within the company or externally and requires private security companies to integrate a gender perspective in their practices.
- The Code explicitly refers to sexual and gender-based violence¹⁶, sexual exploitation¹⁷, human trafficking¹⁸, discrimination¹⁹ and risks to a safe and healthy working environment such as sexual harassment.²⁰
- Recognising that sexual exploitation and abuse is likely to occur in complex environments where the rule of law has been weakened, the Code developed Guidelines²¹ and practical training for companies to comply with the obligations that derive from Paragraph 38 of the Code: Sexual Exploitation and Abuse or Gender-Based Violence, and to prevent and address sexual exploitation and abuse.

Case 3: Security personnel using excessive force against local communities

In 2013, during protests from community disapproval of Tahoe Resources' Escobal Mine project in Guatemala, several locals of San Rafael las Flores were allegedly shot by security personnel employed by the mine.²²

Litigation followed, and the plaintiffs successfully moved the lawsuit from Guatemala to British Columbia. Tahoe Resources' stock price dropped, the mine operations were suspended, and Tahoe Resources' successor, Pan American Silver, settled and issued a public apology.²³

Cases 2 and 3 demonstrate how human rights violations against local communities by security personnel can present financial, operational and legal risks to the portfolio company, which in turn pose risks for investors.



Regulatory trends on business and human rights

Today, investors have to navigate complex value chains and higher societal expectations.

There is a current wave of regulatory requirements where individual states and the EU are mandating requirements for companies and the financial sector.

The EU Corporate Sustainability Reporting Directive (CSRD) and the (forthcoming) EU Corporate Sustainability Due Diligence Directive (CSDDD) are two major developments in this context.

Whereas the CSRD focuses on disclosure requirements, requiring large companies to report how they manage human rights risks including explicit due diligence disclosure requirements, the CSDDD aims at standardising the *modus operandi* for companies to manage their impacts.

Additional requirements include that firms must demonstrate that they have carried out appropriate efforts to assess human rights risk on conflict minerals (EU Conflict Minerals Regulation).

EU financial actors are required to publicly explain how human rights risks are factored in investment decisions (EU Regulation on Sustainability-related Disclosures in the Financial Services).

At the national level, the UK Modern Slavery Act (2015) and the French Duty of Vigilance Law (2017) mandate corporate respect for human rights.

Other countries have developed laws that require differing degrees of disclosure and due diligence, such as Australia, Germany, Netherlands and Norway. For additional examples and more details, see [**Annex 2: List of Mandatory Human Rights Due Diligence Based Laws and Disclosure Regulations.**](#)

In particular European legislation addresses the twofold relationship between ESG and business: businesses impact people and the planet, and impacts on people and the planet generate risks to business. Businesses are required to assess both dimensions through the so-called double materiality assessment.

Case 4: Petra Diamond's reputation as ethical miner shattered by human rights abuses

In 2020, a report published by the NGO Raid alleged that security personnel hired by UK-listed Petra Diamonds used excessive force against a local community in Tanzania.²⁴ Security personnel at the Petra Diamonds' Williamson Mine, famed for its pink diamonds, came into conflict with artisanal miners and local residents seeking to supplement their incomes.

Shootings, beatings, stabbings, assaults and arbitrary detentions were among the grave human rights abuses committed by security personnel of the Tanzanian mine.²⁵

Petra Diamonds reached a settlement with the 71 claimants in 2021. Petra also stated they had taken additional steps, such as disciplining employees and changing security providers.

Prior to the human rights violations, Petra Diamonds was listed on the London Stock Exchange's FTSE4Good Index. Typically, this is for companies with strong ESG measures in place. However, their ethical image has been damaged.²⁶

This high-profile case played out in mainstream media and illustrates the potential for reputational, financial, and legal risks as well as risk of violence in local communities.

Further reading

To learn more about investor responsibilities and an ESG approach to investment, follow the blog series "Bridging the Human Rights Gap in ESG", by The Business and Human Rights Resource Centre.²⁷



3. INTERNATIONAL STANDARDS ON DUE DILIGENCE

According to the UN Guiding Principles on Business and Human Rights (UNGPs) endorsed by the UN in 2011,²⁸ business enterprises “should avoid infringing on the human rights of others and address adverse impacts with which they are involved”.²⁹

Under the UNGPs, internationally recognised human rights include, at a minimum, those expressed in the International Bill of Human Rights³⁰ and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.³¹

Under the UNGPs, companies and investors are expected to conduct human rights due diligence (HRDD) to identify, prevent and mitigate adverse human rights impacts which they:

- have caused or contributed to through their own actions or omissions;
- are directly linked to via a business relationship, e.g., ownership or management of portfolio companies.³²

Businesses may need to consider additional standards, such as international humanitarian law (IHL) applicable in situations of armed conflict and the human rights of individuals belonging to vulnerable groups, for example children, women, migrants, minorities, or indigenous peoples.³³

Companies are expected to have in place:³⁴

1. a policy commitment to respect and embed human rights throughout their business;
2. a HRDD process to identify and address adverse human rights impacts; and
3. a process to allow for reporting of grievances and remediation of adverse impacts.

The complexity of HRDD will vary depending on the operating context. For instance, in conflict-affected areas, investors are expected to engage in heightened, conflict-sensitive HRDD to assess and manage impacts on human rights and conflict dynamics. (See Appendix 3 - Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts: A Guide, UNDP)

It is often assumed that providing financial services will not entail a responsibility for human rights harm. Whereas the portfolio company will primarily cause or contribute to the harm, the assumption is not aligned with international standards and interpretations of them.

In “*Why and How Investors Should Act on Human Rights*”,³⁵ the Principles for Responsible Investment (“PRI”) conclude that how an investor causes, contributes or is seen as directly linked to harm depends on three factors:

1. whether and if the investor facilitated or incentivised human rights harm by another;
2. whether and if the investor could or should have known about such harm; and
3. the quality of any mitigating steps the investor has taken to address it.

4. A ROADMAP FOR ACTION

This section provides investors with a list of suggested actions to conduct HRDD on portfolio companies that use PSPs and is structured around the investment process – from pre-screening to responsible divestment.





4.1 Investment Screening

Investors should have a clearly structured approach to human rights due diligence. This should include consideration of relevant impacts and be aligned with international standards.

Investors should align their investment policies and processes with human rights expectations to enable a more systematic approach to when and how human rights are considered.

The Investor Alliance for Human Rights proposes various considerations throughout the investment lifecycle in the Investor Toolkit on Human Rights (May 2020).³⁶

A number of actions should be embedded within this due diligence framework when considering risks linked to portfolio companies use of private security services.

 **Action 1:** Communicate human rights expectations of companies using private security

Investors should communicate their human rights commitment and expectations directly when speaking to potential portfolio companies. This can be reinforced on websites, at events, in sustainability reports and stewardship policies, codes of conduct and legal agreements.

A (potential) portfolio company will know to expect questions and follow-up actions.

Example

The Church of England National Investing Bodies have a human rights policy commitment which is publicly available and communicated on their website. They state:

"We expect and encourage companies in which we invest to have a human rights policy, due diligence process, meaningful disclosures, a grievance mechanism for human rights related concerns to be raised and to provide remedy where they cause or contribute to harm. This ought to apply throughout its operations and supply chains".³⁷

Example

Dutch Bank ABN AMRO has a publicly available exclusion list where they state that they will not knowingly provide financial products or services that directly facilitate:

Defence: "Providing private security services in countries that are defence-sensitive without the company being Member of the International Code of Conduct Association (ICoCA)."³⁸

Furthermore, in their sustainability requirements for the metals & minerals sector, ABN AMRO states: *"When making use of private security arrangements to secure mining operations, staff and assets, clients ensure that security personnel operate in accordance with the client's policies and the Voluntary Principles on Security and Human Rights."³⁹*

Both asset owners and managers should understand why human rights are relevant for portfolio companies and ensure expectations are communicated consistently throughout the investment cycle.





