



ESG RATING METHODOLOGY

Assessing Security-Related Human Rights Risks
for ESG Rating Agencies

October, 2023

ESG RATING METHODOLOGY

Assessing Security-Related Human Rights Risks
for ESG Rating Agencies

Contents

About this Publication	2
Assessing Security-Related Human Rights Risks	3
Phase 1: Pre-screening and Tendering	6
Phase 2: Hiring	8
Phase 3: Continuous Monitoring	12
Phase 4: Incident Assessment and Grievance Mechanisms	14
Next Steps?	16
Appendix	17

About this Publication

The GCBHR and ICoCA collaborated in the development of this guide in the context of the Business and Human Rights Clinic with graduate students from the University of Geneva.

International Code of Conduct Association (ICoCA)

The International Code of Conduct Association (ICoCA) is an independent, non-profit organisation that promotes and monitors the implementation of the International Code of Conduct for Private Security Service Providers (the Code of Conduct). The Code of Conduct is a voluntary code for private security companies operating in complex and otherwise high risk, unstable or fragile environments or where there is a risk of human rights abuses and/or violations of international humanitarian law and/or civilian harm.

Geneva Center for Business and Human Rights (GCBHR)

The Geneva Center for Business and Human Rights (GCBHR) at the University of Geneva was founded in 2019 as the first business and human rights center at a business school in Europe. Under the direction of Professor Dorothee Baumann-Pauly, the GCBHR educates future business leaders and supports companies in developing business models that align profits and human rights principles.



ASSESSING SECURITY-RELATED HUMAN RIGHTS RISKS

Unpacking the “S” in ESG

Environmental, Social and Governance (ESG) considerations are used by investors, asset managers, and other stakeholders to assess the sustainability and long-term viability of a company.

Companies with strong ESG practices are more likely to perform well financially, manage risks effectively, and generate positive social and environmental outcomes. ESG factors are increasingly integrated into investment decision-making processes and have gained prominence in corporate reporting and disclosure practices. While methodologies to assess the “E” and “G” are now well developed, those assessing the “S” are less robust. Investors who overlook human rights due diligence in their investment portfolio expose themselves to risks.

ESG rating agencies evaluate companies and organisations based on their ESG performance by analysing public information and engaging with stakeholders. They provide information to investors, companies, and organisations to make informed decisions about investments, partnerships, and other

activities. ESG ratings help companies identify areas for improvement and promote sustainable business practices.

Whilst an essential service for many companies, the use of private security in supply chains can give rise to human rights concerns and pose risks. Consider the ‘S’ in ESG as starting with security. Not addressing risks posed by security providers can have major financial, reputational and legal consequences for client companies and their investors.

With this in mind, this methodology has been developed (i) to enable ESG rating agencies to factor in the risks associated with private security contracting and, (ii) to assess the nature and extent of the due diligence conducted by the contracting company in identifying, preventing and reducing those risks.

Figure 1 depicts the relationship between the different actors: investors, ESG rating agencies, client companies, Private Security Providers (PSPs), their security guards and the local communities in which they operate.

