**POLICY.FG.2026.01**

# Investment of UNOPS Funds

**Headquarters, Copenhagen**

07 May 2026

## 1. Authority

1.1. This Policy is issued by the Chief Financial Officer pursuant to POLICY.ED.2025.01 - UNOPS Legislative Framework Policy, on the basis of a delegation of authority from the Executive Director and in accordance with UNOPS Financial Regulation 22.01.

## 2. Consequential changes

2.1. This Policy shall supersede and abolish OI.FG.2024.09 - Statement of Investment Principles (including Governance and Responsibilities) - Investment of UNOPS Funds.

## 3. Effective date

3.1. This Policy shall become effective immediately.

[signature redacted]

Karl-Ludwig Soll

Chief Financial Officer

# Chapter 1 – General provisions

## 1. Purpose

1.1. This Policy establishes the principles governing the investment of cash, cash equivalents, and other financial assets under UNOPS management.

1.2. This Policy also defines the governance framework for investment decisions made by the Executive Director with the advice of the Investment Advisory Committee and other financial investment professionals.

## 2. Definitions

2.1. In this Policy, the following terms have the meanings set out below:

(a) **"active risk"** means the variation of a portfolio's investment performance from the performance of its assigned benchmark, measured as tracking error defined as the standard deviation of the difference between the return of the portfolio and the return of the benchmark;

(b) **"asset class"** means a grouping of securities or investments that have similar risk and return characteristics, are generally subject to the same laws and regulations, and perform in a similar manner in particular market conditions;

(c) "**asset manager"** means the external entity engaged by UNOPS to manage investments of UNOPS funds in line with the investment mandate, guidelines, and restrictions approved by UNOPS;

(d) **"benchmark"** means a reference metric against which the investment performance and risk can be compared; benchmarks can be relative, referencing a market index and/or peers (for example, MSCI World), or absolute, referencing a risk-free or zero-return hurdle plus an expected premium (for example, CPI + 1%);

(e) **"business day"** means any day, Eastern Standard Time (EST), on which the Federal Reserve Bank of New York or the U.S. government securities markets are open for the conduct of official business;

(f) **"Conditional Value at Risk" ("CVaR")** means a risk assessment measure that quantifies the amount of tail risk an investment portfolio has, derived by taking a weighted average of the extreme losses beyond the value at risk ("VaR") cut-off point in the distribution of possible returns, and used in portfolio optimization for effective risk management;

(g) **"custodian"** means a financial institution that holds UNOPS' securities for safekeeping to minimize the risk of their theft, misuse, or loss;

(h) **"duration"** or Modified Duration (Dmod) means the sensitivity of the price of a security to changes in yield, defined as the first derivative of the price with respect to yield, and interpreted as the approximate percentage change in price for a 1% (100 basis point) parallel shift in the relevant yield curve;

(i) **"dynamic asset allocation" ("DAA")** means an investment approach focused on intermediate time frames to accommodate changes within economic and business cycles, involving most asset classes including public, private, liquid and illiquid assets, and relying on asset valuations in this medium-term horizon to tilt portfolio weightings, while excluding very illiquid asset classes such as infrastructure that may not be appropriate for timing cycles;

(j) **"ESG"** means the use of Environmental, Social, and Governance factors to evaluate companies and countries on their sustainability;

(k) **"funding ratio"** means the ratio of the market value of the assets held in a portfolio to the actuarial net present value of its associated liabilities;

(l) **"Investment Advisory Committee" (IAC)** means the advisory body established by UNOPS to provide expert advice to the Executive Director on the investment of UNOPS funds, as further described in Chapter 3 of this Policy;

(m) **"marketable"** means a security for which a public market exists and which can be liquidated within a specific time period defined in each annex, without incurring undue transaction or market costs;

(n) **"objective"** means high-level goals that are aligned to an investor's mission and reflect their values, preferences, constraints, and priorities;

(o) **"portfolio"** means one of the UNOPS investment portfolios listed in Section 13 of this Policy;

(p) **"rebalancing"** means the discipline of regular reallocation between assets that have grown in size within portfolios due to relatively strong performance and assets that have shrunk due to relatively weaker performance, in order to bring them back to their target weight in accordance with the Strategic Asset Allocation;

(q) **"return"** means the gain or loss in the value of a security over a particular period, consisting of income and capital gains on an investment, and usually quoted as a percentage;

(r) **"risk"** means situations where it is possible to attach estimated quantifiable probabilities to given alternative future outcomes or exposure to unexpected change that could result in failure to achieve a desired outcome;

(s) **"risk budget"** means a quantifiable measure defined with UNOPS Asset Managers that dictates the absolute amount of risk that can be taken in a portfolio;

(t) **"risk tolerance"** means the amount of risk the organization is willing to take to achieve its goals;

(u) **"Socially Responsible Investing" ("SRI")** means an investment that is considered socially responsible due to the nature of the business the company conducts;

(v) **"Strategic Asset Allocation" ("SAA")** means an investment approach that focuses on risk and returns and is based on diversification over various asset classes in a portfolio, taking into account correlations between these asset classes, and differs from investment selection, which focuses on generating returns from choosing different fund managers or individual securities within the same asset class;

(w) **"tracking error"** means the standard deviation of the difference between the return of the portfolio and the return of its assigned Benchmark, used to measure active risk;

(x) **"tranche"** means a sub-portfolio within a larger investment portfolio, structured to reflect different time horizons, risk profiles, or investment objectives;

(y) **"Value at Risk" ("VaR")** means a statistic that quantifies the extent of possible financial losses within a firm, portfolio, or position over a specific time frame, and is commonly used by investment managers to assess the extent and probability of potential losses in institutional portfolios.

# Chapter 2 – Governance and responsibilities

## 3. Responsibilities of the Executive Director

3.1. The Executive Director is responsible for making key investment decisions, including approving the overall Risk Budget for each investment portfolio, based on the recommendations of the Investment Advisory Committee (IAC).

3.2. The Executive Director may delegate responsibilities under this Policy to the Deputy Executive Director (Management and Policy).

3.3. The Executive Director may agree with one or more Asset Manager(s) that such Asset Manager be designated as a fiduciary manager.

## 4. Responsibilities of the Deputy Executive Director - Management and Policy

4.1. The Deputy Executive Director (Management and Policy) has the responsibilities delegated by the Executive Director.

## 5. Responsibilities of the Chief Financial Officer (CFO)

5.1. The CFO shall ensure the implementation of investment decisions made by the Executive Director.

5.2. The CFO or the CFO's delegate shall liaise and coordinate with the Asset Manager(s) and the Custodian(s) to ensure implementation of investment decisions and custodianship in accordance with the terms of the relevant agreements.

5.3. The CFO is responsible for accounting and maintaining books for the assets in the portfolios and the asset management activities in accordance with accounting standards and the UNOPS Financial Regulations and Rules.

## 6. Responsibilities of the Treasury

6.1. The Treasury is responsible for the day-to-day management of the portfolios, either by overseeing the Asset Manager(s) or by acting as an internal portfolio manager.

6.2. The Treasury is responsible for the day-to-day compliance of the Asset Manager(s) and Custodian(s) with this Policy, which can be via periodic ex-post compliance testing.

6.3. The Treasury is responsible for oversight of securities lending activities, including the appointment and monitoring of the securities lending agent in accordance with the terms of the relevant agreement.

6.4. The Executive Director or the CFO may delegate any other investment management activities to the Treasury.

# Chapter 3 – Investment Advisory Committee

## 7. Role and mandate of the Investment Advisory Committee (IAC)

7.1. The IAC supports UNOPS in maintaining effective governance, prudent risk management, and strategic alignment of its investment portfolios.

