



## 2013 Annual Report of the Government of the United States of America for the Voluntary Principles on Security and Human Rights Initiative

### Report

BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR

April 10, 2014

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### Foreword

By: Dr. Sarah Sewall, Under Secretary of State for Civilian Security, Democracy, and Human Rights

Fourteen years ago, the United States in partnership with the United Kingdom helped bring together a group of countries, companies, and non-governmental organizations to search for creative, collaborative ways to minimize the human rights risks associated with extractive activities. Since then, the Voluntary Principles on Security and Human Rights (VPs) Initiative has become a benchmark for responsible business practice, setting high expectations and demonstrating how a multi-stakeholder approach can help address shared concerns in the most challenging environments. Over the last few years in particular, the VPs Initiative has made tremendous strides, creating both a foundational document that outlines the expectations of the Initiative's participants, and a formal non-profit association to provide administrative support to the Initiative. These efforts have been essential to carrying out and amplifying the core functions of Voluntary Principles Initiative's country-based implementation efforts.

All VPs Initiative participants must now redouble our efforts to improve implementation of the principles on-the-ground, and enhance the accountability and transparency of the Initiative. To further implementation, we must continue working collaboratively, and with local communities affected by company operations, to prevent conflict before it arises. To strengthen the Initiative, we need keep looking for ways to build trust, verify implementation, and share our experiences with each other, and with the public.

The U.S. government is deeply committed to the VPs Initiative, and looks forward to continued collaboration with participants to strengthen the credibility, transparency, and accountability of the Initiative in the coming year.

I am proud to present this public report, which details U.S. actions taken to fulfill our roles and responsibilities within the Initiative so that external stakeholders can have more insight into and confidence in U.S. government efforts. I urge all other VPs Initiative participants to do the same.

### Introduction

Each member of the Voluntary Principles on Security and Human Rights (VPs) Initiative is expected to report to VPs Initiative participants annually on its efforts to implement the VPs. The U.S. government has prepared this public report, based on the report submitted by the U.S. government to the VPs Initiative, in line with our commitment to make our participation in the VPs Initiative as transparent as possible.

The VPs Initiative is a multi-stakeholder initiative made up of governments, companies, and non-governmental organizations (NGOs) that promotes the implementation of a set of principles that guide oil, gas, and mining companies in providing security for their operations in a manner that respects human rights. The VPs guide companies in conducting a comprehensive human rights risk assessment in their engagement with public and private security providers to ensure human rights are respected in the protection of company facilities and premises.

More information about the VPs can be found at [www.voluntaryprinciples.org](http://www.voluntaryprinciples.org).

### Commitment to the Voluntary Principles

The U.S. government aspires to set the standard for excellence for government participation in the VPs Initiative, and remains committed to its mission – to guide oil, gas, and mining companies on providing security for their operations in a manner that respects human rights; to strengthen implementation, accountability, and transparency within the Initiative; and to increase the number of VPs Initiative participants in all pillars. This year, we have made progress on all these fronts – strengthening implementation through cooperation with partners on the ground and programmatic funds, seeking more opportunities to expand dialogue and shared learning among participants, and broadening the Initiative's participant base.

2013 was a significant year for the VPs Initiative, as participants worked together to develop a strategy document for 2013-2016, outlining a vision for the VPs Initiative, and concrete objectives and actions participants can take to achieve stated goals. Participants developed a publicly available document summarizing tangible steps that will be taken leading up to the 2014 Annual VPs Initiative Plenary to implement the strategy.

Throughout the year, government participants increased coordination efforts with participants in other pillars as well as with embassies in countries designated as priority countries [1] to engage governments and implement the Principles on the ground. Also to further VPs implementation, several members of the

corporate pillar participating in the assurance pilot project group made significant progress in continuing to develop and pilot key performance indicators (KPIs) to validate implementation of their commitments to the VPs Initiative. The U.S. government has devoted substantial time and resources to these efforts which will continue to strengthen the VPs Initiative.

The U.S. government was able to achieve many of our goals for 2013 and refocus our energy on others:

- **Outreach and Implementation:** Implementation of the VPs is a core priority for all participants and concrete improvements on the ground are the reason the VPs exist. To support implementation by host governments, we have strengthened our outreach efforts and are funding programs to promote implementation of the VPs in various countries. Specifically, the U.S. Department of State's Bureau of Democracy, Human Rights, and Labor ("DRL") has dedicated \$600,000 in programmatic funding to increase the knowledge and understanding of the VPs in both Nigeria and Ghana, as well as \$650,000 in programmatic funds to improve the consultative process among marginalized communities and other stakeholders in Panama, Peru, and Guatemala on issues related to natural resource extraction – in which the VPs is a fundamental element. We have also created and enhanced outreach documents to strengthen our embassies' efforts in recruiting new governments to join the Initiative.
- **Developing and Refining the VPs Initiative Strategy for 2013-2016:** Over the course of 2013, VPs Initiative participants collaborated to develop goals for the next three years for the Initiative, and concrete objectives and actions to attain these goals. This work was conducted primarily through two Steering Committee retreats – one in June 2013 and another in October 2013 – and several conversations among and between pillars. We spent considerable time working with participants to review and revise the VPs Initiative Strategy document. The Strategy was approved by the VPs Initiative Steering Committee and will be used as the foundation to work toward shared goals over the next three years. Deliverables for 2013-2016 fall into three baskets: outreach, implementation, and verification. The Strategy is publicly available on the VPs Initiative website: <http://www.voluntaryprinciples.org/wp-content/uploads/2013/12/Voluntary-Principles-Strategy-Document.pdf>
- **Accountability and Verification:** All VPs Initiative participants take seriously their commitment to human rights. Upon joining the VPs Initiative, corporate pillar participants pledge to uphold a set of commitments in their business practices. Developing an assurance and verification process enhances transparency and ensures that new participants in the VPs Initiative abide by their commitments. At the 2011 Extraordinary Plenary Meeting, several corporate pillar participants ("the Volunteer Group")<sup>[2]</sup> committed to participating in an assurance pilot project to develop a set of key performance indicators ("KPIs") to validate their commitments to the VPs. Since that time the Volunteer Group has grown to a significant group of companies within the Initiative. These companies engaged with a number of VPs Initiative participants from the NGO and government pillars and also worked closely with Professor John Ruggie in developing a set of Key Performance Indicators to measure their VP implementation. The KPIs have been utilized by many VPs Initiative companies this year. This work was undertaken by both external and internal assurance providers and is a major step toward strengthening the VPs Initiative. The U.S. government supports the work of the Volunteer Group, has provided input upon consultation, and is working with the group to develop a credible, practical system to validate corporate participants' effective implementation of the VPs, and to find the right formula to communicate their findings with all stakeholders. The U.S. government will continue working with these companies as they measure their implementation of the Principles. We also look forward to learning more about the verification frameworks of those companies that are not currently participating in the Volunteer Group.

In addition, consistent with the VPs Initiative Strategy, VPs Initiative participants have been working within and across their pillars to develop verification frameworks in order to put in place clear processes for examining implementation challenges, successes, and opportunities. The U.S. government looks forward to using the emerging roles and responsibilities guidance and verification frameworks to further examine, report on, and discuss experiences with implementation of the VPs, and encourages all VPs Initiative participants to do so as well.

- **Clarification of Pillar Roles and Responsibilities:** As noted above, pursuant to the VPs Initiative Strategy, participants are working to clarify each pillar's contribution to the VPs Initiative by developing documents that clearly explain the roles and responsibilities of participants in the Roles and Responsibilities Working Group. As a participant in the VPs Initiative, the U.S. government commits to work toward creating an environment that supports corporate implementation of the VPs. We have also devoted significant attention to developing the government roles and responsibilities document pursuant to this objective, as we believe that clearly defining government roles and responsibilities will help strengthen our work in supporting the VPs Initiative.

#### **U.S. Government Participation in the VPs Initiative**

The U.S. government has participated vigorously in the VPs Initiative. Our commitment includes our active participation in working groups, pillar meetings, Steering Committee retreats, and country meetings, and the resources we have devoted to the VPs Initiative.

##### *U.S. government team*

The Bureau of Democracy, Human Rights, and Labor ("DRL") leads U.S. government engagement in the VPs Initiative – in cooperation with the State Department's Bureau of Economic and Business Affairs and the Bureau of Energy Resources. Work on the VPs and related efforts within DRL are led by the Business and Human Rights ("BHR") Team within the Multilateral and Global Affairs directorate. Our VPs team also includes representatives of the Department's Office of the Legal Adviser, as well as regular engagement with regional bureau colleagues, the Bureau of Diplomatic Security, officers at U.S. embassies around the world, officers at Defense Department Regional Commands, and officers at other U.S. agencies such as the Department of Commerce, Department of Labor, Department of Defense, and Overseas Private Investment Corporation.

#### **Policies, Procedures, and/or Guidelines to Implement the VPs**

We are committed to promoting the implementation of the VPs, and our efforts are complemented by a variety of activities we have undertaken on business and human rights. We are party to relevant human rights conventions, such as the International Convention on Civil and Political Rights, and a member of the UN Human Rights Council ("HRC"), which provides a forum to promote States' fulfillment of their human rights commitments. In June 2011, we co-sponsored the

HRC resolution that endorsed the Guiding Principles on Business and Human Rights (“GPs”). The GPs offer global guidance regarding business and human rights, providing that states have a duty to protect human rights; corporations have a responsibility to respect human rights; and victims of business-related human rights abuse should have access to remedy. The VPs Initiative is the preeminent mechanism implementing the GPs in the area of human rights-respecting security practice in the extractives industry.

