Due diligence assessment of the Sustainable Human Settlements Foundation

Ad hoc working group on programmatic, budgetary and administrative matters
27 September 2023
HSP/EB.2023/7: Decision 2023/1

7. Requests the Executive Director to provide for consideration by the Executive Board at its second session of 2023, pending a decision by the Bureau, a due diligence assessment of the Sustainable Human Settlements Foundation, to be conducted by the Private Sector Partnership team of UN-Habitat with the support of the Legal Office, the Office of the Executive Director and relevant technical units;

8. Also requests the Executive Director to re-establish the Risk Oversight and Advisory Committee, as outlined in the Enterprise Risk Management Implementation Guidelines, to monitor the Sustainable Human Settlements Foundation;
HSP/EB.2023/9

19. The Executive Board took note of the report by the Executive Director on the due diligence assessment of the Sustainable Human Settlements Foundation and decided to discuss the report further at its third session of 2023.
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 recently undertaken

Risk Oversight and Advisory Committee

Recommendation to proceed, with conditions

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

Recommendation to proceed, subject to twelve provisions

- Deliberation of due diligence and reputational risk

Due diligence
Recommendation 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.

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.

Recommendation 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
v. Extractive industries
vi. Fossil Fuels
vii. Genetically modified organisms
viii. Chemicals
ix. Herbicides & Pesticides

Response
The recommendation is accepted by the Executive Director.
Recommendation 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.

Response
The recommendation is accepted by the Executive Director.

Recommendation D

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.
Recommendation E

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.

Recommendation F

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.
Recommendation 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.

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

Recommendation 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.
Recommendation I

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.

Recommendation 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.

**Response**
The recommendation is **accepted** by the Executive Director.
Recommendation K

The contribution agreement is to include an indemnity clause.

Response
The recommendation is accepted by the Executive Director.

Recommendation 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.

Response
The recommendation is accepted by the Executive Director.
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