7.2. The IAC advises the Executive Director on the investment of UNOPS funds, including:

(a) reviewing this Policy following any material change or at least every three years, whichever is sooner;

(b) monitoring compliance of investment portfolios and decisions with this Policy on an annual basis, and confirming that documentary evidence of such compliance exists;

(c) reviewing the Risk Budget and risk limits on an annual basis;

(d) establishing and reviewing the strategic asset allocation across asset classes and currencies on an annual basis, to ensure risk and return levels remain within tolerances;

(e) reviewing implementation of the asset allocation strategy on an annual basis, including alignment with the Risk Budget, the portfolio risk profiles and the currency allocations;

(f) reviewing the implementation of Dynamic Asset Allocation and Rebalancing, within the limits set in this Policy and the applicable annex;

(g) recommending, where appropriate, the delegation of Dynamic Asset Allocation and Rebalancing to Asset Manager(s), within the boundaries of the relevant Asset Management Agreement;

(h) reviewing the valuation of assets at each IAC meeting, and requesting independent valuations when necessary, particularly for unlisted or alternative assets;

(i) reviewing performance reports from the Custodian and Asset Manager(s) at each IAC meeting, and alerting the CFO to any concerns;

(j) advising on the selection of Asset Manager(s), including confirmation of qualifications and experience;

(k) reviewing proposed Asset Management Agreements and any amendments;

(l) assessing Asset Manager performance over a rolling three-year period, including returns after fees against relevant benchmarks;

(m) monitoring asset management fees and costs to ensure they remain competitive;

(n) advising on the selection of Custodian(s), subject to UNOPS procurement framework;

(o) reviewing proposed Master Custody Agreements and any amendments;

(p) reviewing independent assessments of risk and performance monitoring of the Asset Manager(s) that UNOPS may request from the Custodian;

(q) reviewing investment accounting reports for the portfolios held in custody that UNOPS may request from the Custodian.

7.3. The IAC is solely an advisory body and the decision-making authority remains with the Executive Director (delegated to the Deputy Executive Director Management and Policy) under Financial Regulations 22.01 and 22.02.

## 8. Procedural rules of the IAC

8.1. Additional procedural and operational provisions governing the IAC, including standing agenda items and documentation requirements, are contained in Annex VII to this Policy.

## 9. External advisors

9.1. The CFO may engage external advisors to provide technical knowledge from time to time, based on a request from the IAC.

9.2. External advisors may attend IAC meetings, either occasionally or regularly, to present and discuss their findings and to provide independent challenge, as needed.

# Chapter 4 – Core investment principles

## 10. General principles

10.1. UNOPS invests funds with the objective of generating returns that support its mission and contribute to the benefit of those in need and other stakeholders.

10.2. All investment decisions shall be implemented in accordance with the following guiding principles:

(a) investment parameters: portfolio returns shall be maximized within the applicable risk limits established in the annexes to this Policy, recognizing that some portfolios may be highly constrained or follow a buy-and-hold strategy, that historical Asset Manager performance is not a guide to future performance, and that fees and costs should be managed and reduced where appropriate;

(b) time horizon: each portfolio shall have an investment time horizon that is consistent with its stated objective;

(c) portfolio composition: the Strategic Asset Allocation for each portfolio is defined in the relevant annex, and UNOPS may adopt active, passive or hybrid approaches to portfolio management, taking into account timing of investments and disinvestments, ensuring that risks are undertaken only when supported by an appropriate expected return, and seeking diversification across asset classes, strategies, geographies, currencies and financial instruments to reduce risk;

(d) liquidity: investments shall, where required, be made in marketable securities, as defined in the relevant annex, to ensure timely access to funds when needed.

10.3. In cases where assets are managed through pooled vehicles, it may not be possible to specify detailed investment guidelines.

# 11. Ethical and socially responsible investing

11.1. UNOPS shall make best efforts to ensure that investments conform to the ethical standards of the United Nations and do not expose UNOPS to reputational risk.

11.2. Socially Responsible Investing is an important ethical consideration, including internationally recognized initiatives such as the Principles for Responsible Investment (PRI), the United Nations Global Compact (UNGC), and the United Nations Environment Programme Finance Initiative (UNEP FI).

11.3. Asset Manager(s) are required to be signatories of the PRI, and the Custodian is required to be a signatory of either the PRI or the UNEP FI.

11.4. Where possible, the investment strategy must seek to promote sustainable business practices, fair labor practices, non-discrimination, and the protection of human rights.

11.5. If a voting right is granted to a position held in any portfolio, it shall be exercised in accordance with the UNOPS sustainable voting policy, aligned with internationally recognized sustainable proxy voting guidelines, and shall apply where a decision to vote is taken.

11.6. Environmental, social and governance considerations shall be applied in a manner appropriate to the objectives, time horizon, and eligible instruments of each portfolio, and specific ethical restrictions for each portfolio are detailed in the annexes to this Policy.

11.7. The aim of the sustainable voting policy is to promote, through the exercise of voting rights, sustainable business practices, fair labor practices, non-discrimination, the protection of human rights, gender diversity on boards, and positive corporate ESG actions that mitigate financial and reputational risk, among other objectives.

11.8. An active sustainable voting policy, combined with an engagement approach, can create a more effective and sustainable impact, including through constructive dialogue with company management to promote changes consistent with sustainability objectives and fiduciary responsibilities.

# 12. Risk management

12.1. The risk tolerance for each portfolio is managed through the approved Strategic Asset Allocation and the specific risk limits detailed in the relevant annexes to this Policy, with the allocation strategy selected with input from the Investment Advisory Committee, the portfolios managed in accordance

with that strategy and related limits, and the limits reviewed on an annual basis in consultation with the Committee.

12.2. Risk is managed and monitored through the following measures:

(a) total portfolio risk: the total portfolio Value at Risk (VaR) is monitored to assess potential loss over the investment horizon of the specific portfolio;

(b) active risk: Active risk shall be managed within limits stated in the relevant annexes and reviewed annually in consultation with the Investment Advisory Committee. Active risk may also apply to other parameters outlined in the portfolio investment guidelines from time to time;

(c) risk budget: An overall risk budget for active risk may be set for each Portfolio to determine the amount of active risk that may be taken and its allocation among asset classes.

12.3. Actual risk in each portfolio must be monitored daily to ensure it remains within the established Risk Tolerance and must be reported to the Executive Director and the IAC at IAC meetings, or more regularly if required.

12.4. Any temporary excess of risk beyond the established Risk Tolerance due to market volatility must be reported to the Executive Director via the CFO and brought back within the established limit within five business days.

12.5. Where appropriate, a regular asset-liability management study shall be performed at least every five years to examine the financial condition of the portfolios in respect to their liabilities.

# Chapter 5 – UNOPS investments portfolios

## 13. UNOPS portfolios

13.1. The financial assets under UNOPS management are organized into the following investment portfolios:

(a) UNOPS Working Capital Portfolio;

(b) UNOPS Operational Reserves Portfolio;

(c) UNOPS Post-Employment Benefits Liabilities Hedge Portfolio;

(d) UNOPS Treasury Cash Management Portfolio.

13.2. All UNOPS investment portfolios are governed by the investment objectives, liquidity requirements, eligible instruments, and risk management parameters set out in the annexes to this Policy.

13.3. Securities lending may also be conducted across portfolios, in accordance with Annex VI.

13.4. Investment management shall also comply with requirements set out in agreements with partners, funding sources, or financing institutions where applicable.

13.5. The annexes referred to in this Policy form an integral part of the Policy and are binding in the implementation of each portfolio's investment strategy.

## 14. UNOPS Working Capital Portfolios

14.1. The UNOPS Working Capital Portfolios consist of the accounts established pursuant to UNOPS Financial Regulations 10.03 and 11.02.

14.2. Funds in the UNOPS Working Capital Portfolio are held and managed on behalf of partners pending implementation.

14.3. The specific investment principles, parameters, and restrictions for this portfolio are detailed in Annex I and in Annex II.

## 15. UNOPS Operational Reserves Portfolio

15.1. The UNOPS Operational Reserves Portfolio consists of the operational reserve established pursuant to UNOPS Financial Regulation 22.02 (a).

15.2. The specific investment principles, parameters, and restrictions for this portfolio are detailed in Annex III.

## 16. UNOPS Post-Employment Benefits Liabilities Hedge Portfolio

16.1. The UNOPS Post-Employment Benefits Liabilities Hedge Portfolio consists of the reserve established pursuant to UNOPS Financial Rule 122.01 (a) to fund liabilities for After-Service Health Insurance, Repatriation Grant, and Death in Service benefits.