With regard to GPs implementation, we continue to meet with external stakeholders to identify and discuss best practices and challenges in order to best frame our policies and practices. To this end, we hosted several implementation workshops over the last three years: one targeted the general business community and focused on respecting human rights in business operations; another targeted members of civil society, academia, and think tanks, focusing on strategies and priority-setting with regard to U.S. government implementation of the GPs; another with investors focused on strategies for investment firms to incorporate the GPs into their regular business practices as well as the use of non-financial factors in decision-making; and the most recent workshop in January 2014 focused on U.S. government procurement and human rights.

We support and participate in the Montreux Document on Pertinent International Legal Obligations and Good Practices for States related to Operations of Private Military and Security Companies during Armed Conflict (“Montreux Document”), and the International Code of Conduct for Private Security Service Providers (“ICoC”), both of which complement the VPs Initiative. The U.S. government was deeply involved in developing the ICoC’s governance and oversight mechanism—the ICoC Association—and, actively participated on the temporary steering committee, which was tasked with moving the process forward. The U.S. government joined the ICoC Association as a founding member last year. The U.S. government also funded and participated in the establishment of a set of management standards for private security companies based on the Code through the American National Standards Institute (ANSI). The Department of Defense is requiring conformity with the ANSI standard (PSC.1) for its private security contractors; and the Department of State has **announced** that, as long as the ICoC process moves forward as expected and the Association attracts significant industry participation, it anticipates incorporating membership in the ICoC Association, in addition to demonstrated conformance with PSC.1, as requirements in the bidding process for the successor contract to the Worldwide Protective Services (WPS) program. <http://www.state.gov/r/pa/prs/ps/2013/08/213212.htm>

With regard to training, both the U.S. Department of State and U.S. Department of Defense require security service providers contracting with the U.S. government to provide training addressing both U.S. and international law, including human rights and humanitarian law, prior to deployment. In addition, consistent with U.S. law and policy, the U.S. Department of State vets units or individuals in foreign security forces who might receive assistance or training from the Department of State or the Department of Defense, and when the vetting process uncovers credible information that an individual or unit has committed a gross violation of human rights, U.S. assistance or training is withheld.

#### **Promoting Awareness of the VPs throughout the U.S. Government**

The U.S. government pursued opportunities to promote the VPs publicly in a variety of international forums, meetings, and public and written statements, including, for example:

- 1) Acting Assistant Secretary of State for DRL Uzra Zeya and Deputy Assistant Secretary of State Scott Busby meet regularly with government officials from relevant U.S. State Department regional and functional bureaus and embassies to brief them on and encourage their engagement with the VPs Initiative.
- 2) The VPs are featured at the Department of State Human Rights and Labor Officers Training as well as the training for Economic Officers posted at U.S. embassies around the world.
- 3) DRL officers led numerous conference calls with desk officers, and economic, political, and human rights officers in Washington and at embassies to educate them about the VPs and the VPs Initiative and to respond to questions.
- 4) DRL officers met with outgoing and sitting US ambassadors to brief them on the VPs.

#### **Promoting and Advancing Implementation of the VPs Internationally**

The US government pursued opportunities to promote the VPs publicly in a variety of international forums, meetings, and public and written statements, including, for example:

##### *International Meetings, Forums, and Public Statements*

- 1) On June 19, 2013, in her former capacity as U.S. Ambassador to the United Nations, Susan Rice, National Security Advisor to the President delivered remarks at the United Nations Security Council Open Debate on Conflict Prevention and Natural Resources where she highlighted the importance of the VPs to conflict prevention. <http://usun.state.gov/briefing/statements/210932.htm>
- 2) On August 28-30, 2013, at the Latin America and Caribbean Regional Forum on Business and Human Rights, acting BHR Team Lead Jason Pielemeier spoke about U.S. government implementation of the UN Guiding Principles, and highlighted the VPs Initiative in his remarks.
- 3) On November 19, 2013, at the Organization for Security and Cooperation in Europe, Deputy Assistant Secretary for the Bureau of European and Eurasian Affairs Brent Harley delivered a statement that mentioned the VPs: [http://osce.usmission.gov/nov\\_19\\_13\\_kyiv.html](http://osce.usmission.gov/nov_19_13_kyiv.html).

