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**Findings of the analysis of the reputational risks
related to the Sustainable Human Settlements
Foundation and overview of earmarked private sector
contribution agreements**

Risk analysis on the Sustainable Human Settlements Foundation

External analysis

1. Pursuant to decision 2022/5 of the Executive Board, the Secretariat consulted the Office of the Controller and the Office of Legal Affairs to help determine the risk associated with the Sustainable Human Settlements Foundation (SHSF) making potential non-earmarked contributions to UN-Habitat.
2. Current practice by the United Nations is to accept contributions from donors regardless of the nature of the donors, be they public sector private sector, and to encourage all private sector entities and partners to register with UN Global Compact, which carries out the review process to assure compliance with the universal sustainability principles of the United Nations. The SHSF and all private sector entities involved, as listed in table 1, have committed to the Ten Principles of the UN Global Compact, as detailed in table 2. Also listed in table 2 are the relevant regulatory certifications.
3. In addition, the SHSF was and will continue to be subject to review by its banking partner. As shown in annex 1c, the banking partner states that “no red flags have appeared” as of 16 March 2023, as part of standard due diligence. The SHSF intends to directly adopt the risk management policy of the banking partner, following execution of the contribution agreement between the SHSF and UN-Habitat.¹

* HSP/EB.2023/1.

¹ Lloyds Banking Group 2022 Annual Report, section on risk management, p. 139-196
<https://www.lloydsbankinggroup.com/assets/pdfs/investors/financial-performance/lloyds-banking-group-plc/2022/full-year/2022-lbg-annual-report.pdf>

Table 1: Entities involved with the SHSF

Entity	Role	Reports to	Overseen by
UN-Habitat	Recipient of contributions from the SHSF	N/A	Governing bodies
SHSF	Recipient of investments from investors	Foundation Council ² Advisory Board ³	Foundation Council / Risk Management Committee ⁴ / Audit Committee ⁵
Blenheim Capital Partners Limited (BCPL)	SHSF guardian / Fundraising / Administrative support	Foundation Council / Jersey Financial Services Commission	Qualified Member ⁶ / Jersey Financial Services Commission / Foundation Council / Investment Committee ⁷
Lloyds Bank PLC	Financial and banking services	Qualified Member / Foundation Council	Qualified Member / Foundation Council
Schroder Investment Management Limited	Fund manager / Investment manager	Qualified Member/ Foundation Council	Qualified Member / Foundation Council
Fiduchi Trustees Limited	Regulatory oversight	Foundation Council / Jersey Financial Services Commission	Foundation Council / Jersey Financial Services Commission
Ruder Finn	Global communications and reputational risk assessment	SHSF	SHSF

² Jersey foundations are governed by a council. The regulations of the foundation (i.e., its governing document) provide for the establishment, powers, and responsibilities of the council. The council is like a company's board of directors in that it is the principal decision-making body that exercises the powers of the foundation. The council may consist of one or more members, who are required to act in accordance with the foundation's charter and regulations and the law. The council members owe their fiduciary duty to the foundation itself and must act honestly and in good faith with a view to the best interests of the foundation, and exercise the care, diligence, and skill of reasonably prudent persons in similar circumstances.

³ Advisory Board membership: independent legal advisory, independent financial advisory, independent audit advisory, independent SDG 11 advisory, independent academic advisory, independent global communications, and reputational risk advisory

⁴ Risk Management Committee membership: Ruder Finn (public relations and communications), BCPL, SHSF legal advisor and Qualified Member

⁵ Audit Committee membership: legal advisor from the SHSF Advisory Board, SHSF auditors, fund managers, Qualified Member

⁶ It is a statutory requirement for Jersey foundations to have a Qualified Member on the council and that this person must be a person registered with the Jersey Financial Services Commission (JFSC) to carry on trust company business with a class OA licence. The Qualified Member has certain obligations under the Financial Services Law and the Foundations Law over and above those of the other council members. In particular, the Qualified Member is responsible for ensuring that the foundation is administered in compliance with Jersey law for ensuring anti-money-laundering compliance. In effect, this means that the activity of each Jersey foundation is subject to regulatory oversight by virtue of the regulated status of its Qualified Member. In practice, the Qualified Member will be responsible for all statutory filings, correspondence with the Registrar/JFSC/Tax Office/etc and will likely fulfil a company secretary-type role, calling meetings, writing and circulating minutes, assisting the Chair with Jersey law queries etc. For this reason, the business address of the foundation must be the same as that of the Qualified Member.

⁷ Investment Committee: financial advisor from the SHSF Advisory Board, academic advisor from the SHSF Advisory Board, Qualified Member, SHSF auditors, legal advisor from Advisory Board and BCPL

Table 2: Registration documents of entities involved with SHSF

Entity	United Nations Global Compact	Regulatory certification
SHSF	Letter of Commitment (annex 1a)	Certificate of Good Standing (annex 1b) Due diligence clearance letter from banking partner (annex 1c) Confirmation of proposed reputation risk Management and global communications by Ruder Finn (annex 1d)
Blenheim Capital Partners	Letter of Commitment (annex 2a)	Certificate of Good Standing (annex 2b)
Lloyds Bank PLC	Letter of Commitment (annex 3a)	Registry Status from Regulatory Authority (annex 3b)
Schroder Investment Management Limited	Letter of Commitment (annex 4a)	Registry Status from Regulatory Authority (annex 4b)
Fiduchi Trustees Limited	Letter of Commitment (annex 5a)	Certificate of Good Standing (annex 5b)

Risk mitigation

4. The common practice is for the Secretariat not to be involved in the internal affairs of donors. In the case of the SHSF, Secretariat personnel will not be directly or indirectly involved with the investment decisions of the SHSF.
5. The investment portfolio will be publicly available for review by the Executive Board. Members of the Executive Board may express interest in being members of the SHSF Advisory Board.
6. To minimize reputational risk arising from the investments of the SHSF, it is recommended that the SHSF Advisory Board be expanded to include additional members that are in line with universal sustainability principles.
7. To help protect UN-Habitat from reputational damage associated with the investments of the SHSF, the contribution agreement will include a clause that disassociates UN-Habitat with the investment activities and states that UN-Habitat has no role with regards to the decision-making, management, or administration of the SHSF and its investments.
8. The SHSF has engaged with an independent global communications and reputational risk management firm (see annex 1d), who has as of 20 March 2023, “found no areas of concern.”