16.2. The specific investment principles, parameters, and restrictions for this portfolio are detailed in Annex IV.

## 17. UNOPS Treasury Cash Management Portfolio

17.1. The UNOPS Treasury Cash Management Portfolio consists of cash and cash equivalents in UNOPS custody, managed in accordance with UNOPS Financial Regulation 22.01.

17.2. The specific investment principles, parameters, and restrictions for this portfolio are detailed in Annex V.

## 18. Securities lending

18.1. Securities lending may be undertaken across all UNOPS portfolios to enhance investment returns, in accordance with the parameters, rules, and risk limits set out in Annex VI.

18.2. Securities lending activities shall be overseen by the Treasury and implemented through an agent appointed under a securities lending agreement, as further detailed in Annex VI.

# Chapter 6 – Final provisions

## 19. Revisions to this Policy and annexes

19.1. This Policy and its annexes may be revised by the CFO in accordance with POLICY.LG.2025.01, Development and Issuance of UNOPS Policies and UNOPS Technical Standards.

19.2. The CFO shall consult the IAC prior to the submission of any proposed revision.

## 20. Guidance documents

20.1. The CFO may issue Corporate Processes or Corporate Guidance and Informational Documents to support the application of this Policy.

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# Annex I - UNOPS Working Capital Portfolio

(referred to in section 14.3.)

**1. Policy framework of UNOPS Working Capital Portfolio**

1.1. The UNOPS Working Capital Portfolio consists of the accounts established pursuant to Financial Regulations 10.03 and 11.02.

1.2. This Annex refers to the portion of the UNOPS Working Capital portfolio that is not managed by the World Bank within the framework of the RAMP program.

**2. Investment principles**

**2.1. Investment parameters**

2.1.1. The UNOPS Working Capital Portfolio, as described in this Annex, shall be managed in accordance with the following objectives:

(a) the primary objective of the UNOPS Working Capital Portfolio is to preserve nominal capital value over a rolling one-year period within the risk and tracking error limits provided in this Annex.

(b) the portfolio management objective is to maximize risk-adjusted returns by seeking the highest possible return for the risk undertaken, strictly within the predefined risk limits and constraints established in this Policy;

(c) investments will be managed in a cautious and risk-controlled manner consistent with the capital preservation mandate;

(d) the active risk budget is limited to 30 basis points of annualized tracking error to constrain deviations from the Benchmark and protect capital. A stop loss on tracking error is set at 50 basis

points, beyond which the Asset Manager shall consult UNOPS Treasury on reversion to the Benchmark strategy as further elaborated in section 2.7.;

(e) liquidity priorities and capital preservation take precedence over return maximization in all investment decisions. Portfolio construction, instrument selection and active risk deployment shall be consistent with UNOPS' operational funding needs and risk appetite.

2.1.2. These Objectives lead to the following implementation considerations:

(a) the UNOPS Working Capital Portfolio employs a two-tranche structure to balance capital preservation and return generation objectives, with sub-portfolios managed against specific benchmarks, maturity profiles and risk limits;

(b) return generation within the active risk budget is pursued cautiously, recognizing that capital preservation, liquidity needs and alignment with UNOPS' operational mandate are paramount;

(c) risk budgets, limits and portfolio implementation parameters shall be reviewed at least annually and may be amended by the Executive Director, upon recommendation of the Treasurer and CFO, to maintain alignment with the primary capital preservation mandate and evolving risk appetite.

### 2.2. Investment time horizon

2.2.1. The investment time horizon for the UNOPS Working Capital Portfolio is set as follows:

(a) Investment Horizon for Tranche 1 is set as one year;

(b) Investment Horizon for Tranche 2 is set as two years.

### 2.3. Investment portfolio

2.3.1. Fixed income is a core asset class for the portfolio given the mission and objectives of the UNOPS Working Capital Portfolio.

2.3.2. The base currency for the UNOPS Working Capital Portfolio is USD, and all securities in the UNOPS Working Capital Portfolio must be denominated in USD or fully hedged to USD (within a range of +/-0.25% at total UNOPS Working Capital Portfolio level).

2.3.3. The UNOPS Working Capital Portfolio is split into two tranches. Tranche 2 has a target size of USD 500 million but there is no fixed size structure between the two tranches.

2.3.4. The portfolio shall be structured to avoid excessive concentration in a single issuer, sector or instrument type, in accordance with the counterparty and concentration limits set out in section 2.7.

### 2.4. Liquidity

2.4.1. For the purpose of this Annex I, "marketable" refers to a security for which a public market exists, having such liquidity and other characteristics that it would be reasonable to conclude that an investment, in the maximum size held at any one time, could be liquidated promptly (within five (5) business days) and without incurring undue transaction or market costs. A "business day" shall mean any day, Eastern Standard Time (EST), on which the Federal Reserve Bank of New York or the U.S. government securities markets are open for the conduct of official business.

2.4.2. The Asset Manager shall maintain an appropriate liquidity profile in each tranche, taking into account UNOPS' forecast cash requirements and stress scenarios, as follows:

(a) Tranche 1 shall maintain a high-liquidity profile suitable for short-term operational needs;

(b) Tranche 2 shall maintain a liquidity profile consistent with its 2-year investment horizon, while retaining sufficient flexibility to meet unanticipated funding requirements.

2.4.3. The Asset Manager shall conduct at least quarterly liquidity stress tests, simulating severe but plausible market conditions (including reduced market depth and widened bid-ask spreads), to assess the time required to liquidate a material portion of the portfolio without breaching the CVaR risk limits in section 2.7. The results shall be reported to UNOPS Treasury and to the CFO.

**2.5. Eligible instruments**

2.5.1. Instruments are classified as defined by Barclays Bloomberg Classification (including, but not limited to, Treasuries, Government related and Covered).

2.5.2. Ratings Methodology:

(a) In cases where three credit rating agencies (S&P, Moody's, Fitch) are available for security issues, the middle rating shall be considered to be the overall rating. In the case of only two of these credit ratings being available, the lower rating shall be considered the overall credit rating. In the case there is only one issue rating available, the Asset Manager shall consider it to be the overall credit rating. In the absence of a specific security rating, the issuer's rating shall be applied.

(b) In the case of bank obligations, these must be rated A- using the Bloomberg Barclays indices definition of A- (must be rated minimum A- by at least two of the following ratings agencies: Moody's, S&P, or Fitch. If only two of the three agencies rate the security, the lower rating is used. If only one of the three agencies rates a security, it must be A-).

2.5.3. The following instruments are eligible for the UNOPS Working Capital Portfolio:

(a) Government Securities (should make up a minimum 50% of the investment account assets)

Any marketable bond, note or other obligation denominated in USD, or non-USD denominated fully hedged to USD, issued or unconditionally guaranteed by a sovereign government. The minimum allowable for medium/long term maturities are long term ratings AA-, Aa3, AA- and the minimum allowable for short term maturities are A-1, P-1, F-1 short term ratings as of trade date, with the exception of eligible JPY denominated securities, which have a minimum allowable long term rating of A-, A3, A-.

(b) Government Agency, Other Official Entity and Multilateral Organization Securities (limited to 50% of the investment account assets)

Any marketable bond, note or other obligation denominated in USD, or non-USD denominated fully hedged to USD, issued or unconditionally guaranteed by an agency or instrumentality of a sovereign government, or any other official entity (such as regional authorities, municipalities and other entities established to serve a governmental purpose), or a multilateral organization. The minimum allowable for medium/long term maturities are long term ratings AA-, Aa3, AA- and the minimum allowable for short term maturities are A-1, P-1, F-1 short term ratings as of trade date, with the exception of eligible JPY denominated securities, which have a minimum allowable long term rating of A-, A3, A-.

A single issuer limit of 5% will apply to the securities referenced in this paragraph.

(c) Bank Obligations (limited to 20% of the investment account assets)

The Asset Manager is authorized to hold short-term instruments (with less than 1 year to maturity). UNOPS consents to any such deposits being made with those approved banks which meet the Asset Manager's criteria for such deposit takers from time to time, and shall include the custodian bank accounts and its deposit facility.

