



**UNITED
NATIONS**

HSP/EB.2023/CRP.7



**United Nations
Human Settlements
Programme**

Distr.: General

23 November 2023

Original: English

**Executive Board of the United Nations
Human Settlements Programme
Third session of 2023**

Nairobi, 28–30 November 2023
Item 6 of the provisional agenda*

**Discussion on the Due diligence assessment of the Sustainable
Human Settlements Foundation**

Annexes to the Due diligence assessment of the Sustainable Human Settlements Foundation¹

Summary

The following annexes supplement document [HSP/EB.2023/13](#) on the Due diligence assessment of the Sustainable Human Settlements Foundation:

Annex 1. Due Diligence Report on the Sustainable Human Settlements Foundation

Annex 2. Minutes of the Risk Oversight and Advisory Committee Meeting held on 2 June 2023

Annex 3. Minutes of the Risk Oversight and Advisory Committee Meeting held on 29 May 2023

Annex 4. Responses from the Executive Director on the recommendations by the UN-Habitat Risk Oversight and Advisory Committee

Annex 5. Technical note to the ad hoc working group on programmatic, budgetary, and administrative matters on scenarios in the proposed contribution agreement

Annex 6. Presentation to the ad hoc working group on programmatic, budgetary, and administrative matters on 11 October 2023

* HSP/EB.2023/10

¹ This document presents information that was part of document [HSP/EB.2023/CRP1/Rev.1](#), presented to the Executive Board at its second session of the year 2023 held on 8 June 2023 and includes added information on the responses from the Executive Director on the recommendations by the UN-Habitat Risk Oversight and Advisory Committee.



Sustainable Human Settlements Foundation Due Diligence Report

Private Sector team
Office of the Executive Director

May 2023

TABLE OF CONTENTS

<i>1. Introduction</i>	<u>3</u>
<i>2. Detailed Research Form</i>	<u>6</u>
<i>3. Meeting Minutes</i>	<u>13</u>
<i>List of Annexes</i>	<u>13</u>

1. INTRODUCTION

This due diligence report has been drafted in reference to the decision by the Executive Board (EB) in its first session of 2023 (annex 1), requesting the Executive Director (ED) to provide for consideration by the EB at its second session of 2023, pending a decision by the Bureau, a due diligence assessment of the Sustainable Human Settlements Foundation (SHSF), to be conducted by the Private Sector Partnership team of UN-Habitat with the support of the Legal Office, the Office of the ED and relevant technical units;

The SHSF proffers a capital preservation endowment model that will generate stable and consistent returns to supplement the funding needs of UN-Habitat, especially with regards to its foundation non-earmarked fund

The engagement with the SHSF was engendered following the request by the EB of UN-Habitat for the ED to explore innovative and sustainable ways of financing the work programme of the organisation.

Table 1: Reporting the progress on UN-Habitat’s engagement with SHSF to the EB



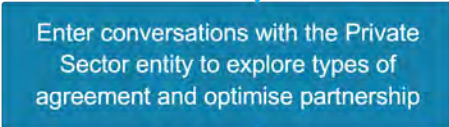

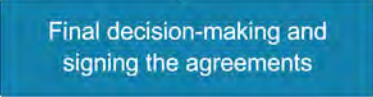
Timeline	Action
2 nd EB 2019	The EB called upon the ED to find innovative ways to finance UN-Habitat’s mandate including developing a resource mobilisation strategy focusing on, among others, the private sector.
WUF 10, 2020	Roundtable - possibilities of financing the mandate of UN-Habitat including the feasibility of setting up an endowment fund. Becomes a joint Abu Dhabi Declared Action (see page 40 of the linked report) by UN-Habitat and Mr. Grant Rogan, the principal of Blenheim Capital Partners Limited (BCPL).
2 nd EB 2020	Update to the EB by the ED. Subsequently, a non-binding letter of intent (LOI) signed with BCPL (annex 2). SHSF set up and a memorandum of understanding (MOU) signed on a no-liability basis with UN-Habitat (annex 3). Both the LOI and the MOU were reviewed and developed by the UN-Habitat Legal Office and presented to the Controller and the Office of Legal Affairs (OLA).
1 st EB 2021	Mr. Rogan makes a statement at the EB. On 1 November 2021, Secretariat presented the concept of the SHSF to the Geneva Group of Donor Countries.

<p>2nd EB 2022</p>	<p>Report of the ED on SHSF presented to the EB. The EB requests the ED to obtain an analysis by the United Nations of the reputational risk associated with potential investments of SHSF and to present a report detailing the findings to the EB at its first session in 2023, and prior to entering into non-earmarked private sector agreements, including the SHSF and further requests an overview of earmarked private sector contribution agreements currently in force.</p>
<p>1st EB 2023</p>	<p>Report of the ED on the findings of the analysis of the reputational risk associated with potential investments of SHSF is presented to the EB, along with mitigation measures that UN-Habitat has undertaken.</p> <p>The EB requests the ED to provide for consideration at its second session of 2023, pending a decision by the Bureau, a due diligence assessment of the SHSF, to be conducted by the Private Sector Partnership team of UN-Habitat with the support of the Legal Office, the Office of the ED and relevant technical units.</p> <p>The EB also requests the ED to re-establish the Risk Oversight and Advisory Committee, as outlined in the Enterprise Risk Management Implementation Guidelines (annex 4) to monitor the SHSF;</p>

The due diligence process follows the standard operating procedure (table 2) laid out in the UN-Habitat Guideline for Partnering with the Private Sector (annex 5).

