ANNEX IV
UNOPS Treasury Cash Management Portfolio

1. Policy Framework of UNOPS Treasury Cash Management Portfolio

1.1 The UNOPS Treasury Cash Management Portfolio provides liquidity for the operational field activity of UNOPS across all currencies. The purpose of the investment management strategy is to ensure sufficient funding in all locations and currencies for daily operations. This should be done whilst mitigating the credit risk faced by UNOPS, and ensuring that the best rate of return in the cash market is generated.

2. Investment Principles

2.1 Investment Parameters

2.1.1. The UNOPS Treasury Cash Management Portfolio as described in this document shall be managed in accordance with the following Objectives:
a) To provide liquidity whilst preserving nominal capital value over a one-year rolling period.
b) The investments shall fully reflect the Risk Budget and Risk Appetite as they may be amended from time to time by the Executive Director.
2.1.2. These Objectives lead to the following implementation considerations:
a) The Return obtained in the UNOPS Treasury Cash Management Portfolio is less important than the preservation of capital and liquidity considerations.
b) Liquidity is a key consideration in the management of the UNOPS Treasury Cash Management Portfolio.

2.2 Investment Time Horizon
2.2.1. The investment time horizon for the UNOPS Treasury Cash Management Portfolio is set as a rolling one year period.

2.3 Investment Portfolio
2.3.1. Cash and cash equivalents are a core asset class for the portfolio given the objectives of the UNOPS Treasury Cash Management Portfolio.

2.4 Liquidity

2.4.1. For the purpose of this Annex V, investments in the UNOPS Treasury Cash Management Portfolio should have 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 within 5 business days without incurring undue transaction or market costs. This does not include investments in fixed term deposits where a cost would be applicable to a break in the terms of the deposit.

2.5 Eligible Instruments

2.5.1. Eligible Investments

2.5.1.1. The following interest types are permitted:

- Coupon (both fixed and floating)
- Zero Coupon
- Discounted

2.5.1.2. The following borrower types are permitted:

- Sovereign, Government Guaranteed
- Supranational (Government Guaranteed)
- Agency (Government Guaranteed)
- Bank
- Financial Institution

2.5.2. Eligible Investment Instruments

- Bills, notes and other obligations issued or guaranteed by a sovereign
- Time Deposits
- Certificates of Deposits
- Commercial Paper
- Asset Backed Commercial Paper
- Floating Rate Notes
- Eurodollar Certificates of Deposit
- Money Market Funds
- Covered Bonds
- Repurchase Agreements
- Dual Currency Deposits
- Foreign Exchange Derivatives (for hedging purposes only)
- Interest Rate Derivatives (for hedging purposes only)

2.6 Benchmark: The UNOPS Treasury Cash Management Portfolio will be managed against a benchmark of Secured Overnight Financing Rate (SOFR) 1 month compounded (the compounded averages of the SOFR over a rolling 30 calendar day period) (the “Benchmark”).

2.7 Risk Limits

2.7.1. Total Portfolio Risk - The accepted level of volatility, the total portfolio Value at Risk (VaR), for the

UNOPS Treasury Cash Management Portfolio is 95% VaR circa 0.5% or lower over the investment horizon.

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, will 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.

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

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

2.8.3. In the event that the UNOPS CFO, as part of their instructions, directs the Asset Manager to dispose of any instrument pursuant to item (i) or (ii) 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.

2.8.4. Maturity Limits: For purposes of this Annex V, short term maturity refers to securities maturing in less than 365 days. Medium term maturity refers to securities with maturities from 1 year to 3 years and 2 months. Long term maturity refers to securities with maturities from 3 years 2 months to 5 years.

- The maximum maturity for fixed term deposits in the UNOPS Treasury Cash Management Portfolio is 397 days. The maximum portfolio WAL (weighted average life) is 1 year, and WAM (weighted average maturity) 6 months.
- The maximum portfolio duration is 0.5 years.
- There is no explicit maturity limit for fixed income securities (excluding deposits) but instead portfolio duration and WAM/WAL dictate at portfolio level the maximum maturity that could be allowable dependent on current allocation of the UNOPS Treasury Cash Management Portfolio.

2.8.5. Issuer Limits and Credit Ratings

- Treasury-specific limits are reviewed regularly and approved by the UNOPS CFO.
- Credit ratings minimum limits are stated as of trade date.
- In the event of a credit downgrade below minimum limits over the life of an investment, the UNOPS Treasurer shall assess the investment with immediate notice to the UNOPS CFO for approval of either retention or liquidation. The Investment Advisory Committee shall be made aware of any investments with a perceived elevated risk profile at the next scheduled meeting and be provided with updates including risk analysis at meetings thereafter until the investment is
 sold/matured.
- In the event of a breach in maximum thresholds or counterparty exposure limits over the life of an investment, the UNOPS Treasurer shall assess the investment with immediate notice to the

UNOPS CFO for approval of either retention or
liquidation. The Investment Advisory Committee shall be made aware of any investments with a perceived elevated risk profile at the next scheduled meeting and be provided with updates including risk analysis at meetings thereafter until the investment is sold/matured

2.8.5.1. Limits for debt instruments issued by sovereign, government guaranteed, supranational and agency issuers:

- The minimum allowable for medium/long term maturities are long term ratings A-, A3, A- and the minimum allowable for short term maturities are A-1, P-1, F-1 short term ratings as of trade date.
- Limit of 10% in any single issuer as of trade date and no more than 5% of any single issuance

2.8.5.2. Bank Deposit and Bank Short Term Debt Instrument Limits (Time Deposits, Certificates of Deposit, and Commercial Paper):

- Subject to an approved list of banking counterparties as updated from time to time by UNOPS Treasury.
- Exposure to any single counterparty rated A1/P1/F1 or above must be limited to 10% of the value of the UNOPS Treasury Cash Management Portfolio outstanding at any given time. Note, this counterparty rating does not apply to UNOPS Corporate/House Banks in any given location.

2.8.5.3. Ratings Methodology:
(i) In cases where three credit rating agencies (S&P, Moodys, Fitch) are available for security issues, the middle rating will be considered to be the overall rating. In the case of only two of these credit ratings being available, the lowest rating will be considered the overall credit rating. In the case there is only one issue rating available the Asset Manager will consider it to be the overall credit rating. In the absence of a specific security rating, the issuer's rating shall be applied.
(ii) In the case of bank obligations, these must be rated A- using the Bloomberg Barclays indices definition of A- (must be rated A- by at least one of the following rating 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-).