



CH-3003 Bern, EDA

## to whom it may concern

Our reference: K.221.244-PMSC-RON  
**Bern: August 27, 2010**

### **International Code of Conduct for Private Security Service Providers**

Dear Sir and Madam.

You will find attached the proposed International Code of Conduct for Private Security Service Providers. This code in its current form is the product of the Nyon Initiative, a process launched in June 2009 by industry associations, corporations and individual business leaders with the assistance of the Government of Switzerland and in consultation with the Governments of the United Kingdom and the United States and other stakeholders and relevant experts.

The final goals for this initiative are both to set high standards for the industry worldwide and to support the establishment of an enforcement mechanism to ensure compliance with such standards. The finalization of this code marks an important step in the process towards better accountability. A key attribute of the Code is its flexibility in supporting various methods of enforcement, including its recognition that means for implementation and enforcement will have to be provided, such as among others independent oversight, grievance mechanisms, certification and auditing. To facilitate this discussion, please also find attached a Discussion Paper on a proposed interim process to develop such a mechanism.

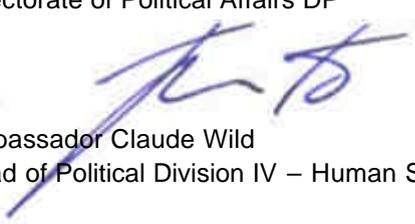
The Swiss Government will host a multi-stakeholder conference from September 29 – October 1, 2010, inviting representatives of industry, governments, clients and other stakeholders. The objective of this conference is to endorse the Code, and to discuss next steps for obtaining formal approval by the wider industry. It will also serve as a forum for the continuation of the discussion on the establishment of an independent enforcement mechanism.

All stakeholders are invited to critically shape the expectations for this initiative. Clients, whether governments, humanitarian organisations, private enterprise or international organisations are invited to politically welcome the Code after its endorsement at the conference and to further elaborate how the Code might serve their current contracting needs and the formal approval of the Code by service providers might become a precondition for future contracts.

I kindly ask you to submit any written comments via mail or email to Desk Officer Nils Rosemann: [nils.rosemann@eda.admin.ch](mailto:nils.rosemann@eda.admin.ch).

Yours sincerely,

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**INTERNATIONAL CODE OF CONDUCT FOR PRIVATE SECURITY SERVICE  
PROVIDERS**

**[as of 27 AUGUST 2010]**

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## A. PREAMBLE

Private security companies and other providers of private security services (collectively “PSCs”) play an important role in protecting State and non-State clients engaged in relief, recovery, and reconstruction, business, military support, or related missions. In providing these services, the activities of PSCs can have potentially positive and negative consequences for their clients, local populations in their area of operation, the general security environment, and the rule of law.

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 recognizes that well established rules of international law apply to States in their relations with private security providers and provides for good practices relating to private military and security companies.

The United Nations “Respect, Protect, Remedy” framework developed by the Special Representative of the UN Secretary-General on Business and Human Rights, and welcomed by the UN Human Rights Council, entails acting with due diligence to avoid infringing on the rights of others.

Building on these foundations, the signatory companies of this International Code of Conduct for Private Security Service Providers (the “Code”) endorse the principles of both the Montreux Document and the aforementioned “Respect, Protect, Remedy” framework as they apply to providers of commercial security services. In so doing, the signatory companies commit to the responsible provision of security services so as to promote the rule of law, safeguard the human rights of the civilian population and the employees of the company, and protect the interests of their clients.

The companies providing private security services who endorse this Code believe that they have a responsibility to respect the human rights of, and fulfill humanitarian responsibilities towards, all those affected by their business practices, including personnel, clients, suppliers, shareholders, and the population of the area in which services are provided. They also recognize the importance of respecting the local cultures they encounter in their work, including respect for those individuals they come into contact with as a result of their activities.

The purpose of this Code of Conduct is to create a baseline for the development of enforceable standards and to lay a foundation for effective enforcement of those standards. The Code not only commits signatory companies to abide by high standards that promote good practices, but also commits them to monitor and assess the potential adverse human rights impacts of their activities and establish effective corporate governance frameworks, including reporting and monitoring, for preventing such adverse impacts.