The Private Sector team has undertaken the initial due diligence process (steps 2 and 3) for the SHSF. This report is a record of the findings and the recommendations from the team to be complemented by the review by the Legal Office.

Table 2: Standard Operating Procedure – Private Sector Partner Due Diligence

Steps	Output
 <p>PS Partnership opportunity/offer comes to UNH</p> <p>Basic research on the PS entity</p>	<p>STEP 1</p> <ul style="list-style-type: none"> Completed basic research form
 <p>Detailed research on the Private Sector entity</p>	<p>STEP 2</p> <ul style="list-style-type: none"> Completed detailed research form
 <p>Enter conversations with the Private Sector entity to explore types of agreement and optimise partnership</p>	<p>STEP 3</p> <ul style="list-style-type: none"> Meeting minutes Proposed type of agreement
 <p>Drafting Partnership proposal documents</p> <p>Circulating Partnership proposal document to Legal Office and all relevant units/divisions for risk evaluation and mitigation</p>	<p>STEP 4</p> <ul style="list-style-type: none"> Draft Partnership proposal document: <ul style="list-style-type: none"> Memorandum of Understanding Contribution Agreement Private Sector Partnership Agreement Pro-bono Agreement Communication Agreement
 <p>Final decision-making and signing the agreements</p>	<p>STEP 5</p> <ul style="list-style-type: none"> Signed agreement

2. DETAILED RESEARCH FORM

Table 3: Filled Detailed Research Form – Due Diligence:

Category A: Human Rights		
<i>Criteria:</i>	<i>Yes/No</i>	<i>Guidance:</i>
Is it complicit in human rights abuses?	No	UN Global Compact human rights principles and UN Guiding Principles on Business and Human Rights; OHCHR available for advice; See www.businesshumanrights.org/SpecialRepPortal/Home
Does the business respect the protection of internationally proclaimed labour rights?	Yes	UN Global Compact labour principles and ILO Declaration on Fundamental Principles and Rights at Work; ILO available for advice; See www.ilo.org/declaration/lang--en/index.htm
Is it involved in the sale or manufacture of anti-personnel landmines or cluster bombs?	No	Company website and any accusation to this effect in media (online search); UNOG / Antipersonnel Landmines Convention available for advice; See www.icbl.org/intro.php
Does it meet relevant obligations or responsibilities required by the United Nations?	Yes	Consider evidence that it counters / actively works against UN/UN-Habitat promoted goals and responsibilities (eg use online media search – eg accusations by NGOs such as Corpwatch of persistent, irresponsible behaviour).
Does it violate sanctions established by the UN Security Council?	No	Any recent accusation to this effect reported in media (online search); UNSC sanctions / countries list at www.un.org/sc/committees/

Category B: Interests (Proceed with Caution if any are Yes)		
<i>Criteria:</i>	<i>Yes/No</i>	<i>Guidance:</i>
Is it part of the UNGC sensitive industries list?	No	Many of the following agencies restrict working with the following industries: UNICEF; OCHR; UNESCO; UNFPA; WFP; UN Women; WHO; Unitar; UNAIDS;

<p>Military, armaments and weapons manufacturing</p> <p>Tobacco and alcohol</p> <p>Gambling (excluding lotteries with charitable objectives)</p> <p>Breast milk substitutes</p> <p>Extractive industries</p>		<p>UNEP;</p>
<p>Is it part of any sensitive sector?</p> <p>Fossil Fuels</p> <p>GMOs</p> <p>Chemicals</p> <p>Herbicides & Pesticides</p>	<p>No</p>	
<p><i>Conflict of interests:</i></p> <p>Is there a potential for a conflict of interest?</p> <p>Is there a possible perception of a conflict of interest?</p> <p>Is it a participant in a voluntary industry initiative, or becoming one?</p> <p>Does an online search (Google, Corpwatch, media) show it being accused of significant cases of irresponsibility / litigation / or green washing?</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>	<p>A 'conflict of interest' situation arises when a staff member's private interests -- such as outside professional relationships or personal financial assets -- might interfere with the proper performance of their professional functions or obligations as a United Nations official. A partnership should not be perceived to benefit, directly or indirectly, UN-Habitat staff. For example, staff members should not be actively associated with managing or holding financial interest in any business if either the staff member or the entity has the opportunity to benefit from such an association by way of the staff members' position at with the United Nations¹.</p> <p>Relevant questions to consider:</p> <ul style="list-style-type: none"> - Is the company a significant supplier in UN-Habitat procurement? - Are the families of UN-Habitat staff, or ex-UNHabitat staff working or associated with the partnership entity? - Consider alleged involvement in bribery and corruption (see

¹ Regulation 1.2 (m)

Staff members shall not be actively associated with the management of, or hold a financial interest in, any profit-making, business or other concern, if it were possible for the staff member or the profit-making, business or other concern to benefit from such association or financial interest by reason of his or her position with the United Nations.

Rule 101.2 (n)

A staff member who has occasion to deal in his or her official capacity with any matter involving a profit-making business or other concern in which he or she holds a financial interest, directly or indirectly, shall disclose the measure of that interest to the Secretary-General and, except as otherwise authorized by the Secretary-General, either dispose of that financial interest or formally excuse himself or herself from participating with regard to any involvement in that matter which gives rise to the conflict of interest situation.

