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**Promotion and protection of all human rights, civil,
political, economic, social and cultural rights,
including the right to development**

Report of the Special Representative of the Secretary- General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie

Addendum

Principles for responsible contracts: integrating the management of human rights risks into State-investor contract negotiations: guidance for negotiators* **

Summary

Every business venture has the potential to have positive and negative impacts on people and human rights – those rights and freedoms that the international community has agreed that people need in order to live with dignity. In some cases, where the potential positive and negative human rights impacts of a venture are direct and significant, managing human rights risks will be an essential consideration to be included at the earliest stages of the life cycle of the venture. This is the case where the project presents either large-scale or significant social, economic or environmental risks or opportunities, or involves the depletion of renewable or non-renewable natural resources.

In such cases, irrespective of the sector involved, the negotiation process between a host State and a business investor offers a unique opportunity to identify, avoid and mitigate human rights risks. This will help optimize the full range of benefits to be drawn from the investment and help ensure the potential negative impacts on people are avoided or mitigated. Moreover, these principles will help ensure that States maintain adequate policy space in the investment contract, including for the protection of human rights, while avoiding claims relative to the contract in binding international arbitration.

* The present report was submitted late in order that the most up-to-date information could be included.

** Owing to its length, the report, annexed to the summary, is circulated as received.

The 10 principles that can help guide the integration of human rights risk management into contract negotiations are listed below:

1. Project negotiations preparation and planning: The parties should be adequately prepared and have the capacity to address the human rights implications of projects during negotiations.

2. Management of potential adverse human rights impacts: Responsibilities for the prevention and mitigation of human rights risks associated with the project and its activities should be clarified and agreed before the contract is finalized.

3. Project operating standards: The laws, regulations and standards governing the execution of the project should facilitate the prevention, mitigation and remediation of any negative human rights impacts throughout the life cycle of the project.

4. Stabilization clauses: Contractual stabilization clauses, if used, should be carefully drafted so that any protections for investors against future changes in law do not interfere with the State's bona fide efforts to implement laws, regulations or policies in a non-discriminatory manner in order to meet its human rights obligations.

5. "Additional goods or service provision": Where the contract envisages that investors will provide additional services beyond the scope of the project, this should be carried out in a manner compatible with the State's human rights obligations and the investor's human rights responsibilities.

6. Physical security for the project: Physical security for the project's facilities, installations or personnel should be provided in a manner consistent with human rights principles and standards.

7. Community engagement: The project should have an effective community engagement plan through its life cycle, starting at the earliest stages.

8. Project monitoring and compliance: The State should be able to monitor the project's compliance with relevant standards to protect human rights while providing necessary assurances for business investors against arbitrary interference in the project.

9. Grievance mechanisms for non-contractual harms to third parties: Individuals and communities that are impacted by project activities, but not party to the contract, should have access to an effective non-judicial grievance mechanism.

10. Transparency/Disclosure of contract terms: The contract's terms should be disclosed, and the scope and duration of exceptions to such disclosure should be based on compelling justifications.