The PSCs endorsing this Code commit to the following principles, as set forth in this Code:

- (a) to operate in accordance with this Code;
- (b) to operate in accordance with the applicable laws and regulations, and in accordance with relevant corporate standards of business conduct;

- (c) to operate in a manner that promotes the rule of law; safeguards the human rights of the civilian population and the employees of the company, and protects the interests of their clients;
- (d) to take steps in order to prevent and effectively address adverse impacts on human rights;
- (e) to provide a means for responding to and resolving allegations of activity that violates any applicable national or international law or this Code, or otherwise conflicts with this Code; and
- (f) to cooperate in good faith with national and international authorities exercising proper jurisdiction, in particular with regard to national and international investigations of violations of national and international criminal law, international humanitarian law, or of human rights abuses.

This Code is intended to operate within a broader framework of oversight and accountability. Recognizing that industry standards for operations and business practices will be developed so that they are enforceable under national law, and further recognizing the imperative for this Code to be effectively enforced, signatory companies recognize the importance of:

- (a) continuing to work to establish standards for security services, based upon this Code, that are recognized by the competent authorities of the States in which they are registered or operate, with the objective of realizing common, internationally recognized, operational and business practice standards;
- (b) supporting a process to establish oversight and enforcement of this Code, including accountability mechanisms to resolve claims of violations of this Code.

## B. DEFINITIONS

These definitions are only intended to apply in the context of this Code.

Client – An entity that hires, has formerly hired, or intends to contract with a PSC to perform security services on its behalf, including, as appropriate, where such a PSC subcontracts with another company.

Company – includes any kind of business entity or form, such as a sole proprietorship, partnership, company, or corporation.

Competent authority – any state or intergovernmental organization which has jurisdiction over the activities and/or persons in question.

Complex environment – Any areas: (a) experiencing or recovering from international or non-international armed conflict, (b) experiencing or recovering from widespread unrest or instability, (c) experiencing or recovering from substantial devastation due to natural or manmade disasters, or (d) where the rule of law has been substantially undermined or where governments may not be able to effectively enforce the law, or (e) at significant risk of entering any of the previous four categories.

Due diligence – refers to the steps a company must take to become aware of, prevent and address adverse human rights impacts.

Personnel – persons working for, through direct hire or under a contract with, a PSC, including its employees, managers and directors. For the avoidance of doubt, persons are considered to be personnel if they are connected to a PSC through an employment contract (fixed term, permanent or open-ended) or a contract of assignment (whether renewable or not), as well as temporary workers and interns (whether paid or unpaid), whatever the specific designation used by the company concerned.

Private security companies and private security providers – (collectively “PSCs”): Private business entities, including their personnel, whose business activities include the provision of security services either on its own behalf or on behalf of another, irrespective of how they describe themselves.

Security services – include, but are not limited to, guarding and protection of persons and objects, such as convoys, facilities, designated sites, property or other places.

Signatory companies – are PSCs that have agreed to operate in compliance with the requirements of this code.

### **C. GENERAL PROVISIONS**

1. Signatory companies agree to operate in accordance with the commitments contained in this Code.
2. This Code provides commitments applicable to the actions of signatory companies while performing security services in complex environments.
3. Signatory companies will implement policies and oversight so that the actions of their personnel comply with the commitments listed below.
4. This Code complements and does not replace the control exercised by competent state authorities, and does not limit or alter applicable international law or relevant national law. This Code creates no binding governmental obligations under international law and creates no new rights under international law. Nothing in this Code shall be interpreted as limiting or prejudicing in any way existing or developing rules of international law.
5. Whenever possible, compliance with this Code will be made an integral part of contractual agreements, including those with clients, personnel, companies and subcontractors. Regardless, signatory companies will adhere to this Code, even when the Code is not included in a contractual agreement.
6. Signatory companies and their personnel will not enter into contracts where performance would directly conflict with the standards of this Code, applicable national or international law, or relevant local, regional and international human rights standards, and are not excused by any contractual obligation from complying with this Code. In the case of an armed conflict, signatory companies will not accept contracts that require them to directly participate in hostilities. Signatory companies are not excused by this Code from fulfilling any terms in their contract. To the maximum extent possible, contracts will be interpreted and performed in a manner that is compliant with this Code.

### **D. GENERAL COMMITMENTS**

7. Signatory companies and their personnel will comply with applicable international law which may include international humanitarian law, and human rights law as imposed upon them by applicable national law, as well as all other applicable national law including criminal law, tax law, immigration law, labour law, law relating to corruption, and specific regulations on private security services.
8. Signatory companies will exercise due diligence to ensure compliance with the law and the standards contained in this Code.
9. Signatory companies and their personnel will not participate in, encourage, or seek to benefit from war crimes, crimes against humanity, genocide, torture, enforced disappearance, forced or compulsory labour, hostage-taking, or extrajudicial, summary or arbitrary executions.

