



Executive Board of the United Nations
Human Settlements Programme
Second session of 2023
Nairobi, 8 June 2023
Item 2 of the provisional agenda¹

Due diligence assessment of the Sustainable Human Settlements Foundation

Report of the Executive Director

1. The present report is in accordance with the request² from the Executive Board to provide a due diligence assessment of the Sustainable Human Settlements Foundation, with additional reference to the prior decision³ of the Executive Board and the prior reports⁴ of the Executive Director.
2. The due diligence assessment is included as annex 1 of this report.
3. The due diligence assessment was reviewed by the Risk Oversight and Advisory Committee of the Secretariat. The minutes of the relevant meetings of the committee are presented as annexes 2 and 3 of this report.
4. 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.
 - a. 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.
 - b. 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

¹ HSP/EB.2023/8/Rev.1

² HSP/EB.2023/7, decision 2023/1, paras. 7-8

³ HSP/EB.2022/22, decision 2022/5, paras. 19-21

⁴ HSP/EB.2023/INF/4; HSP/EB.2023/INF/3

- v. Extractive industries
 - vi. Fossil Fuels
 - vii. Genetically modified organisms
 - viii. Chemicals
 - ix. Herbicides & Pesticides
- c. 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.
 - d. The Sustainable Human Settlements Foundation will be certified within two years by a globally recognized sustainability certification such as the ISO14000 series.
 - e. The Sustainable Human Settlements Foundation will be listed within two years on a globally recognized sustainability index or award scheme.
 - f. The Sustainable Human Settlements Foundation will provide the list of its investment portfolio and investors upon request, if not publicly available.
 - g. 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.
 - h. The Advisory Board of the Sustainable Human Settlements Foundation will invite members from the UN-Habitat Executive Board.
 - i. The Advisory Board of the Sustainable Human Settlements Foundation will invite members who are recognized as leaders in sustainability.
 - j. 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.
 - k. The contribution agreement is to include an indemnity clause.
 - l. 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.
-



Sustainable Human Settlements Foundation Due Diligence Report

Private Sector team
Office of the Executive Director

May 2023

TABLE OF CONTENTS

1. Introduction	3
2. Detailed Research Form	6
3. Meeting Minutes	12
List of Annexes	13

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

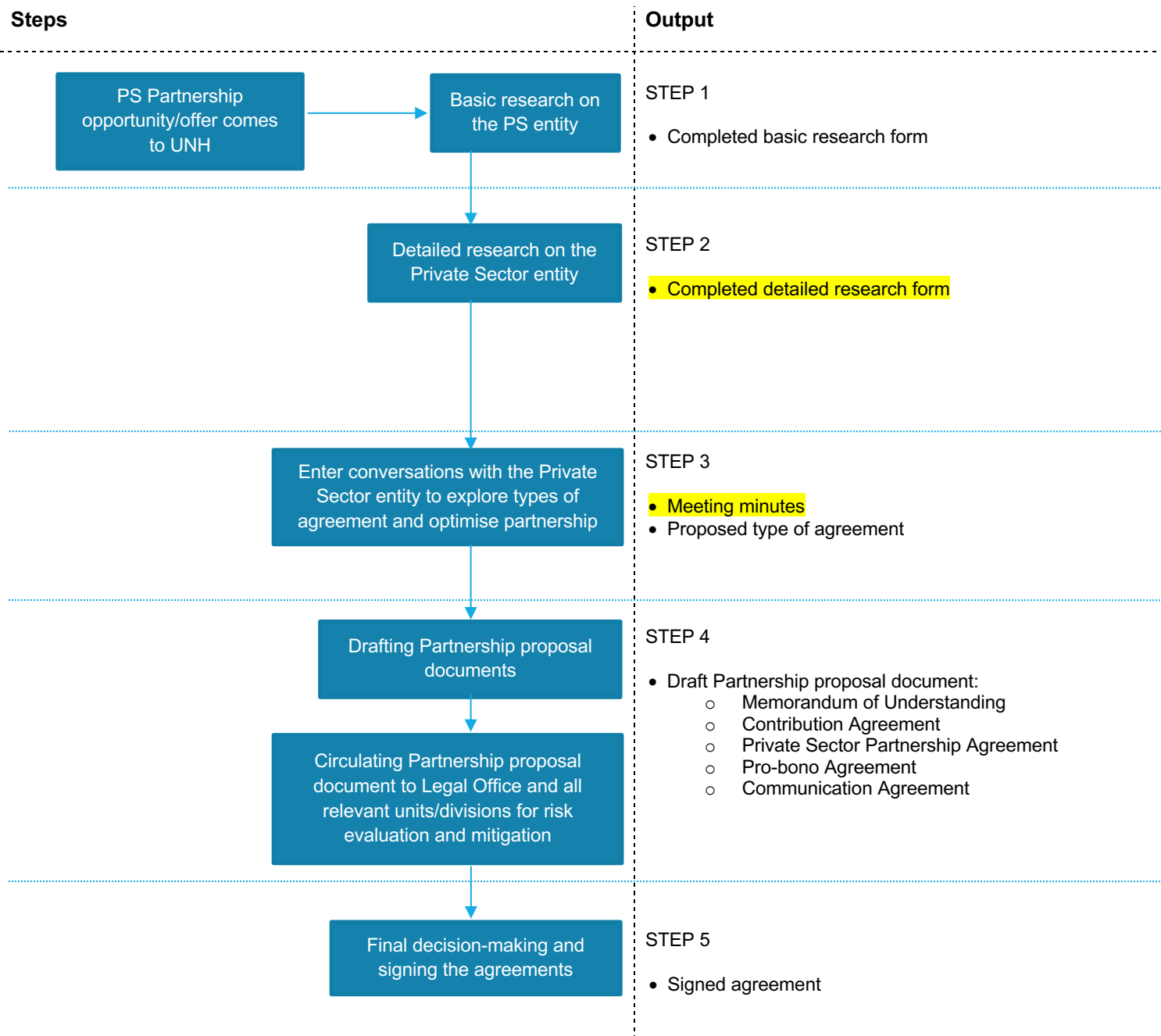
Timeline	Action
2nd EB 2019	The EB called upon the ED to find innovative ways to finance UN-Habitat’s mandate including developing a resource mobilisation strategy focusing on, among others, the private sector.
WUF 10, 2020	Roundtable - possibilities of financing the mandate of UN-Habitat including the 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).
2nd 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).
1st 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