Further reading

- Does the firm have an institution-wide human rights policy commitment in relation to investment activities?
- Does the firm assess its investments based on meaningful human rights due diligence processes and outcomes?
- Does the firm have accessible channels for stakeholders to inform its human rights practices?

The Responsible Investment Association Australasia (RIAA) has developed [The Investor Toolkit: Human Rights with a Focus on Supply Chains](#) which helps investors engage constructively with companies in order to encourage better practice, thereby reducing human rights risks in supply chains.⁴¹



Action 2: Screen potential portfolio companies for high security-related risks

As part of due diligence, screening of the potential portfolio company will assist the investor with assessing human rights impacts and challenges connected to the operating context or company itself.

A screening may provide investors with an initial understanding of the human rights context relating to:

- geography;
- sector, activity, business partner; and
- past human rights record of the company (e.g. poor working conditions, long working hours, inadequate training, gender-based impacts, sexual exploitation and abuse, discriminatory behaviour in recruitment).

Screening is not intended to serve as a basis for exclusion. A decision to exclude a potential portfolio company will depend on the risk tolerance of the investor as well as the investor's assessment of the severity and irremediability of the risk. If an investor decides to invest in a company operating in high-risk circumstances, the investor will want to ensure that the portfolio company's ability to manage such impacts is sufficient and that it assesses risk on an ongoing basis. It also means that the investor needs to continuously monitor the company's human rights performance.

Case 5: Swiss Re encourage companies to participate in ICoCA

In their *ESG Risk Framework*, Swiss Re state they screen requests for support to companies offering the following services: *“translation and interrogation; prison and detention camp operation; and vehicle, site, and escorting protection”*.

They encourage companies that operate in conflict regions to educate employees on human rights and conflict-sensitive practices and to participate in the International Code of Conduct framework in order to develop appropriate grievance resolution mechanisms.⁴²

Investors might ask the following questions during screening.

Q: Is the portfolio company doing business in a conflict-affected or high-risk area?

The greatest contextual risks exist where companies operate in conflict-affected or high-risk areas⁴³ (CAHRAs), characterised by:

- different stages of conflict and widespread violence;
- political instability or repression, institutional weakness, insecurity, and collapse of civil infrastructure.

The risk of human rights abuses or violations is heightened in CAHRAs where:

1. The likelihood and severity of harms and violations is significantly higher than in other contexts, especially if there is ongoing conflict, whereby corporate actors may exacerbate conflict-dynamics and conflict-related risks. Corporate actors can never be 'neutral' or "without impact" in a conflict.⁴⁴
2. Civic freedoms are restricted, with little or no safeguards for human rights defenders, making it easier for corporate actors to censor opinions and limit freedom of assembly using private security personnel.
3. Restricted freedom of association means security personnel may not join a trade union to improve working conditions.



4. Vulnerable groups may experience disproportionate impacts and face barriers to access remedy. These include women and girls, children, indigenous peoples, national or ethnic minorities, religious and linguistic minorities, persons with disabilities, migrant workers and families.
5. PSPs may decide to subcontract security services making the value chain more difficult to monitor.
6. Weak rule of law means there are insufficient laws and ineffective and non-independent institutions to regulate the activities of PSPs and, therefore, lack of transparency and accountability for abuses.⁴⁵
7. Corruption rates in such contexts are usually higher with security personnel exposed to or involved in corrupt behaviour. Corruption is associated with human rights violations as it impacts state capacity to fulfil their human rights obligations. It undermines legal safeguards relating to working conditions, health, safety and diverts public revenues from healthcare, education, housing, etc.⁴⁶



Case 6: The risk of escalating conflict in a high-risk area

According to Swedish NGO Afrikagrupperna, companies involved in the Cabo Delgado gas project in Northern Mozambique hired PSPs which escalated tensions and militarisation of the area. The projects have had a negative impact on local residents, including forced evictions which resulted in local populations being unable to provide themselves with adequate food. This was allegedly a contributing factor to the recruitment of locals by Islamist groups in Cabo Delgado.

As tensions escalated, the Mozambique government contracted the Russian private military company, Wagner, further escalating conflict in the area. Allegations of abuses against other private security actors in the region were reported by Amnesty International.⁴⁷ Swedish public pension funds invested in companies involved in Mozambique's Cabo Delgado gas projects. In response, the Swedish public pension funds stated they were aware of the allegations and were monitoring the developments.⁴⁸

This case exemplifies the negative impact on a local community of forced evictions generating reputational and financial exposures for public pension funds and financial risk to pension recipients.

Further reading

The Responsible Investment Association Australasia (RIAA) has developed an **Investor Toolkit on Human Rights & Armed Conflict** guiding investors on how to manage human rights impacts and IHL implications before, during and after armed conflicts arise.



Risk Table A – Operating Environment:

Moderate risk	High risk	Extreme risk
Region not affected by an armed conflict, with a strong rule of law and political stability.	Complex environments: <ul style="list-style-type: none"> • experiencing or recovering from unrest or instability due to natural or human disasters, social unrest, or economic hardships/insecurity, where the rule of law has been substantially undermined; • the capacity of the state authority to handle the situation is diminished or limited; • scoring low in at least two of the following indexes: Transparency International, The Freedom House, ITUC’s Global Rights Index; • no or weak legal protections for Human Rights Defenders (HRDs); frequent attacks and killings of HRDs; • no or inadequate laws to regulate private security activities. 	CAHRA regions: <ul style="list-style-type: none"> • conflict-affected; • widespread violence; • political instability, repression; • institutional weakness; • collapse of civil infrastructure.

Q: What are the specific industry risks and impacts connected to PSPs?

Different sectors and business activities will generate different types of human rights risks and impacts. For example, land and resource intensive industries, such as extractives and agriculture, may disrupt local community members’ lives and livelihood, and lead to uprisings or protests repressed by security personnel.

There may be additional challenges for indigenous peoples both in terms of access to basic goods and services, safeguarding their cultural identity and traditional way of life and ensuring their right to exercise free, prior and informed consent over business activities that affect them.

Security personnel at facilities with valuable products or industrial assets (e.g. mineral manufacturing, construction, infrastructure), involving hazardous materials (e.g. nuclear, chemicals), or requiring a high degree of confidentiality/ security (e.g. prisons, immigration centres, border services) are often equipped with weapons which entails high risk for human harm.

Camera surveillance may raise privacy concerns for workers and community members living close to business facilities, especially where regulation may not protect from storing or sharing data with other actors. Such sharing can lead to repression of individuals who oppose the State.⁴⁹

Where female workers or community members are in the presence of security forces, there may be a heightened risk of sexual exploitation and abuse and gender-based discrimination and violence.

Specifically high-risk activities include armed PSP personnel, guard dogs, operation of camps for prisoners of war or civilian detainees, counter-piracy services or operation and maintenance of weapons systems.

Where private security providers engage or partner with public security providers, including military or police, the effects may be worsened.⁵⁰

Where public actors delegate security tasks that include a proportion of the state monopoly over the use of force, appropriate training and mandates are crucial. Otherwise, lines of command between public and private can become blurred making it difficult to determine who is giving orders and acting on them.

Victims of abuse are often unable to distinguish between the public and the private, and are grouped both as “security,” which can hinder accountability for breaches.