10. Signatory companies and their personnel will refrain from any activity which the company or such personnel ought reasonably to know supports, solicits, or encourages states or any other entities to abuse human rights or international humanitarian law. They will take reasonable steps to ensure that the goods and services they provide are not used to violate human rights standards or international humanitarian law, nor are derived from such violations.
11. Signatory companies and their personnel will not promise, offer, or give to any competent authority, directly or indirectly, anything of value for the public official himself or herself or another person or entity, in order that the public official act or refrain from acting in the exercise of his or her official duties. Signatory companies and their personnel will not solicit or accept, directly or indirectly, anything of value in exchange for not complying with international and national laws and/or standards, or with the standards contained within this Code.
12. Signatory companies are responsible for establishing a corporate culture that will ensure adherence of all personnel to the standards of this Code.

## **E. SPECIFIC COMMITMENTS REGARDING THE CONDUCT OF PERSONNEL**

### **General Conduct**

13. In carrying out contractual obligations of the signatory company, personnel will treat all persons humanely and with respect for their dignity and privacy and will report any breach of this code to their supervisor or superior.

### **Use of Force**

14. In performing their contractual obligations, personnel will take all reasonable steps to avoid escalation of violence.
15. In carrying out their contractual obligations, personnel may not resort to force or the use of weapons except to the extent necessary to defend themselves or others against an imminent threat of unlawful violence or commission of a particularly serious offence. Personnel must have an objectively reasonable belief that an imminent threat exists at the time the use of force occurs. All harm likely to result from such defensive action to any person or object must be proportionate to the legitimate aim pursued.
16. To the extent that personnel are formally authorized to assist in the exercise of a state's law enforcement authority, their use of force or weapons must comply with all national and international obligations applicable to regular law enforcement officials of that state and, as a minimum, with the standards expressed in the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials (1990).

## **Use of Deadly Force**

17. Deadly force must only be used as a last resort and in such situation personnel must comply with the following rules for the use of deadly force:
  - (a) Personnel may only resort to deadly force in self-defense or defense of others if its use is a necessity and based on a reasonable belief of imminent threat of death or serious bodily harm.
  - (b) The necessity to use deadly force arises when all other available means of preventing imminent and grave danger to oneself or other innocent persons have failed or would likely fail.
  - (c) The use of deadly force must be objectively reasonable under the totality of the circumstances known to the individual at the time. Such a belief may be based on hostile act and/or demonstrated hostile intent.
  - (d) The safety of innocent bystanders must be given the utmost regard when deadly force is used.

## **Apprehending persons**

18. Signatory companies and their personnel will not take or hold any persons except when apprehending persons following an attack or crime committed by such persons against company personnel, or anyone or property under their protection, pending the handover of such detained persons to the competent authority at the earliest opportunity. Any such apprehension must be in accordance with the applicable national law and be reported to the competent authority without delay. Signatory companies and their personnel will treat all apprehended persons humanely.

## **Detention**

19. Signatory companies and their personnel may not guard, transport, or question detainees unless they have been specifically contracted to do so by a State, and trained to do so. Furthermore, this must be permitted under the applicable international and national law. Signatory companies and their personnel will treat all detained persons humanely.

## **Prohibition of Torture or other Cruel, Inhuman or Degrading Treatment or Punishment**

20. Signatory companies and their personnel will not engage in torture or other cruel, inhuman or degrading treatment or punishment.
21. Signatory companies and their personnel may not invoke contractual obligations, superior orders or exceptional circumstances such as an armed conflict or an imminent armed conflict, a threat to national or international security, internal political instability, or any other public emergency, as a justification for engaging in torture or other cruel, inhuman or degrading treatment or punishment.
22. Signatory companies and their personnel will report known or reasonable suspicion of any acts of torture or other cruel, inhuman or degrading treatment or punishment to one or more

of the following: the competent authorities in the country where the act took place, the competent authorities in the country of nationality of the victim, the competent authorities in the country of nationality of the perpetrator.