The short term instruments must meet the following criteria: any deposit placed with a bank, a certificate of deposit, commercial paper or other obligation issued or unconditionally guaranteed by a bank provided that the obligation: (i) is denominated in USD (or fully hedged to USD); (ii) will mature in less than one (1) year; and (iii) is issued or unconditionally guaranteed by a bank whose issuer credit rating is, or senior debt securities are, rated at least A- or its equivalent. Bank Obligations are limited to 2% of the portfolio per single issuer/name.

(d) Exchange-Traded USD Interest Rate and US Treasury Futures

USD denominated exchange-traded interest rate futures and US Treasury futures contracts.

Interest rate derivatives may only be used for:

(i) duration management within tactical allowances as outlined in section 2.7.5;

(ii) efficient portfolio management, which includes activities that reduce risk, reduce cost, or generate modest additional return without material risk increase relative to the benchmark, which could inter alia include curve positioning strategies.

Permitted uses of exchange-traded interest rate and US Treasury futures shall include:

(i) maintaining portfolio duration within the permitted range around the benchmark;

(ii) implementing limited yield curve positioning strategies within the risk budget;

(iii) hedging interest rate risk during periods of significant market volatility.

The aggregate notional exposure (defined as notional exposure of long futures minus notional exposure of short futures) to interest rate derivatives shall not exceed 30% of the market value of the UNOPS Working Capital Portfolio. All such positions shall be fully covered by eligible collateral and subject to daily margining with approved counterparties.

(e) Covered Bonds (limited to 20% of the investment account assets)

Any marketable covered bond, provided that it is rated AAA, or its equivalent. A single issuer limit of 5% will apply to Covered Bonds.

(f) US Agency Mortgage Backed Securities (Tranche 2 only) (limited to 20% of the value of Tranche 2, and not the total value of the investment account assets).

(g) Non-USD denominated Assets

A maximum holding of 20% of UNOPS Working Capital Portfolio assets in non-USD denominated government, government related, government agency, other official entity, multilateral organization, covered bonds or bank obligations fully hedged back to USD within a range of +/- 0.25% at the total UNOPS Working Capital Portfolio level.

(h) Forward FX Contracts

The use of Forward FX contracts for the purpose of hedging non-USD currency positions back to USD (as base currency) is allowed.

### 2.6. Benchmark

2.6.1. The UNOPS Working Capital Portfolio shall be managed against the following benchmark, net asset value-weighted composite (rebased daily in USD):

(a) Tranche 1: BofA Merrill Lynch U.S. Treasury Notes & Bonds, 0-1 Year index (G0QA);

(b) Tranche 2: BofA Merrill Lynch U.S Treasury Notes & Bonds, 0-3 Year Index (G1QA)

(combined the "Benchmark").

2.6.2. The suitability of the Benchmark shall be reviewed at least annually by UNOPS Treasury, and any proposed changes shall be submitted for approval to the Executive Director.

### 2.7. Risk limits

2.7.1. **Tracking Error**: Annualised tracking error, which is measured as the standard deviation of excess returns, is expected to be at or below 30 basis points per annum.

2.7.2. **Tranche Risk Limits**: The Risk Limits regarding the UNOPS Working Capital Portfolio tranches are defined as follows:

(a) Risk Limit for Tranche 1 is one year 95% CVaR of -0.5%.

(b) Risk Limit for Tranche 2 is one year 95% CVaR of -1%.

2.7.3. **Active Risk - Stop Loss**: If at any time during UNOPS' fiscal year, the return of the UNOPS Working Capital Portfolio reaches a level of fifty (50) basis points below the return of the Benchmark, the Asset Manager shall consult UNOPS Treasury on whether to revert to the Benchmark strategy for an agreed period.

2.7.3.1. The Asset Manager shall provide an attribution analysis identifying the sources of underperformance and a plan for reducing active risk, including potential reversion to a more benchmark-neutral position.

2.7.4. **Risk Budget:** The risk budget associated with the 30bps tracking error may be allocated across duration positioning, credit selection, yield curve positioning, and instrument and hedging strategies (including derivatives).

2.7.4.1. The Asset Manager shall report at least quarterly, where the data is available, on the contribution to active risk by each of the above dimensions and highlight any positions contributing more than 5 bps of tracking error.

2.7.5. **Duration and Tenor**: The Asset Manager shall maintain the portfolio duration within a range of plus or minus six (6) months weighted duration versus the Benchmark stated in section 2.6.

2.7.5.1. Within this duration band, the Asset Manager may employ a maturity laddering strategy, particularly for Tranche 1 and Tranche 2, to manage reinvestment and liquidity risk, ensuring a diversified distribution of maturities across the 0-3 year horizon.

2.7.6. Counterparty and Concentration Limits

2.7.6.1. In addition to the 2 per cent per issuer limit and 20 per cent total investment account assets for Bank Obligations in section 2.5.3, the following concentration limits shall apply with the exception of US Treasuries (expressed as a percentage of the market value of the UNOPS Working Capital Portfolio):

(a) Single sovereign issuer rated AAA or equivalent: maximum 25%;

(b) Single sovereign issuer rated AA or equivalent: maximum 15%;

(c) Single sovereign issuer rated A- or equivalent: maximum 10% (applies to Japanese Government Bonds "JGBs" only);

(d) Single supranational or multilateral development bank: maximum 5%;

(e) Aggregate exposure to non-USD denominated assets (fully hedged): maximum 20%.

2.7.6.2. The Asset Manager shall monitor these concentration limits at least weekly and report any breach to UNOPS Treasury within two (2) business days, together with a remediation plan.

### 2.8. Additional provisions

2.8.1. The market value of tradable securities held at any time in the portfolio, determined on a settlement date basis, shall not exceed the size of the investment account assets. For the avoidance of doubt, the foregoing limitation on leverage shall not apply in the event of operational issues, including but not limited to settlement failure, which are not directly related to investment decisions, but may arise in the ordinary course of business.

2.8.2. The minimum credit rating eligibility threshold stipulated for each eligible instrument or issuer, as applicable, shall apply at the time of the purchase of the instrument by the Asset Manager.

(a) If, after the purchase, any instrument or issuer, as applicable, is downgraded below the applicable minimum credit rating, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS CFO and await further instructions.

(b) If, after the purchase, any issuer that is part of the Benchmark is downgraded below the applicable minimum credit rating, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS CFO and seek confirmation as to a waiver by these individuals of the minimum credit rating in respect of such issuer or indication of a new benchmark or any other action in UNOPS' discretion.

2.8.3. In the event that UNOPS, as part of its instructions, directs the Asset Manager to dispose of any instrument pursuant to Section 2.8.2 (a) or (b) above, the Asset Manager shall effect such disposition as soon as reasonably practicable, taking into account prevailing market conditions as well as the remaining potential risks, but shall in no event be liable to UNOPS for any losses that UNOPS might incur in connection with the disposition of such an instrument.

2.8.4. The Asset Manager shall conduct, at least quarterly, portfolio-level stress tests covering interest rate shocks, credit spread widening and combined risk scenarios, and provide the results to UNOPS Treasury and CFO together with any recommended mitigating actions.

### 2.9. **Securities lending, borrowing and overdrafts**

2.9.1. Securities lending is operated on behalf of UNOPS by the Custodian. The Asset Manager shall not undertake securities lending on behalf of UNOPS. Borrowing and overdrafts are not permitted.

2.10. **Ethical restrictions and ESG criteria**

The investment management strategy and the Asset Manager makes a conscious decision to avoid investments in securities of companies with the following characteristics:

2.10.1. Companies that derive any revenue from the production of military weapons, weapons systems or weapons of mass destruction, including nuclear, chemical or biological weapons, or derive any of their revenue from the production of customized components for purposes of the production of military weapons, weapons systems or weapons of mass destruction.

2.10.2. Companies that derive any revenue from the production of tobacco and that primarily deal with the manufacturing and distribution of tobacco and tobacco-related products.

2.10.3. Companies that derive any revenue from the extraction and use of thermal coal.

2.10.4. Companies that derive any revenue from the production of oil from tar sands.

2.10.5. Companies that derive any revenue from direct exposure to adult entertainment.

2.10.6. Banks that derive any revenue from predatory lending practices. The manager shall apply an exclusion list for bonds issued by banking issuers involved in any predatory lending activity, based on proprietary data or interpretation of data sourced from ISS-ESG. Restrictions would not apply to banks in their capacity as trading counterparty for physical securities and derivatives.