As private security companies are sometimes owned by politicians, ex-military or ex-police with strong State connections, there may be a risk of corruption in tendering. In turn, this can favour the well-connected companies irrespective of their capacity to responsibly deliver security services.



Risk Table B – Categorising sectors, business activities and partners:

	Moderate risk	High risk	Extreme risk
Sector		High-risk sectors (non-exhaustive list): <ul style="list-style-type: none"> • oil and gas; • mining & mineral manufacturing; • agriculture; • energy; • private prisons & immigration centres; • chemical; • nuclear; • infrastructure / construction; • tech component manufacturing; • informational and communication technology (ICT); • transportation (land and sea); • immigration/border services. 	
Activity	<ul style="list-style-type: none"> • training of local security personnel; • static guarding; • mobile guarding (convoys etc.). 	<ul style="list-style-type: none"> • guarding and transporting prisoners; • detention of persons and seizure of objects / searching of persons; • maritime escorts or onboard vessel protection; • operational and logistical support for armed or security forces, including surveillance and reconnaissance activities; • security of diplomatic premises; • crowd management and event security; • recruitment of security personnel; • any security activity requiring the use of arms and/ or guard dogs. 	<ul style="list-style-type: none"> • assisting in operating camps for prisoners of war or civilian detainees; • counter-piracy services; • operating and maintaining weapons systems; • management of weapons and ammunition; • managing floating armouries; • kidnap, ransom and extortion.
Business Partner		<ul style="list-style-type: none"> • interactions with military, police or other public security providers. 	

Q: Is there a record of past human rights incidents or allegations?

Regardless of operating context, any company using security services can be potentially connected to severe PSP-related human rights infringements. If the potential portfolio company or the PSP has a record of human rights incidents or allegations, this should serve as a red flag.

Assess how the company or PSP have responded to and mitigated past abuses as this may aid in the screening process by indicating if systems are in place to identify and manage future incidents.



Risk Table C – Categorising (potential) portfolio company’s historic human rights record:

Moderate risk	High risk	Extreme risk
<ul style="list-style-type: none"> No significant human rights, gender-based and security allegations in the past 5 to 10 years; Few human rights, gender and security incidents, but evidence of good due diligence and/or adequate remedial measures by the portfolio company and/or the PSP, corresponding to good industry practice. 	<ul style="list-style-type: none"> Portfolio company and/or PSP’s involvement in serious human rights, gender and security controversies or incidents in the past 5 to 10 years; Lacking transparency, unclear how the incidents were solved; Unclear how grievances and remediation were managed. 	<ul style="list-style-type: none"> Consistent records of repeated human rights, gender and security controversies or incidents involving the portfolio company and/or PSP in the past 3 to 5 years; Lack of transparency, repeated allegations that stakeholders are not heard; No evidence on how incidents were solved and grievances / remediation were managed; Unwillingness to engage with stakeholders.

Action 3: Pay attention to weak procurement practices

When companies procure security providers, they can prevent risks by making human rights a central tenet of the business relationship.

Investors should expect portfolio companies to commit to respect human rights and comply with authoritative standards, ICoCA’s International Code of Conduct for PSPs (the “Code”) and the Voluntary Principles on Security and Human Rights (VPSHR).

This commitment is demonstrated through Membership/ Affiliation in ICoCA and/or ICoCA Certification/and or certification to other recognised private security standards.⁵¹

ICoCA PSP membership supports Voluntary Principals Initiative (VPI) members in meeting their commitments under VPSHR.

International Code of Conduct for Private Security Service Providers (the “Code”)

- The Code articulates responsibilities of private security companies under human rights and international humanitarian law to ensure the responsible provision of private security services, particularly when operating in complex environments.⁵²



The Voluntary Principles on Security and Human Rights (VPSHR)

The VPSHR is a globally recognised set of principles created in 2000 that gives guidance to companies on how to conduct their security operations while respecting human rights.⁵³

The VPI is a multi-stakeholder initiative that promotes implementation of the VPSHR. The member base is constituted by governments, NGOs, and companies industrywide. The principles cover three areas:

- Risk assessment,
- Companies and public security, and
- Companies and private security.⁵⁴

The VPI website at www.voluntaryprinciples.org includes tools and guidance documents for those wishing to improve their security practices or implement the VPSHR.



This commitment should be referenced and embedded into the bidding process and the subsequent contract for security services.

In practice, embedding a commitment into procurement involves avoiding providers who are not committed to human rights and finding PSPs who understand what respect for human rights means in practice, train their staff accordingly, enforce decent working conditions and engage with other affected rightsholder.

Ultimately, the portfolio company should take joint responsibility with the PSP for improved human rights performance.

However, lack of explicit mention of human rights in the bidding requirements or contract can never be an excuse not to comply with human rights and, where applicable, IHL standards.

Asset managers should strive to understand how the portfolio company is monitoring and evaluating adherence to human rights by the PSP *in practice*.

ICoCA's procurement principles⁵⁵

ICoCA's procurement guide supports companies in their tender and contract processes. It offers five steps for responsibly procuring services of PSPs.

ICoCA suggests that portfolio companies include a conditionality clause in Requests for Proposals to potential PSPs: *"Must currently be a Member or an Affiliate in good standing with the International Code of Conduct Association (ICoCA) and confirm compliance with the principles and requirements in the International Code of Conduct (the Code)."*

Member and Affiliate companies shall:⁵⁶

- avoid entering in contracts whose performance would directly or materially conflict with the Code, national or international law, or local, regional, and international human rights law;
- make compliance with the Code an integral part of contracts with the PSPs and subcontractors;
- interpret the contract consistent with the Code, even if the Code is not contractually specified.

Evaluating the portfolio company's maturity – Procurement:

Insufficient	Satisfactory	Excellent
<ul style="list-style-type: none"> • Requiring PSP to respect human rights/have a human rights or HRDD commitment, but no pragmatic follow-up on risks and PSP behaviour. 	<ul style="list-style-type: none"> • Commitment to respecting human rights is reflected in the bidding requirements and contract; • Someone is accountable for monitoring and evaluating the implementation of human rights and gender commitments by the PSP and its subcontractors; • Preference is given to PSPs that are Members/ Affiliated to ICoCA and/or certified to relevant industry standards (e.g. ISO 18788). 	<ul style="list-style-type: none"> • Fulfilling all "Satisfactory" requirements. • PSPs are certified Members of ICoCA or have written documentation of fulfilling equivalent standards.





4.2 Investment Selection



Action 4: Assess portfolio companies' policies, processes and capacity for addressing security related impacts

When fund managers and analysts have conducted the contextual human rights risk analysis, they will be better equipped to specify policies and processes that portfolio companies should have in place.

It is not possible for investors to check every contract, policy and process of each contracted security provider hired by a portfolio company. However, policies and processes signal whether the company is prepared to manage typical risks and take action as a matter of a routine and systematic approach.

For example, an agricultural company that routinely requires its security providers to demonstrate that workers earn a living wage and have safeguards for adequate rest in between shifts, is likely better prepared to manage salient workers' rights issues facing the industry than one who responds that it checks living wages and adequate rest on an ad hoc basis. In the same vein, a mining company operating in the Democratic Republic of Congo, where sexual violence has been prevalent for decades, needs to demonstrate diligent and proactive measures for how gender-based violence will be prevented.

Identifying whether there is internal capacity to manage harms is crucial. In this context, understanding leadership priorities is key.

