



Responsible Investment & Security Sector

Frank Wagemans | 17-3-2022

Institutional investors and the security sector

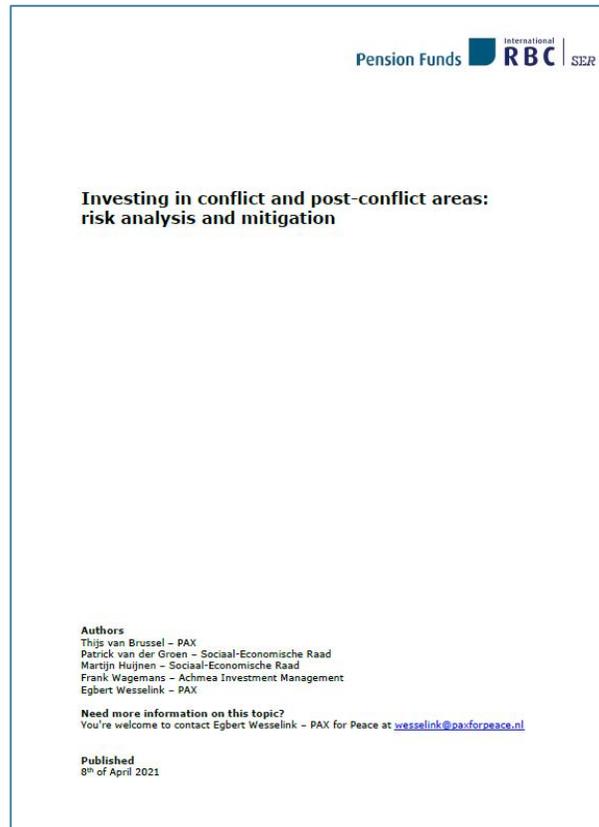
- Is the topic overlooked?
- Due Diligence: which regions and sectors are at risk?
- What can investors do?

Is the topic overlooked?

- Yes!
- Because:
 - Limited information available
 - Service providers for investee companies
 - Role of security providers often only becomes visible when human rights violations occur.
 - Limited (insight in) security policies of investee companies.

Due Diligence: Investing in (Post)-Conflict Areas

<https://www.imvoconvenanten.nl/nl/pensioenfondsen/convenant/-/media/223E1C9BCFAF44378AC4CDFBC9709DB5.ashx>



HIGH-INTENSITY CONFLICT	MEDIUM-INTENSITY CONFLICT	HIGH INSTITUTIONAL AND SOCIAL FRAGILITY
Afghanistan Libya Somalia Syrian Arab Republic	Burkina Faso Cameroon Central African Republic Chad Congo, Dem. Rep. Iraq Mali Mozambique Myanmar Niger Nigeria South Sudan Yemen, Rep.	NON-SMALL STATES Burundi Congo, Rep. Eritrea Gambia, The Guinea-Bissau Haiti Kosovo Lao PDR Lebanon Liberia Papua New Guinea Sudan Venezuela, RB West Bank and Gaza (territory) Zimbabwe

<http://pubdocs.worldbank.org/en/888211594267968803/FCList-FY21.pdf>

Due Diligence: Sectors at risk

- Mining industry:
 - Freedom of Association
 - Expansion of mining operations
- Oil & Gas
 - Conflict affected areas
- Detention facilities
 - Prisons
 - Refugees
- Security sector itself
 - Surveillance

What can institutional investors do?

Step 1: Policy

- Be prepared, ensure consistency and use guidelines such as OECD-Guidelines en UNGPs as foundation.
- Standalone or integration in human rights policy
- Building blocks:
 - Identification of risk factors and main adverse impact: for example conflict areas and sectors at risk
 - Engagement expectations: What do you expect from investees?
 - Link to RI instruments: engagement exclusion, proxy voting, ...

Step 2: Due diligence

- Zoom in on companies at risk
 - Conflict areas
 - Sectors known to pose specific risks
- Important role for data-providers.

What can institutional investors do?

Step 3: Engagement

- Pro-active & Reactive

Reactive:

- Address any human rights violation in relation to the security sector

Pro-Active

- Due diligence at companies at risk
- Policy & Governance
 - Acknowledgment of risks and due diligence
 - Adhering to relevant international guidelines
 - Demonstrable board commitment/monitoring
- Implementation
 - Certification
 - Grievance Mechanism
 - Training
 - Clear process for onboarding clients
- Reporting

What can institutional investors do?

Step 4: Steps to consider if engagement is not or not sufficiently effective

- Collaborate
- AGM & Proxy voting
 - Board committees
 - Executive remuneration
- Exclusion

- **Step 5: Reporting**



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