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.business-humanrights.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? Military, armaments and weapons manufacturing	No	Many of the following agencies restrict working with the following industries: UNICEF; OCHR; UNESCO; UNFPA; WFP; UN Women; WHO; Unitar; UNAIDS; UNEP;

<p>Tobacco and alcohol</p> <p>Gambling (excluding lotteries with charitable objectives)</p> <p>Breast milk substitutes</p> <p>Extractive industries</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-UN-Habitat 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	<p>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</p>

Is it open to engagement in multi-stakeholder dialogue with UN-Habitat 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/technical-activities/global-forums/global-forum-reporting/forum-members-reporting.html and ICC partnership awards (www.iccwbo.org)
Does it have any sustainability-related 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>
<p><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</i></p>		

Qualitative Screening Questions		
<i>Question</i>	Yes/No	<i>Explanation of your answer</i>
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 decision-making, 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)
Does the partnership with this company help UN-Habitat reach specific objectives or achieve accomplishments of the Programme of Work?	Yes	<p>SHSF has listed on its website (https://shs-foundation.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.
How many other entities were considered for partnering on the intervention? Explain briefly the relative strength of the proposed organisation.	None	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

		implementation of a capital preservation model (Refer to Annex 10)
Does the partnership with this company contribute to any specific Sustainable Development Goals?	Yes	SHSF objectives on its website (https://shs-foundation.org/about-us/) align with the Sustainable Development Goals and in particular SDG 11

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

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, 9c, 9d)
10. SHSF - Briefing Pack – activities and programmes (annex 10)

Note of the Meeting
Risk Oversight and Advisory Committee Meeting
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.

- 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: Recommendations of the report of the due diligence on SHSF agreed to by the ROAC members at its meeting held on Friday 2 June 2023

Recommendations

The committee recommends the following provisions to be considered in the proposed contribution agreement between the Sustainable Human Settlements Foundation (SHSF) and UN-Habitat.

The contribution agreement will have an initial duration of one year, subject to extension, and is to include the following provisions. Breach of the contribution agreement, including these provisions, is grounds for termination of the agreement.

1. *The SHSF is prohibited from receiving investments from, and investing in, the following sensitive sectors and industries:*
 - a. *Military, armaments, and weapons manufacturing*
 - b. *Tobacco and alcohol*
 - c. *Gambling (excluding lotteries with charitable objectives)*
 - d. *Breast milk substitutes*
 - e. *Extractive industries*
 - f. *Fossil Fuels*
 - g. *Genetically modified organisms*
 - h. *Chemicals*
 - i. *Herbicides & Pesticides*
2. *The SHSF 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.*
3. *The SHSF will be certified within two years by a globally recognized sustainability certification such as the ISO14000 series.*
4. *The SHSF will be listed within two years on a globally recognized sustainability index or award scheme.*
5. *The SHSF will provide the list of its investment portfolio and investors upon request, if not publicly available.*
6. *The SHSF will provide externally audited financial statements on an annual basis by a globally recognized audit firm, effective after the first year of operation.*
7. *The SHSF Advisory Board will invite members from the UN-Habitat Executive Board.*
8. *The SHSF Advisory Board will invite members who are recognized as leaders in sustainability.*
9. *Personnel of UN-Habitat will not be involved or associated with the investment activities of the SHSF, and will have no role in the decision-making, management, or administration of the SHSF or its investments.*
10. *The contribution agreement is to include an indemnity clause.*
11. *The use of UN-Habitat's name and logo is subject to the approval of the head of the External Relations, Strategy, Knowledge and Innovation Division of UN-Habitat, or the otherwise designated official.*

Note of the Meeting
Risk Oversight and Advisory Committee Meeting
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).
- 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.”

- “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 UN-Habitat).
 - 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 UN-Habitat 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).