One private security contractor said in relation to addressing sexual exploitation and abuse risks (SEA), *"the only way to prevent SEA is to promote a company culture that is concerned about these issues [cultural change] and to have a strong management leading by example"*.⁵⁷

Has the portfolio company put in place adequate due diligence of security providers? Have they undertaken monitoring of the contracted provider and any subcontractors?

For instance, investors should ask whether the portfolio company:

- considers human rights performance when selecting a security provider;
- has capacity to identify and address security related impacts;
- has proactive support from leadership;
- requires that decent working conditions apply to direct and subcontracted personnel;
- requires the provider to include a gender perspective in its policies, training, and processes;
- monitors the human rights performance of the security provider over time;
- ensures that a complaints and remedy process is available for (subcontracted) workers, communities, and vulnerable groups.

Signing to confirm understanding of a code or policy means little if not accompanied by training. Training should focus on how to apply human rights in the local context where the PSP will operate.





Example:

Effective training on preventing sexual exploitation and abuse

In the ICoCA [Guidelines for Private Security Providers on Preventing and Addressing Sexual Exploitation and Abuse](#),⁵⁸ training requirements contain a detailed outline of what to include, for example:

- Explain the definition and understanding of sexual exploitation and sexual abuse.
- Show the impact of SEA on survivors and why it is difficult to report abuses.
- Underline the company's prohibition of SEA and the standards of conduct personnel are expected to observe, as set out in the code of conduct and relevant laws.
- Describe the disciplinary measures of staff found guilty of violating SEA standards of conduct.
- Explain the mechanisms to report cases of SEA and protect survivors, complainants and witnesses.
- Train managers to own and implement preventive SEA policies.
- Managers should be able to identify warning signs of SEA, improving case detection and reporting, manage SEA reports and complaints appropriately.

ICoCA online training courses are available in multiple languages to Member and Affiliate companies. These include prevention of SEA, Use of Force, Why Security Personnel Must Follow the Code etc.⁵⁹

ICoCA certification

- Being ICoCA Certified, in high-risk sectors and complex markets, provides assurance that a PSP's policies and processes comply with best practice. As part of due diligence, companies across all sectors use ICoCA Membership and Certification in private security service contracting.
- Examples include: Pan American Silver, Philip Morris; Swiss, UK and US governments; ABN AMRO





Evaluating the portfolio company's maturity

Policies, processes and capacity:

Insufficient	Satisfactory	Excellent
<p>1. General Lacking, or insufficient capacity to apply and monitor policies and processes.</p>	<ul style="list-style-type: none"> Sufficient capacity to apply policies and monitor performance. 	<ul style="list-style-type: none"> Fulfilling all "Satisfactory" requirements; Systematic engagement to understand how the requirements are relevant for management of potential impacts; Cooperation with the PSP to fulfil all requirements before contracting.
<p>2. Vetting & Training Sporadic engagement with PSP to understand how the selection, employment, training, and ongoing performance review of their personnel accounts for human rights and is relevant for management of PSP personnel.</p>	<ul style="list-style-type: none"> Minimum requirements are in place for selection of personnel as defined by national law, industry standards and good practices, and the principles contained in the ICoCA Code (qualifications, criminal record (including checking for violent offences, domestic violence and assault, or human trafficking), and medical examination, including psychological evaluation); Mandatory onboarding training for PSP personnel on human rights, sexual exploitation and abuse, and IHL (if applicable) is in place, complemented by annual refresher training. 	<ul style="list-style-type: none"> Refresher training conducted throughout the year, training includes a gender perspective, including sessions on policy frameworks, ICoCA paragraphs related to gender, prohibition and prevention of sexual exploitation and abuse, GBV and other human rights violations, and a workplace culture that promotes gender equality and non-discrimination; Regular follow-up with PSP to ensure training is effective and content based on continuous learning; Regular follow up with PSP on ongoing performance review of PSP personnel.



Insufficient	Satisfactory	Excellent
<p>3. Working Conditions At least one of satisfactory requirements for decent working conditions not met.</p>	<ul style="list-style-type: none"> Decent working conditions for PSP personnel, including minimum age for hiring (18 years), regulated working hours (ideally 8 hours but no more than 12 hours per shift with a maximum of 48 hours per week); Contractual requirements for compensation equal the legal minimum wage. In countries with no or inadequate minimum wage, living wage requirements will be included. Paid overtime, social insurance and other statutory benefits; Uniform, shelter, clean drinking water, toilets provided. 	<ul style="list-style-type: none"> Client contractually requires PSPs to ensure their personnel do not exceed a maximum of 8 working hours per day; The client contractually requires PSPs to assess the gap between the minimum legal wage and the living wage and compensate their personnel with the living wage in the respective country.
<p>4. Grievances No grievance mechanism in place for subcontracted workers and communities and no explicit requirement on PSP to operate one.</p>	<ul style="list-style-type: none"> Grievance mechanism is meeting the effectiveness criteria of UNGP 31 and, in particular, is accessible to external stakeholders and vulnerable groups, such as PSP personnel or local communities willing to raise concerns on PSP performance; Barriers to access grievance mechanisms for vulnerable groups are acknowledged and reduced, such as obstacles caused by language, education or fear of reprisal (the mechanism can be at the PSP level, company level and/or a joint mechanism). 	<ul style="list-style-type: none"> Adequate resources at the company to investigate grievances involving PSP; ability to provide remedies, where needed (e.g., in case PSP has no capacity nor resources to do so); Joint company-PSP reflections on the appropriateness of remedial processes with victims and with local experts, including women; Capacity, proactive and independent follow up of security and human rights related impacts, learning from mistakes, updating DD, policies and processes in light of learnings, etc.



Action 5: Assess portfolio company's ability to effectively manage security related impacts

While having the right procurement practices, policies and processes in place is an essential HRDD step, it is not enough. Portfolio companies should also demonstrate that they are actually able to manage adverse security related human rights risks and impacts associated with their contracted PSPs and subcontractors



Rule of thumb

The portfolio company's capacity to manage risks and impacts should be assessed in view of the conclusions in the previous actions.

The riskier the investment context (Action 1), as well as the weaker the procurement practices (Action 2), policies, processes and capacity (Action 3), the riskier the investment.

If a portfolio company claims full compliance with human rights, this is a red flag that the company may be unprepared to manage the evolving impacts of its operating context.

Respecting human rights is never about static or "full compliance". It's a process of continuous learning. A company should be able to explain its prioritised salient human rights risks and impacts, shortcomings in their HRDD framework and how they are learning from mistakes.

Security personnel as a rightsholder: Treat them fairly – reciprocal treatment is more likely

- Among all the salient issues linked to the security space, ensuring decent working conditions for the PSP personnel deserves attention. In fact, security personnel are among the lowest paid professionals in the formal economy of many countries.
- Precarious contracts, long hours, lack of respect for the value of their work and limits on freedom of association are often faced by workers on a daily basis.
- Poor working conditions exacerbate the risk that security personnel commit abuses against other workers and members of the community or get involved in illicit activities with human rights implications (e.g., arms and drug trafficking, diverting funds from public goods).

Companies are required, under the international standards set out, to prioritise efforts based on salience. The degree of saliency is defined in terms of severity and (secondarily) likelihood:

- Severity is determined by three factors:
 - Scale (i.e., gravity of the impact);
 - Scope (i.e., number of individuals affected by the impact); and
 - Irremediability (i.e., the ability to restore the situation prior to the impact).
- Likelihood is the probability of occurrence of an impact.

In the assessment of impacts, severity should be weighted higher than likelihood, meaning that even if a highly severe impact has low probability, it should be considered salient and addressed as a priority.