Does the company work with governments or entity/parties on the UN sanction list?	No	<p>www.unglobalcompact.org/Issues/transparency); UNODC and Transparency International available for advice;</p> <ul style="list-style-type: none"> - Consider allegations / evidence of deliberate or negligent destruction, heavy pollution or degradation of the environment (cf ISO 14000 / environmental standards); - Consider allegations of other ISO26000 “core subject” areas, notably human rights, labour, consumer health.
---	-----------	---

Positive Screening Analysis		
<i>Criteria:</i>	Score (Yes = 1; No = 0)	<i>Guidance:</i>
Does it support core values and goals of the UN (eg SDGs, New Urban Agenda) and UN-Habitat (eg conventions / MEAs)?	Yes	<p>Consider fit / commitment to UN-Habitat thematic priorities, related UN-Habitat activities and interest areas (Eg. urbanisation, housing, basic services, planning and design, climate planning, infrastructure, ICT);</p> <p>Consider related certification, labeling recognition it has.</p>
Is it currently a participant in the UN Global Compact, or becoming one?	Yes	<p>See UNGC participants list / search online at www.unglobalcompact.org/participants/search, covers over 5300 businesses in 130 countries (delisted if not reporting annually on progress)</p>
Does it publish an environmental or sustainability report, disclosing information on its environmental / CSR policy & performance?	No	<p>See relevant company website or printed material available; consider its stated policies and actions (eg ISO14000 series) on environmental issues and broader social responsibility (ISO26000, including contribution to community development)</p>

Does it publish a sustainability report based on the GRI Guidelines?	No	See relevant company website and examine eg introduction and/or annex indicator index of sustainability/CSR report for explicit reference to GRI; For GRI reporters database see www.unglobalreporting.org
Is it open to engagement in multistakeholder dialogue with UNHabitat and others?	Yes	Assess from direct communication with company and UN-Habitat Major Groups; A plus if it uses AA1000 standard on stakeholder engagement (www.accountability.org) or related Accountability Manual on Stakeholder Engagement
Does it have any relevant corporate sustainability activities?	Yes	Examples of (related) sustainability initiatives, including any awards received for corporate responsibility initiatives.
Is it listed on global / national sustainability indices (e.g., FTSE4Good, DJSI) or award schemes?	No	http://sustainability-indices.com/ ; https://www.ftserussell.com/index ; ACCA national reporting awards https://www.accaglobal.com/gb/en/technicalactivities/global-forums/global-forum-reporting/forummembers-reporting.html and ICC partnership awards (www.iccwbo.org)
Does it have any sustainabilityrelated certifications?	No	Consider standards such as the ISO14000 environmental management series.
Is the activity to be funded linked with the core business of the company?	Yes	Core business (advancing CSR and more sustainable production in own operations of the company), as opposed to philanthropic funding of activity unrelated to its core business (e.g. sponsorship).
Is it undertaking initiatives to promote greater environmental responsibility?	Yes	
Does the entity already work with other Division(s) or branches as implementing partner?	No	

Does the company/organization work under or with other UN agencies?	No	
Total Score for positive screening:	6/12	

Negative Screening Analysis		
<i>Criteria:</i>	Score (Yes = -1; No = 0)	<i>Guidance:</i>
Are there any major pending legal matters in court?	No	
Is it inhibiting employees' freedom of association and the right of collective bargaining?	No	
Are there any pending allegations of forced and compulsory labour, including child labour?	No	
Are there any pending accusations of corruption?	No	
Are there any pending allegations of workplace discrimination?	No	
Total Score for negative screening:	0/-5	
Overall score in this Due Diligence Screening Analysis		
Total Screening Score	6	<i>Calculation: sum of Positive screening score added to the sum of the Negative Screening score</i>

Score of more than 7 = clear yes; score of 2 – 7 = require an explicit clear commitment; score of less than 2 consider a no response

Qualitative Screening Questions		
Question	Yes/No	Explanation of your answer
Do you foresee any potential reputational or financial risk against UN-Habitat arising as a result of collaboration with this company?	No	<p>UN-Habitat has taken mitigation measures against reputational or financial risks: UN-Habitat will not be involved with the investment decisions of the SHSF.</p> <ul style="list-style-type: none"> Investment portfolio will be publicly available for review by the Executive Board.
		<ul style="list-style-type: none"> Members of the Executive Board may express interest in being members of the SHSF Advisory Board. Advisory Board to include additional members in line with universal sustainability principle. The Contribution Agreement to include a clause that disassociates UN-Habitat with the investment activities. Contribution Agreement states that UN-Habitat has no role with regards to the decisionmaking, management, or administration of the SHSF and its investments. The Secretariat to publish annually a report on the private sector contributions, according to the Guidelines to Partnering with the Private Sector.
Does the company violate relevant obligations or responsibilities required by the UN?	No	No violation of relevant obligations or responsibilities were found after reviewing the SHSF website (https://shs-foundation.org/) and the SHSF - Briefing Pack – activities and programmes (Annex 10)

<p>Does the partnership with this company help UN-Habitat reach specific objectives or achieve accomplishments of the Programme of Work?</p>	<p>Yes</p>	<p>SHSF has listed on its website (https://shsfoundation.org/about-us/) the following aims that are in line with UN-Habitat’s objectives:</p> <ul style="list-style-type: none"> • Reducing spatial inequality and poverty in communities across the urban-rural continuum; • Enhancing shared prosperity of cities and regions; • Strengthening climate action and improving urban environment; • Integrating social inclusion dimensions including human rights, gender, children, youth and older persons, and disability; and • Effective urban crisis prevention and response.
<p>How many other entities were considered for partnering on the intervention? Explain briefly the relative strength of the proposed organisation.</p>	<p>None</p>	<p>To support UN-Habitat in achieving its mandate, SHSF aims to raise USD1 billion in three phases over the next 5 to 7 years. The funds raised will provide real sustainable funding support to UN-Habitat and its programme into perpetuity, removing the inconsistency and variability in funding to the organisation that has been the pattern to date. Variable funding commitments from donor countries restrict and inhibit the ability of UN-Habitat to be successful in its mandate and programmes. The Foundation effectively proffered the solution that addresses this problem through the</p>
		<p>implementation of a capital preservation model (Refer to Annex 10)</p>
<p>Does the partnership with this company contribute to any specific Sustainable Development Goals?</p>	<p>Yes</p>	<p>SHSF objectives on its website (https://shsfoundation.org/about-us/) align with the Sustainable Development Goals and in particular SDG 11</p>