2.10.7. Companies that, according to MSCI methodology or similar as defined in the Asset Management Agreement with the Asset Manager, are classified as failing or breaching at least one of the principles of the following international frameworks: United Nations Global Compact Principles (UNGC), the International Labour Organization's (ILO) conventions, and the United Nations Guiding Principles on Business and Human Rights (UNGPBHR).

2.10.8. All individual fixed income securities (with the exception of US Treasuries) with an MSCI ESG rating of BB or below are prohibited. An alternative ESG rating metric may be used and must be defined in the Asset Management Agreement with the Asset Manager. This ESG rating metric should be the equivalent of the MSCI ESG ratings scale.

2.10.9. UNOPS recognizes the critical importance of stable food supplies for the world's most vulnerable populations. To ensure that its financial instruments do not contribute to the destabilization of the market for basic food commodities, the investment management strategy does not allow any financial derivatives on soft commodities.

# Annex II UNOPS Working Capital – Onshore BRL Investment Portfolio for Eligible Projects

(referred to in section 14.3.)

**1. Policy framework**

1.1. This Annex establishes the investment parameters for the portion of the UNOPS Working Capital Portfolio composed of contributions to eligible projects in Brazil, held and managed in Brazilian real (BRL) for local implementation purposes.

## 2. Investment principles

2.1. The portfolio shall be managed with the following objectives:

(a) to preserve real capital value in BRL over a rolling one-year period with a high confidence level;

(b) to ensure compliance with Financial Regulations 10.03 and 11.02, and with Financial Regulations 22.02 and 22.06.;

(c) to invest funds entrusted to UNOPS in a cautious, risk-controlled manner;

(d) to fully reflect the Risk Budget and risk appetite as approved or amended by the Executive Director.

2.2. The following considerations apply to implementation:

(a) the return obtained in the Working Capital – Brazil Portfolio is less important than the preservation of capital and liquidity;

(b) liquidity is a key consideration and a requirement of the Financial Regulations and Rules, in particular Regulation 22.02 and 22.06.

2.3. Fixed income shall be the core asset class, in line with the portfolio's objectives.

2.4. The base currency of the portfolio shall be BRL. All securities must be denominated in BRL.

## 3. Investment time horizon

3.1. The investment time horizon shall be a rolling one-year period.

## 4. Asset allocation and eligible instruments

4.1. The portfolio may include the following categories of instruments:

(a) marketable bonds, notes, or other obligations denominated in BRL, issued or unconditionally guaranteed by the Brazilian Government;

(b) marketable bonds, notes, or other obligations denominated in BRL, issued or unconditionally guaranteed by Brazilian government agencies, other official entities (including regional authorities, municipalities, or similar entities), or multilateral organizations, up to 20 percent of the investment account assets;

(c) repurchase agreements (repos) backed by Brazilian sovereign debt;

(d) fixed-term deposits with local financial institutions authorised and regulated by the Central Bank of Brazil, provided such institutions meet the credit quality standards set by the Asset Manager and approved by UNOPS Treasury;

(e) overnight deposits in local financial institutions meeting the same criteria.

## 5. Credit quality and risk controls

5.1. The Asset Manager shall define and apply internal credit quality assessments consistent with UNOPS risk tolerance, in consultation with UNOPS Treasury.

5.2. All counterparties shall be subject to ongoing monitoring and must remain in good regulatory standing in Brazil.

5.3. The Asset Manager shall ensure that the value of tradable securities and deposits held in the portfolio does not exceed the value of the investment account assets, except in cases of operational failure not attributable to investment decisions.

5.4. The Asset Manager shall report any deterioration in credit quality or regulatory standing of counterparties to UNOPS Treasury without delay and shall await further instructions.

5.5. The minimum credit rating eligibility threshold stipulated for each eligible instrument or issuer shall apply at the time of purchase. If, after purchase:

(a) any instrument or issuer is downgraded below the minimum rating, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS CFO and await further instructions;

(b) an issuer forming part of the benchmark is downgraded below the minimum rating, the Asset Manager shall notify the UNOPS Treasurer and the UNOPS CFO and seek a waiver or new instructions. Such waivers may be granted on a temporary basis and do not override this Policy;

(c) UNOPS instructs the Asset Manager to dispose of a downgraded instrument, the Asset Manager shall do so as soon as reasonably practicable, considering market conditions and risks. UNOPS shall bear any losses incurred in such transactions.

**6. Liquidity**

6.1. For the purpose of this Annex, "marketable" refers to a BRL-denominated security for which a public market exists in Brazil, such that it could reasonably be liquidated within five (5) business days without incurring undue transaction or market costs.

6.2. Also for the purpose of this Annex, a "business day" means any day, Brasília Time, on which the Central Bank of Brazil and the Brazilian government securities markets are open for official business.

**7. Benchmark and risk limits**

7.1. The benchmark for the portfolio shall be the CETIP DI Rate (Interbank Deposit Certificate rate), as published by the Central Bank of Brazil, and the BZACCETP Index benchmark.

7.2. The one-year 95 percent Value at Risk (VaR) shall not exceed -0.8 percent.

7.3. If, during UNOPS' fiscal year, the return of the portfolio falls 50 basis points below the benchmark, the Asset Manager shall consult UNOPS on whether to temporarily align the portfolio with the benchmark strategy for an agreed period.

7.4. The portfolio duration shall remain within ± 0.25 of the benchmark's weighted duration.

**8. Ethical restrictions and ESG criteria**

8.1. The portfolio shall be subject to the same ethical investment exclusions and ESG standards as defined in the section on ethical restrictions and ESG criteria of Annex I of this Policy, applied *mutatis mutandis* to eligible Brazilian instruments and counterparties.

8.2. Where ESG ratings are not available through international providers, the Asset Manager shall apply a best-efforts approach to assess environmental, social, and governance risks using locally available data, market research, and public information.

**9. Governance and oversight**

9.1. Securities lending shall be operated solely by the Custodian. The Asset Manager shall not engage in securities lending, borrowing, or overdraft arrangements.

9.2. The Asset Manager shall operate under a written agreement approved by UNOPS Treasury, specifying investment objectives, reporting obligations, compliance requirements, and performance criteria.

9.3. The Asset Manager shall provide regular performance and risk reports to UNOPS Treasury in BRL, translated into USD equivalents for consolidated reporting.

9.4. The Asset Manager shall ensure operational compliance with all Brazilian financial regulations and applicable UNOPS internal policies.

9.5. Any breach of policy or material event affecting the portfolio shall be promptly reported to the UNOPS Chief Financial Officer and escalated to the Investment Advisory Committee if necessary.

# Annex III – Operational Reserves Portfolio

(referred to in section 15.2.)

**1. Policy framework**

1.1. The UNOPS Operational Reserves Portfolio corresponds to the operational reserve established pursuant to Financial Regulation 22.02 (a), which serves to guarantee the financial viability and integrity of UNOPS as a going concern.

**2. Investment principle**s

2.1. The UNOPS Operational Reserves Portfolio shall be managed in accordance with the following objectives:

(a) preserve nominal capital value over a rolling one-year period with a high confidence level;

(b) seek to generate excess returns of 15 basis points over the benchmark per annum, gross of fees, on average, over a cycle, with a low level of volatility as defined in the applicable risk limits;

(c) reflect the Risk Budget and risk appetite as determined and amended from time to time by the Executive Director.

2.2. The following implementation considerations apply:

(a) The return obtained is less important than capital preservation and liquidity considerations.

(b) liquidity is a key consideration and a requirement under Financial Regulations 22.02 and 22.06.

2.3. Fixed income is the core asset class of the portfolio.

2.4. The base currency of the portfolio is USD. All securities must be denominated in USD or fully hedged to USD, within a range of +/- 0.25 percent at total portfolio level.

**3. Investment time horizon**

3.1. The investment time horizon for the portfolio is a rolling one-year period.

**4. Liquidity**

4.1. All investments under this portfolio must be marketable.

4.2. A security is considered marketable if a public market exists for it and it can be reasonably expected to be liquidated, in the maximum size held at any one time, within five business days without incurring undue transaction or market costs.