### **Sexual or Gender-Based Violence**

23. Signatory companies will not benefit from, nor allow their personnel to engage in or benefit from illicit sexual exploitation and abuse or gender-based violence or crimes, either within the company or externally, including rape, sexual harassment, or any other form of sexual abuse or violence. Signatory companies will not participate in or tolerate from their personnel the impeding of witnesses, testimony, or investigations related to such acts. Signatory companies and their personnel will remain vigilant for all instances of sexual or gender-based violence and, where discovered, will report such instances to competent authorities.

### **Human Trafficking**

24. Signatory companies will not engage in, or allow their personnel to engage in, trafficking in persons. Signatory companies will remain vigilant for all instances of trafficking in persons and, where discovered, will report such instances to competent authorities. For the purposes of this Code, human trafficking is the recruitment, harboring, transportation, provision, or obtaining of a person for (1) a commercial sex act induced by force, fraud, or coercion, or in which the person induced to perform such an act has not attained 18 years of age; or (2) labour or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, debt bondage, or slavery.

### **Prohibition of slavery and forced labour**

25. Signatory companies will under no circumstances use slavery or forced or compulsory labour, or be complicit in any other entity's use of such labour.

### **Prohibition on the worst forms of child labour**

26. Signatory companies will respect the rights of children (anyone under the age of 18) to be protected from the worst forms of child labour, including:
  - a. all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in provision of armed services;
  - b. the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
  - c. the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs;Signatory companies and their personnel will report to competent authorities any instances of the activities reference above that they know of or have reasonable suspicion of.

### **Discrimination**

27. Signatory companies and their personnel will not discriminate on grounds of race, colour, sex, national origin, religion, social origin, social status, indigenous status, disability, sexual orientation when hiring personnel unless such discrimination is reasonably related to the inherent requirements to perform the duties of the position.

### **Respect for Privacy and Property**

28. Signatory companies and their personnel will respect the rights to privacy and property as protected by law of those persons they come into contact with as a result of their activities.

### **Freedom of Expression and Peaceful Assembly**

29. Signatory companies and their personnel will respect the rights of any individual to freedom of expression and peaceful assembly as protected by law subject to reasonable security precautions.

### **Freedom of Association**

30. Signatory companies and their personnel will respect the rights of any individual to freedom of association and collective bargaining as protected by international and national law.

### **Identification of Personnel**

31. Signatory companies will ensure, to the extent consistent with ensuring the safety of personnel, that their personnel be individually identifiable whenever they are carrying out activities in discharge of their contractual responsibilities.

## **F. SPECIFIC COMMITMENTS REGARDING MANAGEMENT AND GOVERNANCE**

### **Incorporation of the Code into Company Policies**

32. Signatory companies will incorporate this Code into company policies and internal control and oversight systems and integrate it into all elements of their operations.

### **Selection and Vetting of Personnel**

33. Signatory companies will exercise verifiable due diligence in the selection, vetting and ongoing performance review of their personnel. Signatory companies will only hire individuals with the requisite qualifications as defined by the applicable contract, applicable national law and industry standards, and the specific requirements of this Code.

34. Signatory companies will not hire individuals under the age of 18 to carry out security services.
35. Signatory companies will assess and ensure the continued ability of personnel to perform their duties in accordance with this Code and will regularly evaluate personnel to ensure that they meet appropriate physical and mental fitness standards to perform their contracted duties.
36. Signatory companies will take reasonable and appropriate steps to ensure that none of their personnel required to carry a weapon as part of their duty has been convicted of a serious crime [as defined below], or has been dishonourably discharged [as defined below], or has had other employment terminated for documented violations of one or more of the standards contained in this Code, or for any other reason that might, according to an objectively reasonable standard, bring into question their fitness to carry a weapon. Personnel who are required to carry a weapon will provide a formal signed declaration confirming that they have not committed any of the above or a violation of one or more of the provisions in the Specific Commitments Regarding the Conduct of Personnel.
37. Signatory companies will require all applicants to authorize access to prior employment and available Government records as a condition for employment, including records relating to posts held with the military, police or private services, and will require all applicants to agree to participate in internal investigations and disciplinary procedures as well as in any public investigations conducted by competent authorities, except where prohibited by law.
38. For the purposes of paras. 33-37, serious crime means an offense punishable by a deprivation of liberty of at least four years or a more serious penalty, the elements of which include violence, fraud, sexual abuse, organized crime, bribery, corruption, perjury, drug trafficking or trafficking in persons; and dishonourable discharge includes, but is not limited to, dishonourable discharges from state armed forces, public police forces, gendarmerie or similar forces.

