Security & Human Rights: The New Frontier

Tom Carver.
Why does it matter to me?
The need to be “conflict sensitive”

Handle with care
The need to be “conflict sensitive”
Why does it matter to me?

- Serious reputational hazard
- Raises the cost of capital
- Can derail a project
Drummond denies colluding to kill Colombia mine unionists

"U.S. Firms Accused of Illegal Mining (Liberia)"

"Canadian Oil Firms accused of funding Sudan Civil War"

"Aussie mining company under fire in Fiji"

"Tobacco Firm accused of supporting smuggling (Afghanistan)"

"Canadian gold-mining company accused of abuses in Philippines"
Why does it matter to me?
Case Study

Chiquita in Colombia:

- Paid money to right-wing paramilitaries to protect its employees.

- More than 100 payments, listed under “security” in Banadex’s accounts.

- Pleaded guilty and paid $25m fine for aiding and abetting terrorist organisations.
“According to the US investigation, by September 2000 top Chiquita executives were aware that the firm was making payments to the AUC.”

(Latinnews Daily, Intelligence Research 21st March 2007).
The good news...

Can painlessly integrate into your present due diligence.

1. Good information

2. A simple screening tool

3. A checklist to ask your client

If in doubt, get outside help...
About Control Risks

- Global specialist risk consultancy.
- Founded in 1975. Independent and employee owned.
- Mission: “To enable clients to succeed in complex or hostile environments”
- 650 personnel + 600 subcontractors
We work in the “critical path” of financial institutions

1. political and country risk analysis
2. “know your customer”
3. Support for project sponsor
We work in the “critical path” of financial institutions

- Training the IFC’s investment officers and risk management staff on security elements of the IFC’s new Performance Standards.

- Independent security advisors to the lenders (banks and export credit agencies) of large LNG project.

- Approached by Wall Street bank to review security arrangements in Nigeria gas project in support of a new bond offering.

- Developed a tool for European oil company to assess its compliance with the Voluntary Principles across the whole of its operations.

- Rolled out worldwide Voluntary Principles training for one of world’s largest mining houses.
“The Great Awakening”
- Shell in Ogoniland
- BP in Colombia
- Freeport in Indonesia

John Doe V. Unocal suit filed in the USA over Burma / Myanmar

1994

UN Global Compact Launched

Chevron Texaco accused of complicity w/ abuses in Niger Delta

Extractives Industries Review

Voluntary Principles on Security and Human Rights

Security included in IFC PS

Security included in Equator Principles

Voluntary Principles integrated into BTC Pipeline Legal Framework

1996

1998

1999

2000

2001

2003

2006
The Voluntary Principles on Security and Human Rights is an initiative that launched in December, 2000 by the US and UK governments, extractives sector multinationals and NGOs.

Signatories to the Voluntary Principles agree to interact with their private and public security providers in a manner that ensures respect for human rights. They cover 3 areas:

1. Risk Assessment
2. Interaction with Public Security Providers
3. Interaction with Private Security Providers
Which of these 3 case studies is beyond the scope of the Voluntary Principles?

**CASE ONE:** The local military commander designated to protect the Company’s assets in Country A is the subject of a pending investigation into alleged human rights abuses committed prior to his current appointment.

**CASE TWO:** The Business Unit in Country B receives information that its subcontracted security officers had ignored the Company’s Rules of Engagement policy when dealing with a recent security incident.

**CASE THREE:** The newly-elected President in Country C, where the Company owns a major operation, begins a widespread effort to stifle political opposition. This involves security forces being used to abduct, torture, and harass members of the opposition and minority ethnic groups.
What do you need to know?

1. What is the security picture on the ground in the country and region around the project?

2. What is the company’s history in security and human rights?

3. What processes and procedures does the company have in place to deal with these risks?
What do you need to know?

1. What is the security picture on the ground in the country and region and around the company?

2. What is the company’s history in security and human rights?

3. What processes and procedures does the company have in place to deal with these risks?
Country Risk

South and Central Asian Affairs: Afghanistan Country Page

The United States has made a long-term commitment to help Afghanistan rebuild itself after years of war. The U.S., along with others in the international community, currently provides resources and expertise to Afghanistan in a variety of areas, including humanitarian relief and assistance, capacity-building, security needs, counter-narcotic programs, and infrastructure projects. The U.S. also supports the Afghan Government in its efforts to establish a framework for a vibrant civil society, one that emphasizes democratic principles through a rule of law and creates accountable and transparent forms of government.

The United States and its international partners remain committed to helping Afghans realize their vision for a country that is stable, democratic, and economically successful, and to an Afghan government committed to the protection of women's rights, human rights, and religious tolerance.

See also:
- USAID in Afghanistan
- Rebuilding Afghanistan
- State Department's Office of Women's Issues "Focus on Afghanistan"
- NATO in Afghanistan
- NATO/International Security Assistance Force (ISAF)
What do you need to know?

1. What is the security picture on the ground in the country and region and around the company?

2. What is the company’s history in security and human rights?

3. What processes and procedures does the company have in place to deal with these risks?
Anglo-Gold Ashanti

• Anglo-Gold acquired Ashanti in 2004. The Mongbwalu gold concession in DRC was a small part of Ashanti’s portfolio.

• To maintain access to the concession, Ashanti had been paying protection money to local militia with poor human rights record.

• Exposed by Human Rights Watch in 05, creating reputational headache for the new AGA.
What do you need to know?

1. What is the security picture on the ground in the country and region and around the company?

2. What is the company’s history in security and human rights?

3. What processes and procedures does the company have in place to deal with these risks?
What is the client’s capacity to handle these risks?

Do your due diligence properly:

- Desktop research.
- Send the company a questionnaire – documentation is very important
- A background research on the company will throw up red flags.
Anvil Mines
Democratic Republic of the Congo
Three Areas to ask your client about…

• Client’s Risk Assessment

• Client’s Relationship with its own Security Provider

• Client’s Relationship with Armed Forces
Two types of risk assessment incumbent on the client:

1. To examine the security risks around the project.

2. To examine the risks that their own security arrangements might pose.

If in doubt, get an external validation….
Three Areas to ask your client about…

• Client’s Risk Assessment

• Client’s Relationship with its own Security Provider

• Client’s Relationship with Armed Forces
Private Security – Do your clients know who they are dealing with?
Three Areas to Focus on:

- Client’s Risk Assessment

- Client’s Relationship with its own Security Provider

- Client’s Relationship with Armed Forces
Considerations for Public Security

- Will your client regularly consult with security providers?
- Will your client provide human rights awareness training?
- Are security arrangements proportionate to the risks?
- Was the client compelled to take public security?
- Rules of Engagement – what are they now, what should they be?
- Log keeping and maintaining accurate records is a must
Some Easy Wins…

1. Insist that your project sponsor is Voluntary Principles trained.
Some Easy Wins…

2. Make sure the project is Voluntary Principles compliant.
3. Institute a screening of projects that will pick up “red flags”.
Case Study

Petrotesting

- Small Colombian exploration company with assets on Colombia/Ecuador. Many of their wells have been blown up by FARC.

- IFC liked company, but concerned about the security and human rights environment.

- Hired an independent expert to assess the situation.

- He found that community preferred the Colombian army to private security, who were more likely to be corrupt and brutal.

- Petrotesting structured an agreement with the Colombian army: provided human rights training, backpacks, fuel, 4x4s but not cash.

- IFC has doubled its money in a year!
That’s it!
Any questions?

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