<p>Provide your recommendation with respect to this organisation being considered for a partnership</p>	<p>Yes. Recommending to proceed with a contribution agreement with the partner subject to conditions.</p>	<p><i>Please propose the type of partnership and; a Yes/No recommendation</i></p>
--	--	---

3. MEETING MINUTES

Attached with this report are the following annexes, which are select meeting minutes detailing conversations entered with SHSF to explore ways in which UN-Habitat would optimise the collaboration.

1. Minutes of the Initial workshop with SHSF held on 2 July 2021(annex 9a)
2. Minutes of the meeting with SHSF and the Geneva Group held on 2 November 2021(annex 9b)
3. Minutes of the meeting with SHSF Lloyds Bank and Cavendish held on 10 March 2022 (annex 9c)
4. Minutes of the meeting with SHSF making the reference to the engagement with the UN Office of Legal Affairs (OLA) held on 14 April 2022 (annex 9d)

LIST OF ANNEXES

The following annexes are enclosed with this report in separate documents:

1. Registration documents of entities involved with SHSF (Presented to the Executive Board) (annex 1)

Table 4: Registration documents of entities involved with SHSF

Entity	United Nations Global Compact	Regulatory certification
SHSF	Letter of Commitment	Certificate of Good Standing Due diligence clearance letter from banking partner Confirmation of proposed reputation risk Management and global communications by Ruder Finn
Blenheim Capital Partners	Letter of Commitment	Certificate of Good Standing
Lloyds Bank PLC	Letter of Commitment	Registry Status from Regulatory Authority
Schroder Investment Management Limited	Letter of Commitment	Registry Status from Regulatory Authority
Fiduchi Trustees Limited	Letter of Commitment	Certificate of Good Standing

2. Letter of intent between UN-Habitat and BCPL (annex 2)
3. Memorandum of understanding between UN-Habitat and SHSF (annex 3)
4. UN-Habitat Enterprise Risk Management Implementation Guidelines (annex 4)
5. UN-Habitat Guide to Partnering with the Private Sector and annexes to the Guide (annex 5)
6. Report to the First Session of the Executive Board 2023 - Risk analysis on the SHSF (annex 6)

7. Decisions adopted by the Executive Board at its first session of 2023 (annex 7)
8. Email response from SHSF regarding due diligence questions (annex 8a, 8b)
9. Meeting minutes from engagements with SHSF (annex 9a, 9b)
10. SHSF - Briefing Pack – activities and programmes (annex 10)

Annex 2

Minutes of the Risk Oversight and Advisory Committee Meeting held on Friday 2 June 2023

In Attendance:

Michal Mlynar (Deputy Executive Director) - Chair
 Stephen Slawsky (Director, MACS) - Member
 Neil Khor (Director, ERSKID) - Member
 Erfan Ali (Chief of Staff and Director a.i. Regional Programme Division) - Member
 Saidou N'dow (Head, Legal Office) - Invited
 Erastus Ndugire (Private Sector team) - Invited
 Modupe Adebajo (Head a.i. Oversight and Internal Control Unit/ERM focal Point) - Secretary

Quorum – Established.

Absent:

Raf Tuts (Director, Global Solutions) - Member

NOTE FROM MEETING

a) Summary of Conclusion and Recommendation:

- The report of the due diligence assessment of the Sustainable Human Settlement Foundation (SHSF) should be presented to the Executive Board (EB) at its next session on Thursday 8 June 2023.
- The EB is the authority to make the Go/or No-Go decision on the proposed contribution agreement with SHSF. The EB is the authority to approve the ED to enter into the contribution agreement with SHSF.
- The resulting recommendations from the due diligence exercise presented, were agreed upon by the ROAC members. The Committee recommends that these recommendations should be included as clauses in a contribution agreement with SHSF as a risk mitigation measure (see attached annex).
- The ED will decide on whether to refer the contribution agreement to OLA for clearance or not.

b) Highlights of the discussions:

The Due Diligence on SHSF

- The meeting deliberated further on the recommendations proposed in the report of the due diligence assessment of the SHSF.
 Minute of the meeting – Risk Oversight and Advisory Committee Meeting; Monday 29 May 2023
- The ROAC members agreed to the proposed recommendations as clauses that should be included in a contribution agreement with SHSF (see attached annex).
- It was agreed that SHSF will be required to provide externally audited financial statements on an annual basis by a globally recognized audit firm such as KPMG. The relevant proposed recommendation in the due diligence report was edited to reflect this requirement.
- In response to the question on the need for OLA to review and clear the contribution agreement before the ED signs it.
 - The Chair responded that UN-Habitat may potentially request the OLA's clearance, as the clearance may be another layer of safety, a safeguard and good for UN-Habitat.
 - The Legal Office clarified that the OLA is interested in what UN-Habitat does with the money from SHSF, and that as a practice, UN-Habitat does not refer to OLA for standard practices and OLA does not look at

risk. Also, since the OLA had cleared the MoU, there is no need for OLA to clear the contribution agreement, the UN-Habitat Legal Office can in-house review and clear the contribution agreement. The Legal Office can refer to OLA as considered necessary.