### **Selection and Vetting of Subcontractors**

39. Signatory companies will exercise due diligence in the selection, vetting and ongoing performance review of all subcontractors performing private security services.
40. Signatory companies will only enter into sub-contracting agreements with companies or individuals who accept the commitments contained in this Code. If a company contracts with an individual or any other group or entity to perform security services under a subcontract, and that individual or group is not able to fulfill the selection and vetting commitments contained in this Code, the contracting company will ensure that selection and vetting of subcontractor's personnel are conducted in accordance with the requirements of this Code.

## **Company policies and personnel contracts**

41. Signatory companies will ensure that their policies and other relevant personnel reference materials such as personnel contracts include appropriate incorporation of this Code and relevant and applicable labour laws. Contract terms and conditions will be clearly communicated and available in a written form to all personnel in a format and language that is accessible to them.
42. Signatory companies will keep employment and service records and reports on any personnel who are dismissed or disciplined for violations of this Code or any other behaviour related to the use of force, except where prohibited by law. Such records will be made available to any governance mechanism established pursuant to this Code or competent authority on request, except where prohibited by law.
43. Signatory companies will only hold passports, other travel documents, or other identification documents of their personnel for the shortest period of time reasonable for administrative processing or other legitimate purposes. This paragraph does not prevent a company from co-operating with law enforcement authorities in the event that a member of their personnel is under investigation.

## **Training of Personnel**

44. Signatory companies will ensure that all personnel performing security services receive initial and recurrent professional training and are also fully aware of all applicable international and relevant national laws and standards, including those pertaining to international human rights, international humanitarian law and international criminal law. Signatory companies will maintain records adequate to demonstrate attendance and results from all professional training sessions, including from practical exercises.

## **Management of Weapons**

45. Signatory companies and their personnel will acquire and maintain all authorizations for the possession and use of any weapons and ammunition required by applicable law.
46. Signatory companies and their personnel will neither possess nor use weapons or ammunition which are illegal under any applicable law. Signatory companies and their personnel will not engage in any illegal weapons transfers and will conduct any weapons transactions in accordance with applicable laws and UN embargoes. Weapons and ammunition will not be altered in any way that contravenes applicable national or international law.
47. Personnel who are to carry weapons will be granted authorization to do so only on completion of specialized training with regard to the type and model of weapon they will carry. Personnel should not operate with a weapon in high threat or dangerous environments until they have successfully completed specialized training. This specialized training may be based on a variety of relevant standards, but should be based as a minimum on this Code of Conduct and the UN Basic Principles on the Use of Force and

Firearms by Law Enforcement Officials (1990), and national laws or regulations in effect in the area duties will be performed.

48. Signatory company policies or procedures for management of weapons and ammunitions should include:
- (a) secure storage
  - (b) strict controls over their issue
  - (c) detailed records regarding to whom and when weapons are issued
  - (d) strict identification and accounting of all ammunition
  - (e) proper disposal procedures.

### **Incident Reporting**

49. Signatory companies shall ensure that any incident involving its personnel that results in injury to any person or damage to any property, is promptly investigated in order to determine the following:
- (a) time and location of the incident;
  - (b) identity and nationality of any persons involved including their addresses and other contact details;
  - (c) injuries/damage sustained;
  - (d) cause of the incident;
  - (e) any measures taken by the signatory company in response to it; and
  - (f) whether any provision of this Code was breached.

Upon completion of the investigation, the signatory company will produce in writing an incident report including the above information, copies of which will be provided to the competent authority and client.

### **Safe and Healthy Working environment**

50. Signatory companies will strive to provide a safe and healthy working environment, recognizing the possible inherent dangers and limitations presented by the local environment. Signatory, companies will ensure that reasonable precautions are taken to protect relevant staff in high risk or life-threatening operations. This will include:
- (a) assessing risks of injury to personnel as well as the risks to the local population generated by the activities of companies and/or personnel;
  - (b) providing hostile environment training;
  - (c) providing adequate protective equipment, appropriate weapons and ammunition, and medical support;
  - (d) adopting policies which support a safe and healthy working environment within the company, such as policies which address psychological health, deter work-place violence, misconduct, alcohol and drug abuse, sexual harassment and other improper behaviour.