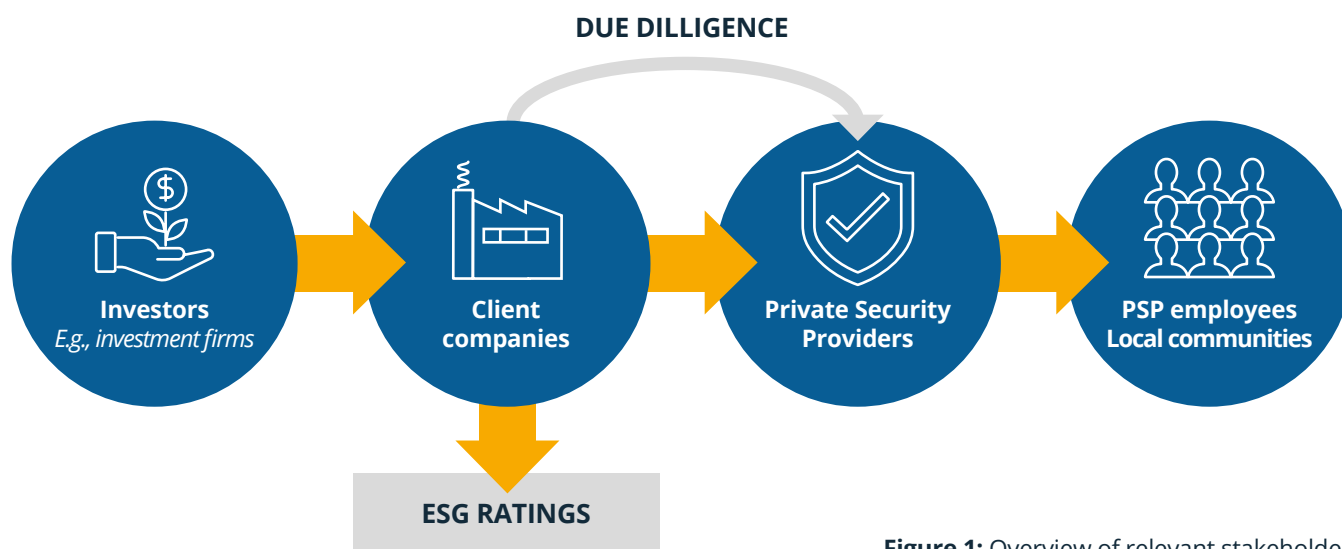


Figure 1: Overview of relevant stakeholders



Human Rights Risks Associated with Private Security Contracting

There are several human rights risks related to security guards. These include decent working conditions, job security, and consideration of mental health and well-being.

Ensuring that security personnel have appropriate training, assistance, and adequate working conditions can improve their mental health, prevent occupational hazards, and decrease the likelihood of adverse human rights impacts.

Conversely, security guards may infringe on the human rights of others. If not properly qualified, experienced or trained or if they are treated poorly, there is an increased likelihood security personnel will adversely impact the human rights of those around them. When people are abused, they are at risk of becoming the abusers. The fact that security personnel may be required to use force is a critical issue, increasing the risks of abuses.

Such risks need to be mitigated, through robust due diligence.

Methodology

This rating methodology aims to introduce specific indicators about security and human rights that should be integrated into the broader ESG ratings of client companies.

The methodology draws on the work of the International Code of Conduct Association (ICoCA) and other relevant frameworks (see Appendix). ICoCA conducts human rights due diligence on its PSP members, which includes third-party verification. ESG rating agencies are encouraged to assess the tenders of PSP users. Inclusion of ICoCA membership requirements in tenders demonstrates commitment to human rights due diligence on PSPs.

The methodology provides a guiderail for ESG rating agencies to assess whether client companies conduct adequate human rights due diligence on the private security providers they contract directly or are utilised by suppliers.

The methodology uses a four-point rating system, ranging from non-existent to excellent.

The methodology follows a life-cycle approach that reflects the relationship between the client company and PSPs. These include any PSP in the supply chain, which could shape human rights abuses.

The life-cycle approach to client companies' due diligence in relation to their PSPs is divided into four categories of indicators: (1) pre-screening and tendering, (2) hiring, (3) continuous monitoring, and (4) incident assessment and grievance mechanisms.



In addition to addressing human rights impacts and preventing risks from the use of force, it is crucial to consider the mental health of security personnel.

Private security personnel themselves can be victims, through poor working conditions, inadequate pay, long working hours and lack of job security. Ensuring that security personnel receive appropriate training, support, and decent working conditions can enhance mental health, well-being, and reduce the likelihood of adverse impacts.

We use the following definitions for this methodology:

Client = User of private security services (companies that contract private security services)

PSP = Private security provider (companies that offer private security services)

Guard = Private security guard (personnel that perform private security services)



PHASE 1: PRE-SCREENING AND TENDERING

Before contracting a PSP, client companies engage in pre-screening and tendering processes. These procedures involve evaluating the PSPs to ensure they can deliver services that respect human rights and do not contribute to abuses. Pre-screening involves gathering information about the PSP from various sources, such as public records, the PSP itself, or industry peers.

Tendering focuses on the eligibility criteria a PSP must meet to be considered a potential contractor. It is crucial to include measures to assess human rights policies, procedures, and track record, as well as the qualifications and training of its security personnel.