Scope does not matter where scale or irremediability is high. For further information on how to assess business related human rights risks and impacts, see **UNDP's guidance**.⁶⁰ For salient human rights issues, see **Annex 1: List of Salient Human Rights & Security Issues (Non-Exhaustive)**.





Evaluating portfolio company's maturity: Risk management

Insufficient	Satisfactory	Excellent
<ul style="list-style-type: none"> Poor understanding of the risks and impacts associated with PSP, how they can evolve over time, including triggers for salient risks. 	<ul style="list-style-type: none"> Good understanding of the most salient risks and impacts associated with PSP and their evolution over time; Follow up with PSP to understand how risks and impacts are identified, assessed, and managed on an ongoing basis, including how affected stakeholders are listened to and learnings are integrated. 	<ul style="list-style-type: none"> Fulfilling all "Satisfactory" requirements; Tracking PSP behaviour using quantitative and qualitative indicators; Ensuring oversight of PSP's risk management by demanding a third-party verification of human rights compliance (e.g., ICoCA's requirements for third-party verification); Regular disclosure of risks and impacts associated with the PSP, e.g. in the company's sustainability report or webpage.





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4.3 Responsible Investment Stewardship



Action 6: Prioritise opportunities for proactive engagement

Information collected at the screening and decision-making stages should introduce the investor to the most relevant priority areas for engagement with their portfolio companies. This should focus on the most salient risks.

From a human rights perspective, it would be desirable that an investor engages proactively with the portfolio company in a manner commensurate with the level of risk; high risk means high engagement.

From a practical perspective, the depth and frequency of engagement will depend on the type of investment. Active investors with a concentrated portfolio have more possibilities to engage meaningfully than passive investors. Nevertheless, investors are still advised to engage portfolio companies on severe impacts.

Checkpoints for proactive engagement

- At the beginning of an investment relationship;
- At least once per year or according to time-bound targets or milestones;
- Whenever context changes, for instance: outbreak of armed conflict/war (e.g., Ukraine), change in political leadership or legislation with implications for human rights protections, or severe environmental incidents or disasters.



6 Tips for meaningful engagement:

1. Agree with the portfolio company on a number of milestones (ideally 3 to 5) to prevent and mitigate the most salient risks and impacts. For more information, see Annex 1: List of Salient Human Rights & Security Issues (Non-Exhaustive);
2. Clearly state the outcomes that need to be achieved and actions to be taken. For example a commitment to training, certification by ICoCA, reduction of the use of force and firearms, creation of a grievance mechanism accessible to subcontracted workers and vulnerable groups, a review of PSP personnel wages, and the introduction of more gender diversity in the guard force. It may be useful to connect outcomes and actions to existing indicators that are applicable to PSPs. For instance the Corporate Human Rights Benchmark Methodology for the extractives sector, which provides specific indicators on security topics.⁶¹
3. Agree upon escalation tactics and a Plan B in case desired outcomes are not achieved;
4. Set timelines for fulfilment that reflect the severity of the problem, meaning a swifter response for high-risk areas (e.g., short-term: up to six months; medium-term: up to one year; long-term: beyond 1 year);
5. Review and update milestones and timelines in case of significant contextual changes;
6. In cases of complex or systemic issues, consult governments and international organisations for useful insights on root causes of a conflict, risk of a future conflict, explanation of a new law, security concerns from the local community, etc. Investors may also engage with legitimate representatives of affected workers or communities.



Action 7: Respond to security related human rights incidents

The occurrence of a serious human rights incident involving a portfolio company and/or its PSPs calls for swift reaction. Investors can be made aware of incidents through engagement with the portfolio company, media, CSOs, or other sources. Regardless of the source, it is important that the investor reacts promptly.

The number of incidents should not be used as a criterion for action, as even one serious incident may be a red flag for other possible human rights impacts.

The following are questions investors can ask the portfolio company:

1. Can the portfolio company clarify the facts, where the incident took place, key actors and affected stakeholders? Are any particularly vulnerable?
2. Is there any individual (or group) in danger or requiring assistance? If so, how is the PSP and/or company assisting?
3. Where appropriate, did the PSP and/or company report the incident to competent authorities (e.g., police) in a timely manner?
4. Can the portfolio company explain who is responsible for managing grievances involving contracted PSPs?
5. Is the PSP and/or portfolio company willing to conduct an internal investigation, engage with affected stakeholders without putting them at risk, communicate on the findings and take action on the main learnings?
6. Does the PSP and/or portfolio company have adequate procedures and expertise to take action?
7. Can the PSP and/or portfolio company indicate what procedures it has in place to assure non-repetition?
8. If the portfolio company has caused or contributed to the incident, can it indicate what procedures it has to explore and deliver remedy? Can the portfolio company show that it has allocated resources (e.g., financial, human, logistical)?
9. If the portfolio company is directly linked to the incident through its PSPs, can it use or increase its leverage to facilitate remedy from the PSP or third parties?



See [Annex 4: Additional Tools and Resources for Investors](#), for suggestions on resources to examine past human rights records of companies.

Examples of serious incidents:

- Protests from workers and/or communities causing impacts on operations, e.g., blockades, disruptions, especially if PSPs are used to control the situation;
- PSPs harming or killing workers or community members;
- Instances of forced labour or sexual violence involving PSPs;
- Escalation of social tensions, or conflict, especially if PSPs are used to secure the situation and where human rights defenders are under threat;
- Reports of inadequate and/ or severe working conditions for security workers;
- PSPs collaborating with public security such as military, police or law enforcement, e.g., governmental forced labour schemes or forced removals to clear land for industrial use;
- PSP being convicted for human rights abuses or corrupt behaviour by a competent authority, prosecution is initiated, or police report is filed.



Evaluating portfolio company's maturity: Incident response

Insufficient	Satisfactory	Excellent
<ul style="list-style-type: none"> No specific requirements on PSP for incident reporting, or if requirements in place they do not specify a timeframe of reporting to client. 	<ul style="list-style-type: none"> Incident reporting procedure in place describing how PSP should report to the company in a timely manner (within 48 hrs); Requirement on PSP to have adequate resources in place to investigate incidents and provide remedies where needed. 	<ul style="list-style-type: none"> Fulfilling all "Satisfactory" requirements; Incidents and grievance reports collected in internal database and reported to client within 24hrs; Working alone or together with PSP to follow up on incidents involving PSP; Commitment to disclose, where feasible, and at a minimum to directly affected rights holders, incidents' investigation status and outcomes; Self-critical reflections on the potential contribution of the company to incidents through (in)actions, and commitment to continuous improvement.

Action 8: Use leverage to act on security related impacts

Leverage is the power to influence. In the context of international standards for business and human rights (including the UNGPs and the OECD Guidelines) leverage refers to the ability of a business enterprise to affect change in the wrongful practices of another party that is causing, contributing, or directly linked to an adverse human rights impact.⁶²

Where an investor has leverage over the portfolio company, it should exert it to push for improved human rights performance, including in relation to their contracted PSP.

Where an investor has limited leverage to achieve changes, the investor should seek to increase its leverage.