## **Harassment**

51. Signatory companies will not tolerate harassment and abuse of co-workers by their personnel.

## **Internal grievance procedures**

52. Signatory companies will establish internal grievance procedures to address claims alleging failure by the company to respect the standards contained in this Code brought by:
- (a) company personnel; and
  - (b) third parties.

Grievances will be investigated without delay, impartially and confidentially. Procedures must be fair, accessible and offer effective remedies, including recommendations when standards are not met. Signatory companies will keep records about any such allegations, findings or disciplinary measures taken. Except where prohibited by law, such records should be made available to a competent authority on request.

## **Internal personnel disciplinary procedures**

53. In addition to cooperating with official investigations, signatory companies will carry out effective internal investigations with regard to allegations of violations of this Code or any other unlawful or abusive behaviour by company personnel. Signatory companies will take appropriate disciplinary action, including termination of employment in case of a finding of such violations or unlawful behaviour. Signatory companies will keep personnel records concerning such allegations, findings or disciplinary measures taken. Except where prohibited by law, such records will be made available to any governance mechanism established pursuant to this Code or a competent authority on request.

## **Whistleblower Policy**

54. Signatory companies will establish procedures for their personnel to report allegations of improper and/or illegal conduct, including such acts or omissions that would violate this Code of Conduct. These procedures should encourage personnel with reason to believe that improper or illegal conduct, or a violation of this Code has occurred or is about to occur to report the matter to their superiors and, where necessary, to other competent authorities. Signatory companies will ensure that whistleblowers who report wrongdoings are provided protection against any retaliation for making such reports, such as shielding them from unwarranted or otherwise inappropriate disciplinary measures, and that matters raised are examined and acted upon without undue delay. No provision in this Code should be interpreted as replacing any contractual requirements for reporting misconduct.

### **Meeting Liabilities**

55. Each signatory company will ensure that it has sufficient financial capacity in place at all times to meet any liability for damages to any person in respect of personal injury, death or damage to property. Sufficient financial capacity may be met by adequate insurance coverage, such as by employer's liability and public liability coverage appropriately sized for the scale and scope of operations of the signatory company.

### **G. FURTHER IMPLEMENTATION**

56. For this Code to enter into full effect, an independent oversight and accountability mechanism will have to be established.



## **Discussion Paper on Transition to an Accountability & Oversight Mechanism**

In the course of the public consultation process, the Swiss Government received several proposals for an oversight mechanism for the Code. Various models were proposed. These included a range of components, such as an administrative bureau with licensing functions, an independent prosecutor, an oversight office, investigation teams, *ad hoc* fact-finding commissions, an ombudsman, independent grievance tribunal, compliance panels, a standards committee, and a plenary assembly of members.

While there may be agreement on the need for independent oversight and accountability, the discussions on the actual architecture are ongoing. In order to facilitate an ongoing multi-stakeholder dialogue, the following elements for a transition to an agreed structure have been proposed and are reproduced here to assist the discussion.

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*Establishment of Transitional Mechanism:* As a first step, stakeholders could agree to the establishment of a transitional Steering Committee as outlined below.

The Steering Committee could be comprised of representatives from the participating industry, governments and civil society organizations.

This Steering Committee could propose a permanent multi-stakeholder entity, including its governance structure, participation/membership criteria, a sustainable funding plan, and a program of work to implement the Steering Committee's functions.

Costs of the Steering Committee could be shared by participating governments and industry.

*Transitional arrangements:* The governance and implementation functions of the Code could be phased in over a three-year period under the following schedule:

Phase One: Starting potentially autumn 2010: The Steering Committee will focus on establishing an oversight entity, including proposals for its functions, governance structure and budget.

As regards grievance mechanisms, the Steering Committee should consult all relevant stakeholders and might further consult with relevant experts such as the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, and the Steering Committee of the Voluntary Principles on Security and Human Rights, and develop proposals. The grievance mechanism proposed should respect the following principles: legitimacy, accessibility, predictability, equitability, rights-compatibility and transparency.

During this transitional phase, the Steering Committee could work with governments, companies and civil society to raise awareness about the Code, to encourage its adoption, and to promote ongoing dialogue and engagement with stakeholders. Companies could commit to implement the Code and to adhere to temporary reporting standards.

Phase Two: A new entity could assume responsibility from the transitional Steering Committee for Code implementation and oversight. This entity could set a timetable for company implementation, create the accountability and grievance mechanisms, and establish a budget.

Phase Three: The new entity is fully operational, carrying-out oversight and accountability functions.