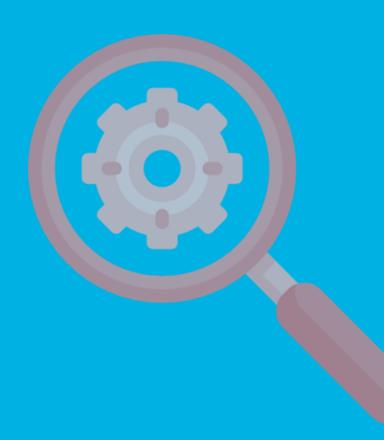


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### WHAT

The Sustainable Human Settlements Foundation is a **not-for-profit charitable foundation** that was conceived at WUF10 as an innovative financing solution for UN-Habitat. The Foundation is a regulated fund that will invest in external financial markets. Like an endowment, a portion of investment earnings will be contributed to UN-Habitat.

### WHO

While any qualified investor may participate in SHSF, it is expected to be of particular interest to the **private sector**. The governance of SHSF includes an **advisory board** of Member States and independent experts.

### WHY

The chartered purpose is to strengthen the core funding of the programme through **contributions to the non-earmarked Foundation**, which remains under the authority of the Executive Board,.



# **Engagement with the Executive Board on SHSF**

2022 First session HSP/EB.2022/2/Add.2 Resource mobilization strategy

2022 Second session <u>HSP/EB.2022/15/Add.3</u> Resource mobilization strategy + <u>presentation</u> <u>HSP/EB.2022/22</u> Decision 2022/5, paras. 19-21: reputational risk analysis

2023 First session <u>HSP/EB.2023/INF/3</u> Risk analysis + <u>presentation</u> <u>HSP/EB.2023/7</u> Decision 2023/1, paras. 7-8: due diligence assessment

2023 Second session <u>HSP/EB.2023/CRP1</u> Due diligence assessment + <u>presentation</u> <u>HSP/EB.2023/9</u> Decision to defer to third session

Ad hoc working group on programmatic, budgetary and administrative matters 41<sup>st</sup> meeting on 27 September 2023: <u>annexes</u> + <u>presentation</u> 42<sup>nd</sup> meeting on 11 October 2023: <u>technical note</u> on scenarios + <u>presentation</u>

#### 2023 Third session <u>HSP/EB.2023/13</u> Due diligence assessment with 12 provisions <u>HSP/EB.202/CRP.7</u> Annexes

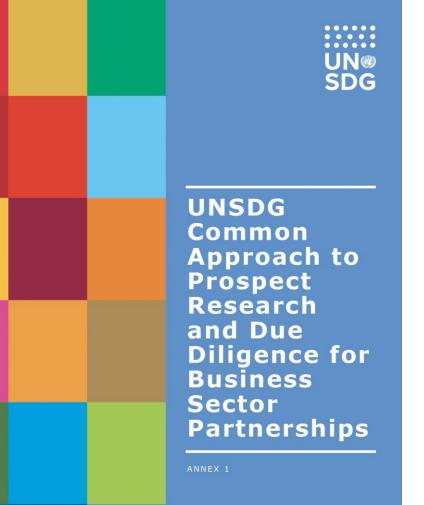
Discussed at five sessions Named on the agenda of three sessions Consultations at two ad hoc working group meetings



Documentation of informal consultations that focused on the first provision, evolving from a short-term agreement, subject to extension, to a longer-term agreement with a comprehensive exit strategy



# **Private sector rules of engagement**



When partnering with the private sector, UN-Habitat follows internal guidance, based on a system-wide approach:

- ✓ Scope and definitions
- Integrity, transparency, accountability
- ✓ Shared values and complementarity
- Sustainability and advancement of UN goals
- ✓ Exclusionary criteria
- ✓ Due diligence process

References

- 1. <u>UNSDG Common Approach to Prospect Research and Due</u> <u>Diligence for Business Sector Partnerships</u>
- 2. <u>UN-Habitat Guide to Partnering with Private Sector</u>



### Activities undertaken

# Risk Oversight and Advisory Committee

Recommendation to proceed, subject to twelve provisions

 ✓ Deliberation of due diligence and reputational risk

Recommendation to proceed with conditions



- ✓ Human rights
- ✓ Positive screening
- ✓ Negative screening
- ✓ Qualitative screening

## **Due diligence**



# **Recommended provisions**

- 1. Exit strategy
- 2. Investment prohibition in certain sensitive industries
- 3. Annual sustainability report
- 4. Sustainability certification
- 5. Listing on a sustainability index
- 6. Disclosure of investments and investors

- 7. Externally audited financial statements
- 8. Member States invited to join Advisory Board
- 9. Sustainability leaders invited to join Advisory Board
- 10.UN-Habitat personnel prohibited from involvement in investment activities
- **11. Inclusion of an indemnity clause**
- 12.Use of UN-Habitat name and logo only with permission



# **Recommended exit strategy**

### **Objective**

Maximize the value proposition to investors, and therefore the revenue to UN-Habitat, whilst managing the reputational risk, including through an exit strategy.

### **Termination authority**

The Executive Director may terminate the agreement only with the consent of, or with a request from, the Executive Board.

#### Nature and manner of termination

Either party may terminate the agreement without cause, with thirty days' notice.

### **Term of validity**

Valid until 31 December 2030 (seven years) in line with SDGs, with periodic reviews.

### **Periodic reviews**

First periodic review in 2025, with subsequent reviews at the discretion of the Executive Board; such reviews are checkpoints on continuation with the agreement.



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