To use and increase its leverage in the context of PSPs, an investor may not only do so by increasing its ownership stake, but by collaborating with peers and other stakeholders.⁶³

To use and/or increase leverage, the investor may consider the following actions:

- Ask the company to make ICoCA membership a pre-condition for procurement of PSP services;
- Participate in multi-stakeholder dialogues with relevant civil society organisations and networks, security

and human rights experts, ESG data providers, other investors and portfolio companies to fill the gaps that exist in the field of human rights and security;

- Engage with policy makers and standard-setting bodies advocating for stronger adherence to human rights standards for example EU legislative bodies, ICoCA, VPSHR, Extractive Industries Transparency Initiative (EITI), Ethical Trading Initiative (ETI), relevant UN entities (e.g., UNDP, UN Working Group on Business and Human Rights, UNODC, etc.), and governments;
- Publish and implement proxy voting guidelines aligned with UNGPs' expectations specific to PSP and human rights topics;
- Notify portfolio company of intention to submit shareholder resolutions⁶⁴ on human rights and security issues of concern, for example:
 - Call for heightened HRDD or development of a CAHRA policy;
 - Request improved working conditions for PSP personnel (e.g., living wage, decent working hours, shifts and overtime, etc.);
 - Request to conduct and publish a study examining the impact of security arrangements on local communities;
 - Request to increase the accessibility of grievance mechanisms or whistle-blower channels to external stakeholders, subcontracted PSP personnel, vulnerable groups such as women, and local communities.



Shareholder request to NVIDIA Corporation 2022

"Shareholders request that the Board of Directors commission an independent third-party report, at reasonable expense and excluding proprietary information, on NVIDIA Corporation's (NVIDIA) customer due diligence process to determine whether customers' use of its products or services with surveillance technology and artificial intelligence (AI) capability or of its components that support autonomous military and police vehicles, contributes to human rights harms."⁶⁵

Shareholder Resolution to Chevron Corporation 2023

"The shareholders request the Board to publish a report six months following the 2023 annual general meeting, omitting proprietary information and prepared at reasonable cost, evaluating the feasibility of adopting a policy of not doing business with governments that are complicit in genocide and/or crimes against humanity as defined in international law."⁶⁶

Corporate contribution to remediation must not undermine the rights of an individual to seek remedy in a court of law or in any other legitimate judicial or non-judicial forum. Where human rights infringements have taken place, explore whether the victims can access remedy for the harm through safe participation in remedial processes.

In the framework of possible corporate involvement in human rights harms, there is a continuum between contribution and direct linkage; the nature of a company's involvement may shift over time depending on how it responds to the harm.⁶⁷ When a HRDD assessment indicates an investor is contributing to a human rights harm through its business relationship with a portfolio company utilising PSPs, it will also be expected to contribute to remediation. See further above, under Section 3.



Action 9: Enable remediation when harm has occurred

When a harm has taken place, victims have a right to remediation.

Where human rights breaches are caused or contributed to by security providers, the portfolio company needs to consider its potential involvement in the harm and its role in enabling access to remedy. To constitute remedy, it has to be connected to the remediation of the infringement of human rights that took place. Charity cannot substitute for remedy.

Remedy can take many forms, is not only limited to financial compensation, and needs to be based on human rights principles and standards, as well as take into account the views of the affected rightsholders.

Remediation is context and case specific, and may for example be an apology, an action plan to ensure that the harmful behaviour does not repeat, counselling for emotional damage, health care for physical damage or restoring a situation as close to the situation prior to the harm took place.





Case 7: PSP human rights breaches results in remedy payout

Kakuzi Products is a Kenyan agricultural company headquartered in Makuyu which employs hundreds of guards to patrol its land holdings in the area.

In 2020, 79 Kenyan claimants alleged the security guards protecting Kakuzi land holdings *“intentionally and systematically mistreat members of the surrounding communities to physically punish local community members for either crossing Kakuzi property or raising issues against Kakuzi”*.⁶⁸

Specifically, the claimants alleged security guards battered a young man to death for allegedly stealing avocados, raped ten women, and attacked villagers on multiple occasions.⁶⁹

In Kenya, private security personnel are not permitted to carry firearms; however use of force is not an issue limited to firearms.

The 79 Kenyan claimants argued that Kakuzi’s parent company, Camellia PLC, *“breached its duty of care to them to prevent Kakuzi’s security guards from assaulting them”*.⁷⁰

Eventually, a settlement was reached, and Camellia and its subsidiaries compensated the victims.

Furthermore, Kakuzi *“confirmed it will develop and implement an Operational-level Grievance Mechanism (‘OGM’) to allow any other allegations of human rights abuses to be resolved fairly and quickly without the need to go to court”*.⁷¹

This case shows the negative impacts on a local community through gender-based and other violence committed by PSPs. Note the reputational risk to investors caused by inadequate due diligence, as well as financial risk.





4.4 Responsible Divestment



Action 10: Divest responsibly

Divestment should be reserved for severe impacts and/or after failed attempts to get the portfolio company to mitigate and contribute to remedying the impacts, or where impacts are immittigable.⁷² Preferably investors should use their leverage over portfolio companies to support efforts to rectify the harm and ensure the situation cannot repeat itself. The good offices of ICoCA can be of assistance for violations of the Code. If the decision is made to divest, divestment should be accompanied by a due diligence assessment to understand associated risks and account for how this affects rightsholders and their ability to obtain remedy, including for harms linked to exiting.

Some categories of violations that may trigger divestment include international crimes, torture, or arbitrary executions; human and labour trafficking, sexual exploitation, forced labour or child labour cases or improper use of force/arms causing serious injuries and fatalities on repeated occasions.

Case 8: Blacklisting security company G4S for risk of labour rights infringements

In 2019, Norway's sovereign wealth fund blacklisted shares in the British security company G4S due to risk of labour rights infringements against its workforce in Qatar and UAE.

Norway's Council of Ethics monitors investments in the £860bn Government Pension Fund Global. They expressed an "unacceptable risk of the company contributing to systematic human rights violations".

Up to 30,000 staff in security and construction could be affected. They note the extensive use of migrant workers. Practices included retained passports, lower salaries than promised, and recruitment fees putting migrants in forced labour. The Council decreed the security company was aware but had not acted sufficiently on issues.

The wealth fund blacklists around 150 companies globally, most of them due to environmental or other ethical concerns and a smaller amount based on human rights concerns.⁷³



Three key principles when considering divestment:

1. Responsible planning for exit

Before divesting, investors should plan their exit and understand impacts, including consequences of the divestment on human rights. Decisions to exit should involve meaningful stakeholder consultation. Consequences connected to divestment may include that the portfolio company may have to downsize or exit business which may affect workers, contractors and local communities or that the next PSP procured has a worse human rights performance record. By planning for divestment, there is the possibility to prevent harm, such as:

- Lack of opportunities for remedy;
- Lack of replacement job opportunities for PSP workers;
- PSP personnel taking up other jobs in military groups, escalating tensions.

Preventive and mitigatory measures should be implemented in a reasonable timeframe for those affected by divestment. While exiting should be an option when harmful impacts cannot be avoided despite efforts to increase and exercise leverage, a credible threat to exit may incentivise improved performance.

2. Communicate internally and externally

Investors should communicate the decision to divest both internally and externally, and explain the decision and how it is related to failure of the portfolio company to meet



human rights expectations. Such communications should avoid potentially endangering impacted rightsholders.

Communications should outline the main gaps and suggest measures that the portfolio company should undertake if the investor is to consider reinstating the investment relationship in the future. Communications may be the last opportunity to drive positive change and avoid divestment.

3. Monitor and follow up

Investors should engage with the portfolio company and revisit in light of evolving context (e.g., end of hostilities, new law regulating PSP activities, change in local politics, change of subcontracted PSP, etc.) and improvements in the portfolio company's HRDD processes and overall human rights performance.

There may be opportunity for new investment if the response improves sufficiently.

Further Reading

For further information on divestment, refer to [***OECD's guide on Responsible business conduct for institutional investors***](#)⁷⁴ and [***OHCHR Business and Human Rights in Challenging Contexts – Considerations for Remaining and Exiting.***](#)







5. CONCLUSION

In conclusion, ensuring that portfolio companies conduct thorough human rights due diligence on their contracted private security providers is paramount for responsible investing in today's global landscape.