##### *Written Statements*

- 1) In line with our commitment to make the VPs Initiative as transparent as possible, the U.S. government was the first VPs Initiative government participant to publish a public report on VPs implementation on March 12, 2013: <http://www.state.gov/j/drl/rls/vprpt/2012/206029.htm>.
- 2) In March 2013 the State Department issued a press release immediately following the 2013 Extraordinary Plenary Meeting in Ottawa, communicating the important reforms that occurred there and reaffirming the U.S. government’s commitment to the Initiative. <http://www.humanrights.gov/2013/03/21/u-s-releases-first-ever-voluntary-principles-report/>

- 3) The U.S. government Approach to Business and Human Rights, issued May 1, 2013, highlights the VPs Initiative as a key tool to address human rights and security challenges in the extractives industry: <http://www.humanrights.gov/2013/05/01/u-s-government-approach-on-business-and-human-rights/>.
- 4) The U.S. Burma Responsible Investment Reporting Requirements ("Reporting Requirements"), finalized in May 2013, cite the VPs as a key source of guidance for the extractives industry on questions regarding arrangements with security providers. <http://www.humanrights.gov/wp-content/uploads/2013/05/Responsible-Investment-Reporting-Requirements-Final.pdf>. The Appendix to the Reporting Requirements also cites the VPs Initiative as important guidance tool: <http://www.humanrights.gov/wp-content/uploads/2013/06/Burma-Reporting-Requirements-Appendix-updated.pdf>.
- 5) On November 26, 2013, Acting Assistant Secretary Uzra Zeya published an op-ed in "All Africa" about the VPs Initiative, to raise awareness of the Initiative and encourage African governments to join: <http://allafrica.com/stories/201311261263.html>.
- 6) On December 4, 2013, the White House published a fact sheet on the Obama Administration's leadership on International Human Rights which mentions the VPs Initiative as a key example of how the U.S. government partners with other governments, civil society, and companies to promote human rights and security in the extractives industry. <http://www.whitehouse.gov/the-press-office/2013/12/04/fact-sheet-obama-administration-leadership-international-human-rights>
- 7) DRL mentions the VPs as a key priority for DRL's Business and Human Rights team in its Business and Human Rights Fact Sheet. This fact sheet has been provided to all participants at business and human rights workshops hosted by the U.S. government, and is handed out to the Business and Human Rights teams' contacts regularly during meetings. <http://www.humanrights.gov/wp-content/uploads/2013/04/BHR-Fact-Sheet-April-2013.pdf>
- 8) The U.S. government has published the VPs fact sheet on the U.S. Department of State website, <http://www.state.gov/j/drl/rls/fs/2012/index.htm> and on HumanRights.gov, the U.S. government-wide website on U.S. government engagement on international human rights, <http://www.humanrights.gov/2012/12/03/the-voluntary-principles-on-security-and-human-rights/>.

#### Overview of In-Country VPs Initiative Processes

U.S. embassies facilitate VPs outreach and implementation through various mechanisms, including by: assessing which VPs Initiative participants are operating in country; identifying and building relationships with host government officials and local partners; convening multi-stakeholder meetings with VPs Initiative participants, local communities, and host government officials; and facilitating communication between DRL and embassy officers to report developments and identify opportunities.

#### Conclusions and Looking Ahead in 2014

The VPs Initiative has been considerably strengthened over the last several years. In order to build accountability, credibility and effectiveness of the VPs Initiative, we will continue to focus on verification of implementation. Verification is important to ensure to the satisfaction of both VPs Initiative participants and the public that companies are meeting their commitments under the VPs. It is also a key component of VPs implementation and critical to making the VPs Initiative sustainable long-term. We are pleased to see so many corporate pillar participants involved in developing and piloting KPIs, and encourage all corporate pillar participants to participate in the corporate pillar verification framework.

The U.S. government continues to be encouraged by the advancement of dialogue and trust-building across pillars. Despite some challenges, participants have made enormous strides in communicating candidly with one another. Through our outreach, on phone calls, and in our meetings in Washington and abroad, the U.S. government continues to re-emphasize that the VPs Initiative's greatest strength lies in its ability to serve as a platform for candid discussion and collaboration around shared objectives, including successes and challenges experienced during implementation. We will keep reiterating this message.

The U.S. government remains deeply committed to the VPs Initiative. We are energized by the work we did this year to enhance the stability of the VPs, and look forward to continued success and collaboration with all participants.

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[1] A country is designated as a priority country based on a number of factors including the size of the extractives industry and number of VPs participants from each stakeholder group active in the country.

[2] AngloGold Ashanti, Anglo American, Barrick Gold Corporation, BG Group, BHP Billiton, BP, Freeport McMoRan Copper and Gold, Marathon Oil, Newmont Mining Corporation, Rio Tinto, Shell, Talisman Energy, Total, Tullow Oil