4.3. For the purposes of this Annex, a "business day" means any day, Eastern Standard Time (EST), on which the Federal Reserve Bank of New York or the U.S. government securities markets are open for official business.

**5. Asset allocation and eligible instruments**

5.1. Classification of instruments shall follow the Barclays Bloomberg classification.

5.2. The applicable ratings methodology is as follows:

(a) where three credit rating agencies (S&P, Moody's, Fitch) rate a security, the middle rating applies;

(b) where only two ratings are available, the lower applies;

(c) where only one rating is available, that rating applies;

(d) where no security rating exists, the issuer rating applies;

(e) for bank obligations, a minimum rating of A- applies, as defined by Bloomberg Barclays indices, with at least two out of three agencies affirming the rating; if only two agencies rate the security, the lower is used; if only one agency rates it, the rating must be A-.

5.3. The following instruments are eligible for investment:

(a) marketable government securities denominated in USD, or non-USD securities fully hedged to USD, issued or unconditionally guaranteed by a sovereign government, with a minimum rating of AA-, Aa3, or AA- for medium or long-term maturities and A-1, P-1, or F-1 for short-term maturities as of trade date, with exceptions for eligible JPY securities at A-, A3, or A-;

(b) securities issued or guaranteed by a government agency, official entity, or multilateral organization, subject to the same rating thresholds as in paragraph (a), and limited to 50 percent of portfolio assets;

(c) any deposit, certificate of deposit, commercial paper, or other obligation issued or unconditionally guaranteed by a bank, provided that it: (i) will mature in less than one year; and (ii) is issued or unconditionally guaranteed by a bank whose issuer credit rating or senior debt

securities are rated at least A- or equivalent; bank obligations are limited to 10 percent of the portfolio per single issuer;

(d) exchange-traded USD interest rate and US Treasury futures contracts;

Interest rate derivatives may only be used for:

(i) duration management within tactical allowances as outlined in section 7.4;

(ii) for efficient portfolio management, which includes activities that reduce risk, reduce cost, or generate modest additional return without material risk increase relative to the benchmark, which could *inter alia* include curve positioning strategies.

Permitted uses of exchange-traded interest rate and US Treasury futures shall include:

(i) maintaining portfolio duration within the permitted range around the benchmark;

(ii) implementing limited yield curve positioning strategies within the risk budget;

(iii) hedging interest rate risk during periods of significant market volatility.

The aggregate notional exposure (defined as notional exposure of long futures minus notional exposure of short futures) to interest rate derivatives shall not exceed 30% of the market value of the Operational Reserves Portfolio. All such positions shall be fully covered by eligible collateral and subject to daily margining with approved counterparties.

(e) covered bonds rated AAA, or its equivalent, limited to 20 percent of portfolio assets;

(f) US agency mortgage-backed securities, limited to 20 percent of the total portfolio value;

(g) non-USD assets, including government, government-related, government agency, other official entity, multilateral organization, covered bonds or bank obligations, limited to 20 percent of the total portfolio value, provided they are fully hedged back to USD within a range of +/- 0.25 percent at the total portfolio level;

(h) forward FX contracts for hedging non-USD positions back to USD.

**6. Benchmark**

6.1. The portfolio shall be managed against a net asset value-weighted benchmark, rebased monthly in USD, as follows:

(a) 75 percent: BofA Merrill Lynch U.S. Treasury Notes & Bonds, 0–1 Year Index (G0QA);

(b) 25 percent: BofA Merrill Lynch U.S. Treasury Notes & Bonds, 0–3 Year Index (G1QA).

**7. Risk limits**

7.1. Annualised tracking error shall be at or below 30 basis points.

7.2. The one-year 95 percent conditional value at risk (CVaR) shall not exceed -1 percent.

7.3. If the portfolio return falls 50 basis points or more below the benchmark within the fiscal year, the Asset Manager shall consult with UNOPS Treasury to assess whether a temporary alignment with the benchmark strategy is appropriate for an agreed period.

7.4. Portfolio duration shall remain within plus or minus 0.5 of the benchmark duration.

**8. Operational provisions**

8.1. The market value of tradable securities shall not exceed the size of the investment account assets, except in cases of operational issues not related to investment decisions.

8.2. Minimum credit rating eligibility thresholds apply at the time of purchase:

(a) if a holding is downgraded below the minimum threshold, the Asset Manager shall notify the UNOPS Treasurer and CFO and await instructions;

(b) if the downgraded issuer is part of the benchmark, the Asset Manager shall seek either a waiver or new benchmark confirmation from the CFO;

(c) if directed to dispose of an instrument, the Asset Manager shall do so as soon as practicable, with no liability for related losses.

**9. Cash and deposits**

9.1. The Asset Manager is authorized to hold short-term instruments (less than one year to maturity), including deposits with approved banks meeting the Asset Manager's criteria.

9.2. Such instruments must:

(a) be denominated in USD;

(b) mature in less than one year;

(c) be issued or guaranteed by a bank with a credit rating of at least A-.

**10. Securities lending, borrowing and overdrafts**

10.1. Securities lending is performed by the Custodian on behalf of UNOPS.

10.2. The Asset Manager shall not undertake securities lending.

10.3. Borrowing and overdrafts are not permitted.

**11. Ethical restrictions and ESG criteria**

11.1. The portfolio excludes securities from companies:

(a) engaged in the production of military weapons or systems, including weapons of mass destruction;

(b) involved in the production or distribution of tobacco products;

(c) deriving revenue from thermal coal or tar sands;

(d) directly exposed to adult entertainment;

(e) engaging in predatory lending practices, as identified based on proprietary or ISS-ESG data, provided that this exclusion applies only to bonds issued by such entities and does not apply to their role as trading counterparties;

(f) breaching the UNGC, the ILO conventions, the United Nations Guiding Principles on Business and Human Rights, or as classified by MSCI or equivalent under the asset management agreement;

(g) with fixed income securities (except US Treasuries) rated BB or below by MSCI ESG or an equivalent alternative metric defined in the asset management agreement;

(h) whose activities include financial derivatives on soft commodities, which are prohibited to protect food supply stability.

# Annex IV - UNOPS Post-Employment Benefits Liabilities Hedge Portfolio

(referred to in section 16.2.)

**1. Policy framework**

1.1. The UNOPS Post-Employment Benefits Liabilities Hedge Portfolio provides for employee benefits by managing assets in relation to the relevant liability.

1.2. The covered benefits include After-Service Health Insurance, Repatriation Grant, and Death in Service liabilities of certain employees of UNOPS.

1.3. Funding future liabilities is the primary objective of the UNOPS Post-Employment Benefits Liabilities Hedge Portfolio. The post-employment benefits referenced in this document exclude Pension Liabilities.

**2. Investment principles**

2.1. The portfolio shall ensure that sufficient assets are available to meet the current and future obligations of UNOPS in relation to its post-employment benefit liabilities by matching the liabilities over the long-term, targeting a funding ratio greater than 100% without relying on direct additional contributions from UNOPS' operational budget, except for liability increases stemming from discretionary decisions on the number of eligible staff and any relevant HR policy changes.

2.2. Investments shall reflect the Risk Budget and Risk Appetite as amended from time to time by the Executive Director.

2.3. The return obtained in the portfolio is a key objective to meet future mutations in the net obligation of the liabilities.

2.4. Multi-asset class solutions may be used, considering the investment horizon and limited liquidity needs.

2.5. The portfolio shall incorporate a strong ESG element throughout the investment process where possible.

2.6. An actuarial valuation of the liabilities shall be performed every year.

2.7. An asset-liability management study shall be performed at least every five years by an external advisor.

2.8. The study shall assess the financial condition of the portfolio with respect to its liabilities, estimate the feasibility of achieving its long-term investment return targets, and propose a feasible and implementable strategic asset allocation consistent with the portfolio's objectives.

2.9. The objectives and implementation considerations in section 2.1. to 2.5. shall be reviewed and, if relevant, amended following each study.