INDICATORS	NON-EXISTENT / NON-APPLICABLE		INSUFFICIENT		SATISFACTORY		EXCELLENT	
1. Policy: Does the client have a policy to prevent contracting PSPs that have a track record of adverse human rights impacts?	There is no policy.		There is a policy but the human rights impact requirements are not specified in the tendering process.		There is a policy and PSPs with a track record of severe human rights abuses, such as child labour, human trafficking, and sexual violence or inappropriate use of force, are excluded in the tendering process.		In addition to 'satisfactory', the policy also applies to subcontractors.	
2. Track Record: Does the client assess the PSPs' public human rights track record? *	The client does not check the public human rights track record of the PSPs.		The client checks the PSPs' public human rights track record but does not exclude PSPs with records of past human rights abuses from being contracted.		The client checks the PSPs' public human rights track record and excludes PSPs with records of past human rights abuses from being contracted.		In addition to 'satisfactory', the client assesses the frequency, severity, and structural embeddedness of past violations, and examines PSPs' approaches to respond to such abuses.	



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
3. Tender: Does the client have specific requirements on human rights in its tender for the hiring of guards?	There are no standards required.	The requirements include pre-employment and criminal screening as well as medical examination (physical and psychological) of all security guards.	The preference is given to PSPs that are Members/Affiliated to ICoCA and/or certified to relevant industry standards (e.g., ISO 18788).	In addition to 'satisfactory', the requirements include that PSPs are certified members of ICoCA or have written documentation of reaching equivalent standards.
4. Country-specific Risk Assessment: Does the client evaluate the PSPs' country-specific human rights risk management process?	There is no evaluation.	There is no evaluation.	The client evaluates the PSPs' country-specific human rights risk management process, including the ongoing identification of risks and responses.	In addition to 'satisfactory', the client evaluates the PSPs' engagement with local stakeholders and their collaboration with local authorities and organisations to mitigate risks.

* The public human rights track record includes:

- a. PSP's website and annual reports.
- b. A search of publicly available information (e.g., reports and articles from third parties such as NGOs, BHRRC, trade unions, and news agencies)
- c. ESG rating agencies.
- d. Word-of-mouth from industry peers or communities.



PHASE 2: HIRING

The next crucial step is to ensure conscientious selection of PSPs. This phase emphasises the client's responsibility to establish contractual arrangements with PSPs that incorporate, at a minimum, the terms mentioned below. Additionally, it outlines the human rights standards that the contract should encompass, including the working conditions of security personnel, policies, and training.

INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
5. Prevention of Child Labour: Does the client contractually require PSPs to have a minimum age limit for its guards?	There is no such contractual requirement.	The client contractually requires PSPs not to hire individuals under the age of 16 years for guard roles.	The client contractually requires PSPs not to hire individuals under the age of 18 years for guard roles.	The client helps to address root causes of child labour (i.e., the client requires PSPs to have formalise measures for assistance and remediation of child labour, such as transition programmes, health assistance, alternative for loss of income for children's families).
6. Working Time: What are the contractual limits set by the client on the maximum working hours per day and week for the guards?	There is no such contractual requirement.	The client contractually requires PSPs to ensure their personnel do not exceed a maximum of 48 working hours per week. However, there is no contractual requirement on the maximum hours per day.	The client contractually requires PSPs to ensure their personnel do not exceed a maximum of 48 working hours per week and do not work more than 12 hours a day.	The client contractually requires PSPs to ensure their personnel do not exceed a maximum of 48 working hours per week and do not work more than 8 hours a day. The client considers the feasibility of shifts (e.g., in relation to commutes and or accommodation).

INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
7. Compensation: Does the client contractually require PSPs to compensate personnel with the minimum legal wage in the respective country?	The contractual requirements do not address guards' compensation.	The contractual requirements address guards' compensation. However, there is no alignment with the legal minimum wage.	The contractual requirements for compensation equal at least the legal minimum wage in the respective country. In countries with no minimum wage or an inadequate minimum wage, living wage requirements will be included.	In addition to 'satisfactory', 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. The calculation of the living wage is determined in consultation with stakeholder and regularly reviewed.
8. Social Security Benefits: Does the client contractually require PSPs to offer social security benefits to guards?	The contractual requirements do not address guards' social security benefits.	The contractual requirements for social security benefits are below the minimum standards outlined in the ILO Social Security Convention.	The contractual requirements for social security benefits equal at least the minimum standards outlined in the ILO Social Security Convention.	In addition to 'satisfactory', the client provides assistance to PSPs to enhance their social security benefits beyond the minimum standards outlined in the ILO Social Security Convention.
9. Training: Does the client contractually require PSPs to provide security-related human rights risks training to all guards?	There is no such contractual requirement.	The client contractually requires PSPs to provide comprehensive training to all guards initially.	In addition to 'insufficient', there is a refresher training every year regularly updated when there are additions, removals or adjustments of practices. The training includes training on human rights and international humanitarian law if applicable (incl. proof, e.g., who the trainers were and if official certificates exist).	In addition to 'satisfactory', the refresher training is conducted regularly throughout the year and specialised function-specific and need-based training is provided in the event of any incidents.

INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
10. Healthy Environment and People Well-Being: Does the client contractually and practically require PSP's to provide a healthy environment for all employees including at minimum access to clean drinking water, shelter, toilets, uniform and equipment?	There is no such contractual requirement.	One or more of the basic requirements listed are not contractually required.	The client contractually requires PSPs to implement all minimum requirements and has reporting requirements and/or conducts monitoring to ensure compliance.	In addition to 'satisfactory', the client provides assistance to PSPs to implement initiatives and goals aimed at promoting a diverse workforce.*
11. Labour Unions and Collective Bargaining: Does the client allow PSPs to form and participate in labour unions and collective bargaining (if allowed by national legislation)?	There is no such contractual requirement.	The client prohibits PSPs to form and participate in labour unions and collective bargaining or obstructs the formation of unions.	The client contractually and in practice allows PSPs to form and participate in labour unions and collective bargaining.	In addition to 'satisfactory', the client informs PSPs and/or guards about their rights, engages with unions or similar forms of worker representatives and prohibits intimidation, harassment, retaliation, blacklisting against unionised workers and union representatives.**

* The list of measures and targets to be implemented is:

- Include a clause that requires PSPs to have a diversity and inclusion policy.
- Include a clause that contractually prohibits PSPs from discriminating against employees or job applicants based on their race, ethnicity, gender, sexual orientation, religion, or any other characteristic.
- Ask PSPs to regularly report on their workforce composition.
- Require PSPs to provide training on non-discrimination, diversity and inclusion to their employees.

** In some operating contexts, where collective bargaining and unions are prohibited or severely restricted, the client company seeks to establish alternative ways to consult with workers' representatives.





PHASE 3: CONTINUOUS MONITORING

Upon engaging a PSP, the client company bears the responsibility of conducting human rights due diligence to guarantee adherence to contractual obligations. This duty involves the continuous monitoring of private security operations to identify and assess any potential human rights risks, which includes incident reporting and analysis, routine procedures, and audits aimed at detecting and addressing any violations. Such monitoring is critical to prevent human rights abuses. Monitoring is an ongoing process aimed at reducing risk, whereas incident management pertains to the specific handling of individual incidents as they arise.

INDICATORS	NON-EXISTENT / NON-APPLICABLE		SATISFACTORY	
	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
12. Reporting: Does the client require PSPs to collect human rights incidents in an internal database and to report them to the client?	There is no such requirement.	The client requires PSPs to collect human rights incidents in an internal database and to report them to the client but not within a given timeframe.	The client requires PSPs to collect human rights incidents and grievance reports in an internal database and to report them to the client within 48 hours.	The client requires PSPs to collect human rights incidents and grievance reports in an internal database and to report them to the client within 24 hours.
13. Regular Communication: Does the client have regular interactions with the PSPs?	There are no interactions.	The client has irregular interactions with the PSPs including visits. There is no procedure or designated contact person.	The client has a procedure for regular interactions with the PSPs including visits. The interactions are documented.	In addition to 'satisfactory', the client reviews and updates the procedure when needed. The client company proactively consults with PSPs, their stakeholders and other relevant parties (e.g., expert organisations such as ICoCA) to improve the respect of human rights.



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
14. Monitoring of Hiring: Does the client monitor if the PSPs comply with the contractual requirements mentioned in the “Hiring” section of this methodology?	There is no monitoring of the contractual requirements.	The client monitors the contractual requirements. However, the legal consequences mentioned in the contract are not enforced.	The client monitors the contractual requirements and the legal consequences mentioned in the contract are enforced.	In addition to ‘satisfactory’, the client works with the PSP on correction measures for any issues or concerns identified. The client establishes feasible timeframes for closing gaps and periodically reviews the implementation of correction measures.
15. Auditing / Assessment: Does the client have rigorous assessment and audit processes in place to evaluate the PSPs’ human rights performance?	There are no formal audit processes in place. There is no defined responsibility or methodology for conducting audits.	There are some audit processes, however, responsibilities for conducting audits are only vaguely defined, and there is no clear methodology for conducting audits.	Responsibilities for conducting audits are clearly defined, and there is a robust methodology for conducting audits. The client has an external audit procedure where recommendations must be incorporated in the continuous improvement of the PSPs’ risk management within a specified timeframe.	In addition to ‘satisfactory’, the client company works with the PSPs to develop solutions to improve human rights concerns identified in audits. Also, the client engages with ICoCA or similar bodies to foster best practice.