- The ED has the final say/decision.

c) AOB

There was no AOB.

d) NEXT MEETING

- The next meeting of the ROAC will be soon because of the needed review of the risk register that should be approved before the NY deadline of November 2023.
- Tentatively before end of June 2023 (date and time to be confirmed).

Annex 3

Minutes of the Risk Oversight and Advisory Committee Meeting held on Monday 29 May 2023

In Attendance:

Michal Mlynar (Deputy Executive Director) - Chair
 Raf Tuts (Director, Global Solutions) - Member
 Stephen Slawsky (Director, MACS) - Member
 Neil Khor (Director, ERSKID) - Member
 Erfan Ali (Chief of Staff and Director a.i. Regional Programme Division) - Member
 Saidou N'dow (Head, Legal Office) - Invited
 Erastus Ndugire (Private Sector team) - Invited
 Modupe Adebajo (Head a.i. Oversight and Internal Control Unit/ERM focal Point) - Secretary

Quorum – Established.

Absent:

NOTE FROM MEETING

a) Summary of Conclusion:

UN-Habitat should:

- continue with the due diligence exercise on the Sustainable Human Settlement Foundation (SHSF).
- prepare for the Executive Board and prepare to answer potential questions (anticipate). Ø meet on Friday 2 June to continue the discussion.

b) Highlights of the Discussions:

- The meeting held today marks the re-establishment of the Risk Oversight and Advisory Committee (ROAC).
- The meeting was considered as a special session with a focused agenda to respond to the request of the Executive Board (EB) made at its first session of 2023 requesting the UN-Habitat Executive Director (ED) to:
 - “provide for consideration at its second session of 2023, pending a decision by the Bureau, a due diligence assessment of the SHSF, to be conducted by the Private Sector Partnership team of UN-Habitat with the support of the Legal Office, the Office of the ED and relevant technical units.”

Minute of the meeting – Risk Oversight and Advisory Committee Meeting; Monday 29 May 2023

- “re-establish the Risk Oversight and Advisory Committee, as outlined in the Enterprise Risk Management Implementation Guidelines (annex 4) to monitor the SHSF”.
- The recommendation(s) of the ROAC on the agenda for this meeting will be made to the ED for her consideration as a signatory to the proposed contribution agreement with SHSF and to the EB as part of the due diligence assessment required by the EB.
- The outcome of the due diligence on SHSF was presented, and the proposed mitigation measures were highlighted (including mitigation measures already identified and presented to the EB at the first session of 2023). The Overview of the due diligence process was also presented by the Private Sector team. Presentations are attached for details. The below were clarified:
 - Concern is on investment of SHSF not its investors.
 - SHSF is about contributions to UN-Habitat (inflow to UN-Habitat not an outflow from UNHabitat).

- This is the first time UN-Habitat will engage with Private Sector giving non-earmarked core funding. It has in the past engaged with Private Sector donors for earmarked funding.
- The due diligence process applied has been in existence before the matter of SHSF and was applied to private sector donors for earmarked funding.
- UN-Habitat will not be involved with the investment decisions of the SHSF. UN-Habitat will only be responsible for how it receives funding and how it spends it.
- The Contribution Agreement to include a clause that disassociates UN-Habitat with the investment activities or its involvement in decision making.
- Oversight of the funding from SHSF will be by the EB and decision on how the funding will be spent will be decided by the EB.
- SHSF is incorporated in Jersey, hence it is in existence.
- The SHSF certificate of incorporation refers to UN-Habitat and contains a role for the UNHabitat ED. It was discussed and agreed that these references to UN-Habitat will need to be removed.
- Private Sector team clarified that SHSF is in existence, but it is not operational until the Executive Board approves its establishment.
- The historical background culminating to the current state of engagement with SHSF was provided; it began from a request by the EB during its second session in 2019 for UN-Habitat to find innovative ways to finance UN-Habitat's mandate including developing a resource mobilization strategy focusing on, among others, the private sector.
- It was noted that the due diligence questionnaire seems to be largely applicable to companies that are operational and since SHSF was newly established, certain answers and documents could not be ascertained or provided.
- The Legal Officer clarified that where an entity is incorporated but not operational, the procedure is to look at the individuals behind the entity and the due diligence should be based on the individuals not the company. In this case, it is necessary that due diligence be conducted on the individuals.
- A question was raised if SHSF can receive funding from private organization that is involved in fossil fuel. After discussion, the proposed mitigation measure was amended as a result to prohibit SHSF from receiving funding from organizations involved in fossil fuel (including other identified not permitted funding sources as proposed in the mitigation measures).
- It was clarified that UN-Habitat cannot have a 'partnership' relationship with SHSF. Therefore, the reference to 'in partnership with UN-Habitat' on SHSF's logo and any document including the Expression of Interest form will need to be changed. A change to: 'to support UN-Habitat' was proposed. It was clarified that there is not yet a Relationship Agreement apart from an MOU signed between the parties which expressly stated it shall *not be construed to create a partnership, venture, employment, or agency relations between the Parties (Article XVI)*.
- A question on how UN-Habitat will protect itself if the partnership was queried by the public or any concerned individuals was raised, particularly given the recent UNOPS incidence. It was noted that there is a need to have a firewall in terms of lawsuits or campaign. What is the strategy or line of defence if such happens? In response, it was proposed that:
 - An indemnity and liability clause excluding UN-Habitat from any liabilities and claims should be included in the Contribution Agreement.
 - SHSF could be requested to share with UN-Habitat, its advocacy materials that refers to UN-Habitat and to obtain approval from UN-Habitat anytime that UN-Habitat's name is to be used.
- It was agreed that further meetings be held by OED to seek more clarifications from Mr. Grant on the nature of the partnership.
- It was agreed to have the next meeting on Friday 2 June 2023 to continue discussions and recommendation(s) will be made.

c) AOB

- There was no AOB

d) NEXT MEETING

- Friday 2 June 2023 (time to be confirmed).