**3. Investment time horizon**

3.1. The investment time horizon for the portfolio is 30 years.

3.2. The portfolio optimisation horizon is 30 years.

**4. Asset allocation and eligible instruments**

4.1. The strategic asset allocation for the portfolio is composed as follows:

(a) US investment grade corporate bonds – 35 percent (Reference Index: Bloomberg US Corporate IG: LUACTRUU);

(b) USD-denominated sovereign, supranational and agency debt – 25 percent (reference index: Bloomberg Barclays US Treasury 20+ Index – LT11TRUU);

(c) Global Equity (USD) - 34 percent (reference index: MSCI ACWI Net Total Return USD Index) (Ticker: NDUEACWF);

(d) US Real Estate Investment Trusts – 6 percent (reference index: Vanguard Real Estate ETF – VNQ).

4.2. Eligible instruments include USD-denominated exchange-traded interest rate futures and US Treasury futures contracts.

**5. Liquidity**

5.1. All investments under this portfolio must be marketable.

5.2. A security is considered marketable if a public market exists for it and it can be reasonably expected to be liquidated, in the maximum size held at any one time, within five business days without incurring undue transaction or market costs.

5.3 For the purposes of this Annex, a "business day" means any day, Eastern Standard Time (EST), on which the Federal Reserve Bank of New York or the U.S. government securities markets are open for official business.

**6. Benchmark**

6.1 The portfolio shall be benchmarked against a composite asset class benchmark consisting of the weighted average of the reference indices listed in subsection 4.1.

## 7. Risk management

7.1. The maximum one-year volatility over the investment horizon is 11 percent.

7.2. The maximum one-year value at risk at 95 percent over the investment horizon is 12 percent.

7.3. The maximum one-year conditional value at risk at 95 percent over the investment horizon is 14.5 percent.

7.4. If, at any point during the investment horizon, the annual return of the portfolio underperforms the benchmark by 150 basis points, it shall be considered whether or not to revert to a Benchmark replication strategy for an agreed period.

7.5. With respect to USD denominated Sovereign, Supranational and Agency Debt allocation, portfolio duration shall remain within ±0.5 of the benchmark's duration.

7.6. Deviations beyond the duration range in Section 7.5 must be corrected within three business days.

7.7. For purposes of total portfolio risk management under Section 7.1, the duration range in Section 7.5 may be exceeded.

7.8. If the range is exceeded under Section 7.7, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS Chief Financial Officer.

## 8. Additional investment provisions

8.1. The minimum credit rating eligibility threshold for each eligible instrument or issuer shall apply at the time of purchase. For the avoidance of doubt, the minimum credit rating for Investment Grade Corporate Credit is BBB-/Baa3, and the minimum credit rating for Sovereign, Supranational, and Agency debt is A-/A3 or higher.

8.2. If an instrument or issuer is downgraded below the minimum rating after purchase, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS Chief Financial Officer and await further instructions.

8.3. If an issuer within the benchmark is downgraded below the minimum rating after purchase, the Asset Manager shall notify the UNOPS Treasurer and the UNOPS Chief Financial Officer and seek confirmation for a waiver or other direction.

8.4. If directed by UNOPS to dispose of any such instrument under Section 8.2 or 8.3, the Asset Manager shall do so as soon as reasonably practicable, taking into account market conditions and risks.

8.5. The Asset Manager shall not be held liable for any losses arising from such disposal.

8.6. The market value of tradable securities held at any time in the portfolio, determined on a settlement date basis, shall not exceed the size of the investment account assets.

8.7. The limitation in Section 8.6. does not apply to operational issues unrelated to investment decisions, such as settlement failures.

## 9. Ethical restrictions and ESG criteria

9.1. Investments shall exclude securities of companies that:

(a) derive revenue from military weapons, weapons systems, or weapons of mass destruction, or derive over 10 percent of revenue from customized components for these purposes;

(b) derive revenue from tobacco production or distribution;

(c) derive revenue from thermal coal extraction and use;

(d) derive more than 10 percent of revenue from tar sands oil production;

(e) derive revenue from direct exposure to adult entertainment;

(f) are banks with predatory lending involvement of 1 percent or more;

(g) are classified by MSCI or a comparable rating agency under the asset management agreement as failing or breaching at least one principle of the UN Global Compact, ILO conventions, or the UN Guiding Principles on Business and Human Rights;

(h) issue fixed income securities (excluding US Treasuries) with an MSCI ESG rating of BB or below, unless an equivalent rating metric is defined in the asset management agreement.

9.2. UNOPS does not permit investment in financial derivatives on soft commodities.

9.3. The restrictions in Section 9.1 apply to the portfolio investment mandate as outlined in the asset management agreement.

9.4. An exception is made for investments in the Multi Factor Credit Fund.

# Annex V - UNOPS Treasury Cash Management Portfolio

(referred to in section 17.2.)

**1. Purpose and scope of the portfolio**

1.1. The UNOPS Treasury Cash Management Portfolio provides liquidity for the operational field activity of UNOPS across all currencies.

1.2. The purpose of the investment management strategy is to ensure sufficient funding in all locations and currencies for daily operations.

1.3. The investment strategy shall mitigate credit risk faced by UNOPS and seek to generate the best rate of return in the cash market.

**2. Investment objective and implementation approach**

2.1. The portfolio shall be managed with the objectives of providing liquidity whilst preserving nominal capital value over a rolling one-year period.

2.2. Investments shall fully reflect the Risk Budget and Risk Appetite as amended from time to time by the Executive Director.

2.3. The return obtained in the portfolio is less important than the preservation of capital and liquidity considerations.

2.4. Liquidity is a key consideration in the management of the portfolio.

**3. Investment time horizon**

3.1. The investment time horizon for the portfolio is set as a rolling one-year period.

**4. Investment portfolio**

4.1. Cash and cash equivalents are a core asset class for the portfolio given its objectives.

**5. Liquidity**

5.1. All investments under this portfolio must be marketable.

5.2. A security is considered marketable if a public market exists for it and it can reasonably be expected to be liquidated in the maximum size held at any one time within five business days without incurring undue transaction or market costs.

5.3. For the purposes of this Annex, a business day means any day, Eastern Standard Time, on which the Federal Reserve Bank of New York or the U.S. government securities markets are open for official business.

**6. Eligible instruments**

6.1. The following interest types are permitted: coupon (fixed and floating), zero coupon, and discounted.

6.2. The following borrower types are permitted: sovereign, government guaranteed, supranational (government guaranteed), agency (government guaranteed), bank, and financial institution.

6.3. Eligible investment instruments include:

(a) bills, notes and other obligations issued or guaranteed by a sovereign;

(b) time deposits;

(c) certificates of deposit;

(d) commercial paper;

(e) asset-backed commercial paper;

(f) floating rate notes;

(g) Eurodollar certificates of deposit;

(h) money market funds;

(i) covered bonds;

(j) repurchase agreements;

(k) dual currency deposits;

(l) foreign exchange derivatives (for hedging purposes only);

(m) interest rate derivatives (for hedging purposes only).

## 7. Benchmark

7.1. The portfolio shall be managed against a benchmark of Secured Overnight Financing Rate (SOFR) 1 month compounded, representing the compounded averages of the SOFR over a rolling 30 calendar day period.

## 8. Risk management

8.1. The accepted level of volatility, the total portfolio Value at Risk (VaR), for the portfolio is 95% VaR circa 0.5% or lower over the investment horizon.

## 9. Portfolio constraints and credit rating compliance

9.1. The market value of tradable securities held at any time in the portfolio, determined on a settlement date basis, shall not exceed the size of the investment account assets.

9.2. The limitation in Section 9.1 does not apply in the event of operational issues, including settlement failure, which are not directly related to investment decisions.

9.3. The minimum credit rating eligibility threshold stipulated for each eligible instrument or issuer shall apply at the time of purchase by the Asset Manager.

9.4. If, after purchase, any instrument or issuer is downgraded below the applicable minimum credit rating, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS CFO and await further instructions.

9.5. If an issuer that is part of the Benchmark is downgraded below the applicable minimum credit rating after purchase, the Asset Manager shall promptly notify the UNOPS Treasurer and the UNOPS CFO and seek confirmation as to a waiver by the UNOPS CFO or indication of a new benchmark or other action in the UNOPS CFO's discretion.