PHASE 4: INCIDENT ASSESSMENT AND GRIEVANCE MECHANISMS

Incident Assessment and Grievance Mechanisms refer to the systems and processes to handle complaints or reports of human rights abuses or incidents involving private security personnel. Grievance mechanisms comprise human rights abuses committed by security guards as well as violations of security guards' human rights. Additionally, they ensure that victims or witnesses of such incidents have a mechanism to report them and receive appropriate support and redress, while allowing private security companies to investigate and respond to any allegations of misconduct or violations of human rights standards.

Whistleblowing is an important component of incident assessment and grievance mechanisms as it allows employees to report any incidents of misconduct or human rights abuses without fear of retaliation. Private security companies must establish clear policies and procedures and protect whistle blowers from retaliation.

INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
16. Post-incident Review: Does the client have an incident assessment for adverse human rights impacts?	There is no post-incident review.	There is an ad hoc post-incident review on occasion. However, the client has no incident assessment procedure.	The client has a post-incident review procedure. The responsibilities, documentation and protocols for response are clearly defined and trained to employees via information sessions.	In addition to 'satisfactory', after the initial emergency response, the client requires the PSP to conduct a proper internal investigation, communicate on findings and integrate the main learnings. PSP is also required to review existing policies/process or adopt new ones, as needed, to ensure non-repetition in the future.

INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
17. Grievance Mechanisms: Is the client providing grievance mechanisms?	There are no grievance mechanisms.	The client provides grievance mechanisms that are accessible to the main stakeholders. However, it is not clear if and/or how complaints are followed up.	The client provides grievance mechanisms that are accessible to the main stakeholders. The follow-up of complaints in the remediation procedure are transparent. Retaliation risks for individuals who are raising concerns are accounted for (i.e., insurance of confidentiality and legal support).	The grievance mechanism is accessible to all stakeholders, there is a clear, publicly available policy that explains how grievances are addressed. The grievance mechanism meets the effectiveness criteria laid out in UNGP 31. The client uses the grievance mechanism as a feedback tool to analyse and improve the respect for human rights in its processes and operations.
18. Sanctions: Does the client have predefined sanctions in case of contract breach or adverse human rights impacts by the PSPs?	The client does not have predefined sanctions.	The client has predefined sanctions. However, the sanctions are not enforced.	The client has predefined sanctions, and the sanctions are enforced. Also, formal termination procedures are in place for predefined scenarios as a measure of last resort.	In addition to 'satisfactory', the client cooperates with other judicial or non-judicial mechanisms to enforce punitive sanctions, whether criminal or administrative (e.g., fines), as appropriate.
19. Remediation: Does the client provide remediation for all stakeholders following a human rights violation?	There is no remediation provided.	The client provides remediation on a case-by-case basis. However, there is no standard remediation procedure.	There is a remediation procedure and appropriate resource allocation for the implementation of remedies (e.g., financial, logistical, human resources/ expertise).	In addition to 'satisfactory', the client engages in corrective measures for any issues or concerns identified. Also, the client interacts with third party experts, such as ICoCA, and affected stakeholders for grievance mechanisms to strengthen the effectiveness and accountability.

NEXT STEPS?

This framework is intended to provide ESG rating agencies and other stakeholders with a baseline for assessing the human rights due diligence client companies conduct on their private security providers.

While these four areas of focus are considered essential, they should not be considered at the exclusion of others.

ICoCA champions a model of continual improvement. This methodology is subject to feedback from relevant stakeholders. This ESG Methodology is part of a Toolkit for Responsible Private Security Contracting, which also includes a Private Security Services Procurement Guide (icoca.ch/procurement-guide) and an Investor ESG Guide To Private Security & Human Rights (icoca.ch/esg/guide). ICoCA offers support on best practices for measuring the “S” for security in ESG to any interested parties, please email: secretariat@icoca.ch.

APPENDIX

Authorship: Geneva Center for Business and Human Rights and International Code of Conduct Association.