Annex 4

Responses from the Executive Director on the Recommendations by the UN-Habitat Risk Oversight and Advisory Committee

The Risk Oversight and Advisory Committee recommended the following provisions for consideration in the proposed contribution agreement between the Sustainable Human Settlements Foundation and UN-Habitat.

1. These recommendations were presented to the Executive Director who responded as indicated below each recommendation.

a. *Recommendation:* The contribution agreement will have an initial duration of one year, subject to extension. Breach of the contribution agreement, including these provisions, is grounds for termination of the agreement.

Response: The recommendation is **noted** by the Executive Director. Considering market conditions, the initial duration is preferred to be **ten years with a standard termination clause** of one month's notice.

b. *Recommendation* The Sustainable Human Settlements Foundation is prohibited from receiving investments from, and investing in, the following sensitive sectors and industries:

- i. Military, armaments, and weapons manufacturing
- ii. Tobacco and alcohol
- iii. Gambling (excluding lotteries with charitable objectives)
- iv. Breast milk substitutes
- v. Extractive industries
- vi. Fossil Fuels
- vii. Genetically modified organisms
- viii. Chemicals
- ix. Herbicides & Pesticides

Response: The recommendation is **accepted** by the Executive Director

c. *Recommendation* The Sustainable Human Settlements Foundation will publish annually an environmental or sustainability report based on the Global Reporting Initiative, disclosing information on its environmental, corporate social responsibility policy and performance.

Response: The recommendation is **accepted** by the Executive Director

d. *Recommendation* The Sustainable Human Settlements Foundation will be certified within two years by a globally recognized sustainability certification such as the ISO14000 series.

Response: The recommendation is **accepted** by the Executive Director

e. *Recommendation* The Sustainable Human Settlements Foundation will be listed within two years on a globally recognized sustainability index or award scheme.

Response: The recommendation is **noted** by the Executive Director. Given standard timelines to implement such a listing, the implementation will be **preferably within two years and not more than three years**.

f. *Recommendation* The Sustainable Human Settlements Foundation will provide the list of its investment portfolio and investors upon request, if not publicly available.

Response: The recommendation is **accepted** by the Executive Director

g. *Recommendation* The Sustainable Human Settlements Foundation will provide externally audited financial statements on an annual basis by a globally recognized audit firm, effective after the first year of operation.

Response: The recommendation is **accepted** by the Executive Director

h. The Advisory Board of the Sustainable Human Settlements Foundation will invite members from the UN-Habitat Executive Board.

Response: The recommendation is **accepted** by the Executive Director

i. *Recommendation* The Advisory Board of the Sustainable Human Settlements Foundation will invite members who are recognized as leaders in sustainability.

Response: The recommendation is **accepted** by the Executive Director

j. *Recommendation* Personnel of UN-Habitat will not be involved or associated with the investment activities of the Sustainable Human Settlements Foundation, and will have no role in the decision making, management, or administration of the Sustainable Human Settlements Foundation or its investments.

Response: The recommendation is **accepted** by the Executive Director

k. *Recommendation* The contribution agreement is to include an indemnity clause.

Response: The recommendation is **accepted** by the Executive Director

l. *Recommendation:* The use of the name and logo of UN-Habitat is subject to the approval of the head of the External Relations, Strategy, Knowledge and Innovation Division of UN-Habitat, or the designated official.

Response: The recommendation is **accepted** by the Executive Director

Annex 5

Technical note to the ad hoc working group on programmatic, budgetary and administrative matters

Introduction

This technical note is submitted in response to the request from the ad hoc working group on programmatic, budgetary and administrative matters in its session held on 27 September 2023.

The Sustainable Human Settlements Foundation is a not-for-profit foundation for the charitable purpose of direct financial support to UN-Habitat. The Foundation includes a regulated fund of funds in which donations are pooled in an endowment that will be invested for the benefit of UN-Habitat to fulfil unfunded or underfunded mandates.

Scenarios of termination of the contribution agreement

A. Termination authority

As per the privity of contracts, the authority to terminate the agreement is vested with the signatories of the agreement. Such authority may be further regulated by governance mechanisms of each party of the agreement, e.g., by boards and councils.

Option 1: The Executive Director has full authority to terminate the agreement at his or her discretion. This option is standard unless other directives are decided.

Option 2: The Executive Director has authority to terminate the agreement only upon request by the Executive Board. This option is possible if the Executive Board decides to place this limitation on the Executive Director. Such governance on termination would be in line with the governance already decided by the Executive Board on entry into the agreement. In this option, the Executive Board may make the request to the Executive Director to proceed with termination with or without the Executive Director making the proposal to do so.

B. Nature and manner of termination

The nature and manner of termination include the conditions under which the agreement may be terminated.

Option 1: Either party has the right to terminate the agreement by giving prior notice to the other party within a defined number of days and is a standard manner of termination. The standard number of days, or notice period, is thirty days. The nature of termination may be without cause, i.e., no reason needs to be provided.

Option 2: Termination is permitted only if either party fails to fulfil any of its responsibilities under the agreement, i.e., with cause. This option requires evidence of a material breach and may be subject to appeal or contestation.