This commitment to scrutinising a critical and high-risk element of the “S” in ESG compliance not only safeguards against material risks that can affect financial performance but also upholds fundamental human rights. By actively probing portfolio companies on this issue, particularly those with operations in high-risk environments and sectors, investors can play a crucial role in mitigating potential harm, fostering sustainable business practices, and contributing to a world where financial success and human rights protection are not mutually exclusive goals.

Responsible investment requires the procurement of responsible security by portfolio companies, where verified commitments to the ethical principles laid out in the International Code of Conduct go hand-in-hand with long-term value creation. This is especially relevant today given the changing regulatory landscape and a race for resources resulting in increasing demand for private security in complex and fragile contexts, where its unchecked deployment escalates risks for communities, companies and their investors.

6. ANNEXES

Annex 1:

Salient Human Rights & Security Issues (Non-Exhaustive)

Category	Human rights issues	Relevance for PSP context
Human rights and decent working conditions of PSP personnel	Employment and social security	<i>PSPs are among the workers that are more exposed to adverse human and labour rights impacts in the global value chain.</i>
	Freedom of association and collective bargaining	<i>PSP personnel are often on short-term and volatile contracts that are tied to and dependent on the needs of the contracting company. Consequently, they may be deprived of social security benefits that other employees are entitled to under the law, e.g., paid sick/maternity leaves, family leave, career development plans, wage reviews for seniority, bonuses, etc.</i>
	Living wage	<i>Access to trade unions and capacity to bargain collectively may also be practically limited due to the status as subcontracted workers.</i>
	Excessive working hours and overtime	<i>Workers are often paid low wages despite the complexities and health and safety risks connected to their work. They often work long shifts on top of which they may have to put up with unpaid overtime to cover emergencies or last-minute operational needs. In addition, they may have a long commute time to reach the remote work locations for their shifts.</i>
	Occupational health and safety (OHS)	<i>Workers are often paid low wages despite the complexities and health and safety risks connected to their work. They often work long shifts on top of which they may have to put up with unpaid overtime to cover emergencies or last-minute operational needs. In addition, they may have a long commute time to reach the remote work locations for their shifts.</i>
	Modern slavery/forced labour; child labour	<i>During their working days, guards may work under extreme weather conditions (heat, rain, humidity), with limited access to basic amenities such as safe potable water and accessible and culturally appropriate toilets. The job is often physically straining, and mental health issues is not uncommon for those security workers constantly faced with highly stressful situations and threats to own bodily integrity.</i>
	Human/labour trafficking	<i>During their working days, guards may work under extreme weather conditions (heat, rain, humidity), with limited access to basic amenities such as safe potable water and accessible and culturally appropriate toilets. The job is often physically straining, and mental health issues is not uncommon for those security workers constantly faced with highly stressful situations and threats to own bodily integrity.</i>
	Gender-based discrimination and violence (GBV)	<i>Some of the most severe impacts known in the sector entails security guards being particularly vulnerable to modern slavery, forced labour, child labour and human labour trafficking. Female guards may be subject to gender-based discrimination and violence, including sexual harassment, sexual exploitation and abuse.</i>
Adequate accommodation and remote work	<i>Worker accommodation do not always meet basic human rights standards for an adequate standard of living (privacy, hygiene, safe potable water, food, WI-FI connection, sanitary facility, light, ventilation, etc).</i> <i>It is not uncommon for security personnel to have to leave their families and move to accommodations provided by the company, for the duration of their contract. This may entail a disruption of their family life and increase the risk of mental health issues.</i>	

Category	Human rights issues	Relevance for PSP context
Involvement of PSP personnel in human rights infringements against other workers or members of the local community	Limitation of freedom of opinion, expression, speech, assembly, and protest/ protection of human rights defenders (HRDs)	<i>When operating in countries where freedoms of expression and opinion are restricted, security personnel may be requested by a company to suppress protests or silence human rights defenders that are blocking operational activities or causing opposition to a project.</i>
	Inappropriate use of data collected (privacy)	<i>Security workers may also be requested to be “antennas”; collect information about worker views and activities, or those who are against a project in a local community and report them to law enforcement that in turn use this information for human rights abusive purposes for example to retaliate against labour activism.</i>
	Overly intrusive security body checks, physical and emotional integrity	<i>While conducting security controls, guards may conduct overly intrusive and discriminatory checks, hold/detain people which limits their freedom of movement; or arbitrarily use threats or violence for unjustified purposes.</i>
	Limitations on freedom of movement	<i>Collusion with corrupt and human rights abusive law enforcement may also implicate security personnel in human rights infringements. Security personnel may be requested to detain or hand over human rights defenders or individuals sought after by law enforcement.</i>
	Disproportionate and excessive use of force	<i>A constant risk is the disproportionate and excessive use of force. This is a risk when it comes to responding to security threats. It can likewise be an issue where security personnel are requested to facilitate human rights violations, such as guarding the premises of a military camp where the military is involved in forced labour and human trafficking, or where a State uses private security forces to service internment camps where minorities are subjected to torture and other gross human rights violations.</i>
	Torture and other inhumane treatments	
Involvement of PSP personnel in illicit activities with broader human rights implications	Corruption	<i>In countries or contexts with high levels of corruption, procurement and bidding of security contracts may also be subject to corrupt dealings. This will undermine any human rights due diligence efforts. Corruption also weakens the State ability to fulfil its human rights obligations. These risks are heightened in contexts where the PSP is staffed with former members of the national military or has other strong ties with the government, military or police.</i>
	Dispersion/trafficking of arms, weapons, and material of war	
	Trafficking of drugs	<i>Other severe impacts potentially connected to PSPs in conflict sensitive or high-risk areas include working with State authorities involved in human rights abuse, international crimes, hostage taking and extrajudicial, summary or arbitrary executions.</i>
	International crimes, - genocide, war crimes, crimes against humanity	
	Hostage taking and extrajudicial, summary, or arbitrary executions	

Annex 2:

Mandatory HRDD Laws and Disclosure Regulations

- California Transparency in Supply Chains Act: companies are required to report on their efforts to eradicate slavery and human trafficking in their supply chains.
- EU Regulation on prohibiting products made with forced labour on the Union market (proposal): prohibits companies from placing and making available on the EU market or exporting from the EU market products made with forced labour.
- EU Conflict Minerals Regulation: importers of four minerals – tin, tantalum, tungsten, and gold – coming from conflict zones are required to take (and report on) HRDD steps.
- EU Corporate Sustainability Due Diligence Directive (proposal): companies are required to identify, prevent, and mitigate adverse impacts on human rights and the environment in their value chains.
- Corporate Sustainability Reporting Directive (replacing the EU Non-Financial Reporting Directive) companies are required to publish annual reports on management of human and labour rights issues.
- EU Regulation on Sustainability-related Disclosures in the Financial Services: financial actors must publicly explain how they integrate human rights risks into their investment decisions.
- Swiss Counter-Proposal to the Responsible Business Initiative: companies are required to implement (and report on) HRDD steps taken to manage risks related to conflict minerals and child labour.
- The Australian Modern Slavery Act: companies are required to publish annual modern slavery statements.
- The Dutch Child Labour Due Diligence Act: companies are required to prevent and mitigate the risk of child labour in their supply chains.
- The French Duty of Vigilance Act: companies must publish a vigilance plan in their annual report to disclose how they identify and prevent severe risks on human rights, health and safety and the environment.
- The German Law on Corporate Due Diligence in Supply Chains: companies are required to set up processes to identify, assess, prevent, and remedy human rights and environmental risks and impacts in their supply chains, and own operations.
- The New Zealand Modern Slavery and Worker Exploitation Legislation (proposal): requires organisations to take action against modern slavery and worker exploitation in their supply chains.
- The Norwegian Transparency Act: companies must publicly account for their due diligence processes and identified risks.
- The UK Modern Slavery Act: companies have a duty to annually disclose which steps they are taking to address modern slavery in their business operations and supply chains.
- The Uyghur Forced Labor Prevention Act: The act establishes a rebuttable presumption that the importation of any products made wholly or in part in the Xinjiang Uyghur Autonomous Region of the People's Republic of China, is prohibited by Section 307 of the Tariff Act of 1930 and not entitled to entry to the United States.
- US Dodd-Frank Act: publicly traded companies need to conduct HRDD across their supply chains and report on conflict minerals originating from DRC or adjacent states.