9.6. If the UNOPS CFO directs the Asset Manager to dispose of any instrument pursuant to Sections 9.4 or 9.5, the Asset Manager shall do so as soon as reasonably practicable, taking into account market conditions and remaining risks.

## 10. Maturity management

10.1. For purposes of this Annex, short-term maturity refers to securities maturing in less than 365 days.

10.2. Medium-term maturity refers to securities with maturities from 1 year to 3 years and 2 months.

10.3. Long-term maturity refers to securities with maturities from 3 years 2 months to 5 years.

10.4. The maximum maturity for fixed-term deposits in the portfolio is 397 days.

10.5. The maximum portfolio weighted average life (WAL) is 1 year.

10.6. The maximum weighted average maturity (WAM) is 6 months.

10.7. The maximum portfolio duration is 0.5.

10.8. There is no explicit maturity limit for fixed income securities excluding deposits; portfolio duration and WAM/WAL dictate allowable maximum maturity.

**11. Issuer and counterparty limits and monitoring**

11.1. Treasury-specific issuer limits and credit ratings are reviewed regularly and approved by the UNOPS CFO.

11.2. Minimum credit ratings apply as of trade date.

11.3. In case of credit downgrade below minimum limits over the life of an investment, the UNOPS Treasurer shall assess the investment and immediately notify the UNOPS CFO for approval of retention or liquidation.

11.4. The Investment Advisory Committee shall be informed of investments with perceived elevated risk profiles at the next scheduled meeting and be updated regularly until sale or maturity.

11.5. Breaches of maximum thresholds or counterparty exposure limits require immediate UNOPS Treasurer assessment and UNOPS CFO approval.

**12. Issuer-specific limits and credit rating methodologies**

12.1. Limits for debt instruments issued by sovereign, government guaranteed, supranational, and agency issuers: minimum long-term ratings A-, A3, A- for medium/long-term maturities, minimum short-term ratings A-1, P-1, F-1 as of trade date.

12.2. Limit of 10% exposure in any single issuer as of trade date and no more than 5% in any single issuance.

12.3. Bank deposit and short-term debt instrument limits are subject to an approved list of counterparties updated by UNOPS Treasury.

12.4. Exposure to any single counterparty rated A1/P1/F1 or above must be limited to 10% of the portfolio value outstanding at any time, excluding UNOPS corporate/house banks.

12.5. Ratings methodology: when three credit ratings are available, the middle rating is considered overall; if two are available, the lower is considered; if one, that is used; absence of rating defaults to the issuer's rating.

12.6. Bank obligations must be rated A- by at least one of Moody's, S&P, or Fitch; if two ratings are given, the lower rating applies; if one rating is given, that rating must be A-.

# Annex VI - Securities Lending

(referred to in section 18.2.)

**1. Securities lending authorization**

1.1. UNOPS has appointed its custodian (the "Agent") to lend securities of the UNOPS accounts in accordance with the terms of the securities lending agreement entered into between both parties.

1.2. The Agent is authorized to lend securities to one or more borrowers selected by the Agent and approved as authorised borrower(s) by UNOPS.

1.3. The Agent is further appointed to manage any collateral pledged in return for the lending of its securities.

**2. Collateral margin requirements**

2.1. Collateral provided by a borrower shall in no instance be less than 100 percent of the initial market value of the borrowed securities.

2.2. Each business day, the Agent and the borrower shall determine the market value of the collateral and the borrowed securities.

2.3. If on any business day the market value of all the collateral is less than the required value, the Agent shall demand from the borrower additional collateral.

2.4. The demand for additional collateral shall be subject to a de minimis rule of change in value appropriate to the type of borrowed securities.

2.5. The market value of the additional collateral, when added to the market value of the collateral previously delivered, shall equal the required value.

**3. Collateral guidelines**

3.1. Initial collateral levels shall not be less than 105 percent of the market value of the borrowed securities.

3.2. If the borrowed securities and collateral are denominated in the same currency, a collateralization level of 102 percent shall apply.

3.3. All equity loans must have initial collateral levels of 105 per cent, regardless of the currency of collateral, except for US equities.

3.4. Initial collateral shall be received prior to, or simultaneously with, the delivery of the loaned securities.

**4. Non-cash collateral eligibility**

4.1. Eligible non-cash collateral includes obligations issued or guaranteed by OECD member states or their local governments, agencies, instrumentalities, or authorities.

4.2. Eligible OECD countries shall include, but not be limited to, Austria, Australia, Canada, Denmark, Finland, France, Germany, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

4.3. Obligations issued by supranational entities are eligible.

**5. Credit quality**

5.1 Except for obligations issued or guaranteed by the US Government, UK Government, or the Japanese Government, other obligations listed above are restricted to those with a minimum long-term rating of:

(a) AA- by S&P;

(b) Aa3 by Moody's;

(c) AA- by Fitch.

**6. Revenues**

6.1. UNOPS net revenue during any period shall consist of the aggregate loan premiums or loan fees paid by borrowers pursuant to the borrowing agreements, reduced by any applicable payment of fees.

6.2. The agreed net revenue due to UNOPS is currently 70 percent of gross revenue.

6.3. This fee split may be amended from time to time through mutual negotiation.

**7. Term loans**

7.1. Term loans are allowable under the securities lending agreement.

**8. Borrowers**

8.1. The maximum exposure to any borrower will be limited to 10 percent of the lender's account, defined at an individual borrower level rather than the parent entity.

8.2. Notwithstanding Section 8.1, the Agent shall not lend securities to any borrower if the borrower, their parent companies, or their respective subsidiaries or affiliates have an actual or implied short-term rating at the time the loan is made of less than:

(a) Short-term rating of A-1+ by S&P;

(b) Short-term rating of P1 by Moody's;

(c) Short-term rating of F1+ by Fitch.

# Annex VII - Internal rules of the Investment Advisory Committee

(referred to in section 8.1.)

**1. Membership of the IAC**

1.1. Voting members must possess strong financial skills and significant experience in financial markets.

1.2. Voting members are appointed for a term of up to six years, and may be extended once for a period of up to two additional years, with a maximum service of eight years in total, and the end of terms shall be staggered to minimize disruptions to the IAC.

1.3. The Executive Director designates one of the voting members as Chair of the IAC.

1.4. The following individuals are *ex officio* non-voting members:

(a) Deputy Executive Director (Management and Policy);
(b) CFO;

(c) Deputy CFO;
(d) Treasurer.

**2. Functioning and meetings of the IAC**

2.1. The IAC quorum consists of at least two voting members and two *ex officio* members.

2.2. The IAC meets at least every four months, with the meeting date agreed between the Executive Director and the IAC Chair, and determined by the Executive Director if no agreement is reached.

2.3. The Executive Director may convene a meeting at any time.

2.4. The Executive Director has the right to attend any IAC meeting.

2.5. Decisions are made by consensus where possible, and if consensus cannot be reached, they are made by majority vote of the voting members, with the Chair holding a casting vote in the event of a tie.

2.6. When a consensus is not reached, the views of the minority shall be recorded in the minutes.

**3. Participation of external parties**

3.1. Asset Manager(s) and Custodian(s) may attend IAC meetings where appropriate, but shall not be members of the Committee.

**4. Meeting arrangements**

4.1. The Executive Director, or the IAC Chair if the Executive Director does not attend, shall determine whether meetings are held in-person or remotely.

4.2. The IAC may also carry out its functions via conference calls or email discussions, as needed.

**5. Record-keeping**

5.1. The CFO designates a person to take minutes of all IAC meetings and conference calls.

5.2. Minutes shall be shared with all IAC members and with the Executive Director.

**6. Standing agenda items**

6.1. The agenda of each IAC meeting shall include the following items:

(a) Review and, if applicable, approval of the minutes of the previous meeting;

(b) Update on UNOPS operations from the Executive Director, Deputy Executive Director, Chief Financial Officer, or Treasurer;

(c) Overview of portfolio performance and risk;

(d) Review of any outstanding audit recommendations related to investments;

(e) Any other item agreed for inclusion on the agenda;

(f) Confirmation of the date for the next meeting.