Scenarios of validity and periodic review of the contribution agreement

A. Validity

The validity of the agreement is the period or duration of the agreement prior to renewal or extension. A longer validity of the agreement favours the prospects of investments in the Foundation, and therefore favours the prospects of contributions from the Foundation to UNHabitat.

Option 1: A validity of ten years, with periodic reviews of the performance of the parties by the Executive Board.

Option 2: A validity of less than ten years, with periodic reviews of the performance of the parties by the Executive Board. Experts have advised that a term of less than five years will critically weaken the viability of the Foundation.

B. Periodic review

Within the validity of the agreement, periodic reviews may be conducted as quality assurance of the performance of all parties, and as an opportunity to take a decision of termination if appropriate. Assuming signature of the agreement before the end of 2023, the first periodic review may be considered as soon as in the first session of the Executive Board of 2025, after one full year of operation and the availability of the audited financial statements.

Option 1: The first periodic review in the first session of the Executive Board of 2025, with the subsequent review in the first session of the Executive Board of 2027, after three full years of operation, with further reviews every two or three years.

Option 2: The first periodic review in the first session of the Executive Board of 2025, with subsequent annual reviews in the first session of the Executive Board of each year.

Indemnity

The standard indemnity clause of UN-Habitat is as follows:

The Foundation shall indemnify, hold and save harmless, and defend at its own expense, UNHabitat, its officials, agents and employees, from and against all suits, proceedings, claims, demands, losses and liability of any kind, including their costs and expenses, arising out of or omissions of the Foundation, or the Foundation's employees, officers, agents or sub-contractors, in the implementation of this Agreement. This provision shall extend, *inter alia*, to claims and liability in the nature of worker's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the Foundation, its employees, officers, agents or sub-contractors. The obligations under this Article do not lapse upon termination of this Agreement.

Annex 6

Presentation to the ad hoc working group on programmatic, budgetary, and administrative matters on 11 October 2023




UN-HABITAT



**Resumed:
Due diligence assessment
of the Sustainable Human Settlements Foundation**

Ad hoc working group on programmatic, budgetary and administrative matters
11 October 2023



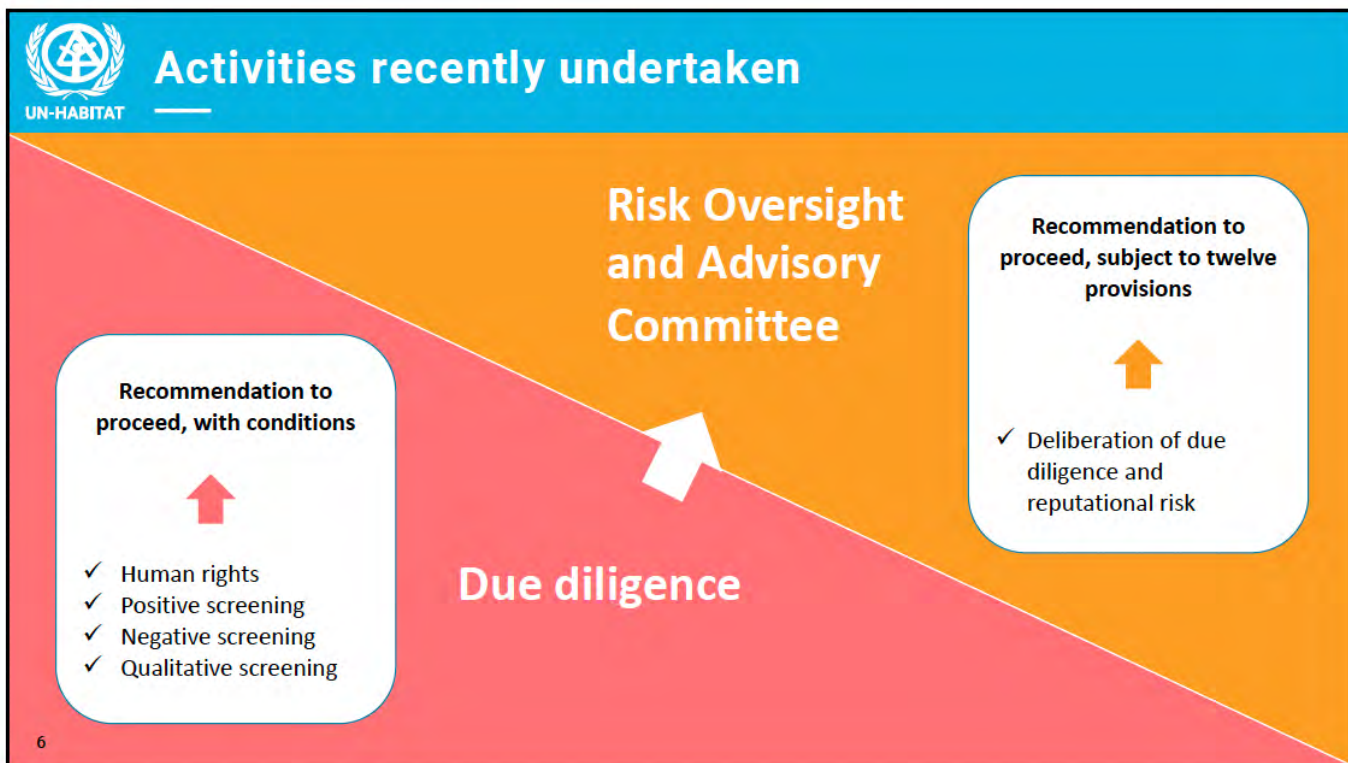
UN-HABITAT

What is SHSF?