Annex 3:

Key Terms and Abbreviations

- **Conflict-affected and high-risk areas (CAHRAs)** – areas identified by the presence of armed conflict, widespread violence, or other risks of harm. Armed conflict may manifest as international or non-international conflict, which may involve two or more states, or may consist of wars of liberation, insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of law.⁷⁵
- **Gender perspective** – integrating a gender perspective involves examining the effects of gender roles, stereotypes, and power structures in society and institutions. In the context of PSP's, this requires analysing the potential and actual impact of PSP's operations on men, women, boys, and girls. It also involves incorporating women's and men's experiences into the design, implementation, monitoring, and evaluation of private security regulations.⁷⁶
- **Grievance mechanism** – a procedure or mechanism developed by a company to manage complaints or grievances that allege human rights infringements, impacts, improper or illegal conduct, including acts or omissions that have adverse human rights impacts as a consequence. The grievance mechanism's effectiveness follows the so called "effectiveness criteria" according to the UNGPs.⁷⁷
- **Private security providers ("PSPs")** – any company whose activities include provision of security services either on its own behalf or on behalf of another. PSP does not include activities of private military groups engaged in offensive operations.⁷⁸
- **Security personnel or PSP personnel** – persons working for a PSP, whether as employees or under a contract, including its staff, managers, and directors. For the avoidance of doubt, persons are considered to be security personnel if they are connected to a PSP through an employment contract (fixed term, permanent or open-ended) or a contract of assignment (whether renewable or not), or if they are independent contractors, or temporary workers and/or interns (whether paid or unpaid), regardless of the specific designation used by the company concerned.
- **Security services** – include but are not limited to the following:⁷⁹
 - *guarding and protection of persons and objects*, such as convoys, facilities, designated sites, property, or other places (whether armed or unarmed),
 - *guarding and transporting prisoners*, operating prison facilities and assisting in operating camps for prisoners of war or civilian detainees,
 - *checking, detention, or searching of persons*, searching of premises or containers, and seizure of objects,
 - *counter-piracy services*, armed or unarmed maritime escorts or onboard vessel protection,
 - *operational and logistical support* for armed or security forces, including training and advice, intelligence, surveillance, and reconnaissance activities,
 - *crowd management*,
 - operating and maintaining *weapons systems*,
 - *guard dog* services,
 - the *recruiting and training of security personnel*, directly or as an intermediary, for a PSP
 - any other *protective activity for which personnel are required to carry or operate* a weapon.
- **The International Code of Conduct for Private Security Service Providers' Association** (alternatively known as "the Association" or "ICoCA") – the multi-stakeholder organisation, comprised of governments, industry and civil society organisations, established to promote, govern and oversee implementation of the International Code of Conduct for Private Security Service Providers and to promote the responsible provision of security services, support the rule of law, and respect human rights and IHL in accordance with the Code.
- **United Nations Guiding Principles on Business and Human Rights** (UNGPs) – "set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations".⁸⁰
- **Voluntary Principles on Security and Human Rights** (VPSHR) – a set of principles that guide companies on how to conduct their security operations while respecting human rights.⁸¹

Annex 4:

Additional Tools and Resources

Investor Tools:

- [Investor Alliance for Human Rights - Investor Toolkit on Human Rights](#)
- [Principles for Responsible Investment – How to Identify Human Rights Risks: A Practical Guide in Due Diligence](#)
- [Principles for Responsible Investment – What Data Do Investors Need To Manage Human Rights Risks?](#)
- [Principles for Responsible Investment – Human Rights Benchmarks for Investors: An Overview](#)
- [The Responsible Investment Association Australasia - Investor Toolkit on Human Rights & Armed Conflict](#)
- [Investor Alliance for Human Rights - Investor Toolkit on Human Rights/Business & Human Rights Resource Centre/International Service for Human Rights – Safeguarding Human Rights Defenders: Practical Guidance For Investors](#)

ICoCA Resources:

- [ICoCA ESG Methodology](#)
- [ICoCA Procurement Guide](#)
- [ICoCA Guidelines for Private Security Providers on Preventing and Addressing Sexual Exploitation and Abuse](#)
- [ICoCA Members listing](#)

CAHRA-related resources:

- [The Responsible Investment Association Australasia's Investor Toolkit on Human Rights & Armed Conflict](#)
- [The EU's indicative non-exhaustive CAHRAs list](#)
- [The TDi CAHRA Index](#), grades (the likeliness that a country could meet the OECD definition of a CAHRA, as either high, moderate, or low)
- [UNDP, Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts: A Guide](#)
- [OHCHR, Business and Human Rights in Challenging Contexts: Considerations for Remaining and Exiting](#)

Interactive maps on conflicts monitoring:

- [Geneva Academy's RULAC project](#)
- [International Crisis Group's Crisis Watch](#)
- [ACLED's conflict change map](#)
- [Fund for Peace's Fragile States Index](#)

Resources to assess human rights situation and rule of law of specific countries:

- [Human Rights Watch \(HRW\)'s World Report](#)
- [Amnesty International \(AI\)'s Report: The state of the world's human rights](#)
- [Office of the High Commissioner for Human Rights \(OHCHR\)'s Dashboard - status of ratification of international human rights instruments](#)
- [University of Oxford's Our World in Data – Human Rights](#)
- [Transparency International's corruption perceptions index](#)
- [Freedom House's Global Freedom Status](#)
- [International Service for Human Rights' World map on legislative protection of human rights defenders](#)
- [International Trade Union Confederation \(ITUC\) Global Rights Index](#)
- [Chamber of Commerce business and rule of law dashboard](#)

List of tools for tracking ESG/human rights incidents, allegations and controversies:

The list below provides useful databases that investors can consult to search for human rights records:

- [Business and Human Rights Resource Centre \(BHRR\)](#)
- [RepRisk](#)
- [ISS](#)
- [MSCI](#)
- [Sustainalytics](#)

Resources for sexual exploitation and abuse, and gender related risks:

- [ICoCA Guideline for Private Security Providers on Preventing and Addressing Sexual Exploitation and Abuse](#)
- [Report of the Working Group on use of mercenaries as a means of violating human rights and impeding the right of self-determination: the gendered human rights impacts of private military and security firms](#)
- VPI tool on gender and vulnerable groups in implementation of VPSHR (2023), will be available at www.voluntaryprinciples.org

End notes:

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The
Responsible
Security
Association

**International Code of
Conduct Association**
Geneva Nations 3rd Floor
Rue du Pré-de-la-Bichette 1
CH-1202 Geneva
Switzerland
e. secretariat@icoca.ch
w. icoca.ch



Foreign, Commonwealth
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**INVESTOR ALLIANCE
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