



UN-HABITAT

Agenda item 6

Discussion on the due diligence of the Sustainable Human Settlements Foundation



Executive Board: Third session of the year 2023
28-30 November 2023



Background on SHSF

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

[HSP/EB.2022/15/Add.3](#) Resource mobilization strategy + **presentation**

[HSP/EB.2022/22](#) Decision 2022/5, paras. 19-21: reputational risk analysis

2023 First session

[HSP/EB.2023/INF/3](#) Risk analysis + **presentation**

[HSP/EB.2023/7](#) Decision 2023/1, paras. 7-8: due diligence assessment

2023 Second session

[HSP/EB.2023/CRP1](#) Due diligence assessment + **presentation**

[HSP/EB.2023/9](#) Decision to defer to third session

Ad hoc working group on programmatic, budgetary and administrative matters

41st meeting on 27 September 2023: [annexes](#) + **presentation**

42nd meeting on 11 October 2023: [technical note](#) on scenarios + **presentation**

2023 Third session

[HSP/EB.2023/13](#) Due diligence assessment with 12 provisions

[HSP/EB.202/CRP.7](#) 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



**UNSDG
Common
Approach to
Prospect
Research
and Due
Diligence for
Business
Sector
Partnerships**

ANNEX 1

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. [UNSDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships](#)
2. [UN-Habitat Guide to Partnering with Private Sector](#)



Activities undertaken

Risk Oversight and Advisory Committee

Recommendation to proceed with conditions



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

Due diligence

Recommendation to proceed, subject to twelve provisions



- ✓ Deliberation of due diligence and reputational risk



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.



UN-HABITAT

Agenda item 6

Discussion on the due diligence of the Sustainable Human Settlements Foundation



Executive Board: Third session of the year 2023
28-30 November 2023