The **Sustainable Human Settlements Foundation** is a not-for-profit foundation for the charitable purpose of direct financial support to UN-Habitat. The Foundation includes a regulated fund of funds in which donations are pooled in an endowment that will be invested for the benefit of UN-Habitat to fulfil unfunded or underfunded mandates.

External parties invest in SHSF, which in turn, maintains its own investment portfolio. A portion of the investment proceeds will be contributed to UN-Habitat.

5



Recommendations and responses	
UN-HABITAT	
<p>Recommendation A</p> <p>The contribution agreement will have an initial duration of one year, subject to extension. Breach of the contribution agreement, including these provisions, is grounds for termination of the agreement.</p> <p><i>Response</i> The recommendation is noted by the Executive Director. Considering market conditions, the initial duration is preferred to be ten years with a standard termination clause of one month's notice.</p>	<p>Recommendation K</p> <p>The contribution agreement is to include an indemnity clause.</p> <p><i>Response</i> The recommendation is accepted by the Executive Director.</p>

7



Termination authority

Option 1

The Executive Director has full authority to terminate the agreement at his or her discretion. This option is standard unless other directives are decided.

Standard unless other directives are decided.

Option 2

The Executive Director has authority to terminate the agreement only upon request by the Executive Board.

In line with governance on entry into the agreement.

8



Nature and manner of termination

Option 1

Either party has the right to terminate the agreement by giving notice within a defined number of days, e.g., 30 days.

Standard and without cause.

Option 2

Termination is permitted only if either party fails to fulfil any of its responsibilities under the agreement.

With cause, requiring evidence of material breach.

9



Validity

Option 1

A validity of ten years, with periodic reviews by the Executive Board on the performance of each party.

Longer term, with periodic reviews as opportunities to consider continuation.

Option 2

A validity of less than ten years, with periodic reviews of the performance of the parties by the Executive Board.

A term of less than five years can critically weaken its viability.

10



Periodic review

Option 1

The first periodic review in the first session of the Executive Board of 2025, with the subsequent review in the first session of the Executive Board of 2027, after three full years of operation, with further reviews every two or three years.

Less frequent reviews.

Option 2

The first periodic review in the first session of the Executive Board of 2025, with subsequent annual reviews in the first session of the Executive Board of each year.

More frequent reviews.

11



Indemnity

Standard clause

The Foundation [SHSF] shall indemnify, hold and save harmless, and defend at its own expense, UN-Habitat, its officials, agents and employees, from and against all suits, proceedings, claims, demands, losses and liability of any kind, including their costs and expenses, arising out of or omissions of the Foundation, or the Foundation's employees, officers, agents or sub-contractors, in the implementation of this Agreement. This provision shall extend, inter alia, to claims and liability in the nature of worker's compensation, products liability and liability arising out of the use of patented inventions or devices, copyrighted material or other intellectual property by the Foundation, its employees, officers, agents or sub-contractors. The obligations under this Article do not lapse upon termination of this Agreement.

Each party is protected from loss by the actions of the other party.

12



Purpose and context on the term of validity

Recall that the purpose of the SHSF is to finance the under-funded and unfunded aspects of the strategic plan through sourcing **adequate and predictable core resources**.

A **longer-term agreement** enables longer-term investments that can deliver **higher returns** and **broaden the options** for more impactful investments, including those that are in line with the strategic plan and with the SDGs.

13



Purpose and context on the term of validity

IFC. (2022). 2022 Annual Report: STEPPING UP IN A TIME OF UNCERTAINTY. Washington D.C.: International Finance Corporation.

World Bank. (2023). LONG-RUN RETURNS TO IMPACT INVESTING IN EMERGING MARKET AND DEVELOPING ECONOMIES. Washington DC.: World Bank.

The International Finance Corporation (IFC), a member of the World Bank Group that offers investment, advisory, and asset-management services to encourage private-sector development, favours longer-term investments. From its 2022 Annual report, IFC had USD 23.2 billion in Long-Term Finance Commitments (Own Account and Core Mobilization) compared to USD 9.7 billion in Short-term Finance Commitments (IFC, 2022). This has allowed the institution to outperform short-term investment money markets like the S&P 500. (World Bank, 2023)

14



Purpose and context on the term of validity

IOSCO. (2014). Corporate Bond Markets: A Global Perspective. Madrid: International Organization of Securities Commissions.

IMF. (2017). IMF Working Paper: Understanding the Use of Long-term Finance in Developing Economies. Washington D.C.: International Monetary Fund.

While analysing the performance of bonds of varying maturity periods, longer-term bonds tend to offer higher yields to compensate investors for increased price volatility. (IOSCO, 2014)

The International Monetary Fund also notes that in the past twenty years, many countries have tried to foster long-term finance through the promotion of nonbank domestic institutional investors. This is because these investors have long investment horizons, which allow them to take advantage of long-term risk and illiquidity premiums to generate higher returns on their assets. (IMF, 2017)

15



Purpose and context on the term of validity

United Nations, D. R. (2017). SOVEREIGN WEALTH FUNDS INVESTMENT IN SUSTAINABLE DEVELOPMENT SECTORS. New York: HIGH-LEVEL CONFERENCE ON FINANCING FOR DEVELOPMENT AND MEANS OF IMPLEMENTATION OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT.

OECD. (2011). OECD Discussion Note. Paris: EUROFI High-Level Seminar 2011.

It is argued that the most impactful investments that will support the SDGs are long-term investments made in the alternative private market asset classes such as infrastructure, housing, clean energy, agriculture, timber, venture capital and private equity. (United Nations, 2017)

The Organisation for Economic Co-operation and Development (OECD) promotes long-term investing as opposed to what it calls short-termism. (OECD, 2011)