Participants of the Business and Human Rights Clinic at the University of Geneva: Selina Vivien Baumgartner, Joël Bertschi, Eloise Galia Cadei, Cléa Crampon--Hirigoyen, Luz Donozo Fernandez, Eva Kalemi, Elisa Méa Lingenhel

This methodology was drafted by a group of seven graduate students from the University of Geneva pursuing Master's degrees in "Responsible Management" and "Sustainable Societies and Social Change". As an elective component of their degree, students enrolled in the Business and Human Rights (BHR) Clinic, offering a unique opportunity for students to work with an organisational partner - in this case ICoCA - and gain practical experience in corporate engagement with human rights. The primary aim of the BHR Clinic is to examine and develop implementation strategies that facilitate the integration of human rights principles into corporate practices.

Supervisors: Professor Dorothée Baumann-Pauly and Dr. Berit Knaak work at the Geneva Center for Business and Human Rights (GCBHR) and have guided the process of the Business and Human Rights Clinic. Dorothée Baumann-Pauly is the director of the GCBHR and Berit Knaak runs the BHR Clinic.

Acknowledgements: The GCBHR and ICoCA are grateful to the contributions from all those who provided input and feedback during the development of this publication. Particular thanks to Rebecca DeWinter-Schmitt, Associate Director of the Investor Alliance for Human Rights, and Sandra Adler, Marta Piazza, and Clara Seldermann from Enact, who all participated in workshops and provided detailed input and ideas during the development of the methodology. We also thank the over 15 interview partners for their expert insights.

Other Relevant Frameworks

Global Reporting Initiative (GRI): GRI is an international framework that helps organisations report their economic, environmental, and social impacts, including human rights. GRI's reporting standards provide guidance on disclosing human rights risks and performance.

ISO 26000: This international standard provides guidance on social responsibility, including human rights. ISO 26000 offers recommendations for organisations to integrate social responsibility into their strategies, operations, and reporting.

OECD Guidelines for Multinational Enterprises: The Organisation for Economic Cooperation and Development (OECD) provides guidelines for multinational enterprises, including recommendations for responsible business conduct. The guidelines cover a range of topics, including human rights, labour rights, and environmental protection.

United Nations Guiding Principles on Business and Human Rights (UNGPs): The UNGP provides a global standard for preventing and addressing the adverse human rights impacts of business activities. It emphasises the duty of states and the responsibility of businesses to respect human rights.

UN Global Compact (UNGC): The UNGC is a voluntary initiative that encourages businesses to adopt sustainable and socially responsible policies and practices. Participants are expected to report annually on their progress towards the UNGC's ten principles, which include human rights.

Social Accountability International (SAI): SAI developed a set of standards, including the SA8000, to promote decent working conditions and protect workers' rights. The standards cover a range of labour-related issues, including child labour, forced labour, and freedom of association.

Sustainable Development Goals (SDGs): The SDGs, established by the United Nations, are a set of 17 goals that address various global challenges, including poverty, inequality, climate change, and human rights. Organisations can align their reporting with the SDGs to demonstrate their contributions.

Voluntary Principles on Security and Human Rights (VPSHR): the VPSHR is a multi-stakeholder initiative that promotes the implementation of a set of principles that guide companies on providing security for their operations while respecting human rights.

ESG RATING METHODOLOGY CHECKLIST

PHASE 1: PRE-SCREENING AND TENDERING



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
1. Policy				
2. Track Record				
3. Tender				
4. Country-specific Risk Assessment				

PHASE 2: HIRING



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
5. Prevention of Child Labour				
6. Working Time				
7. Compensation				
8. Social Security Benefits				
9. Training				
10. Healthy Environment and People Well-Being				
11. Labour Unions and Collective Bargaining				

PHASE 3: CONTINUOUS MONITORING



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
12. Reporting				
13. Regular Communication				
14. Monitoring of Hiring				
15. Auditing / Assessment				

PHASE 4: INCIDENT ASSESSMENT AND GRIEVANCE MECHANISMS



INDICATORS	NON-EXISTENT / NON-APPLICABLE	INSUFFICIENT	SATISFACTORY	EXCELLENT
16. Post-incident Review				
17. Grievance Mechanisms				
18. Sanctions				
19. Remediation				



The
Responsible
Security
Association

**International Code of
Conduct Association**
Geneva, Switzerland

e. secretariat@icoca.ch

**Geneva Center for Business
and Human Rights**
University of Geneva
40, Boulevard du Pont-d'Arve
CH-1211 Geneva
Switzerland

e. gsem-gcbhr@unige.ch



The
Responsible
Security
Association