OPERATIONAL DIRECTIVE REF. OD.RCG.2025.01
DUE DILIGENCE

Headquarters, Copenhagen

07 Apr 2025

1. Authority

1.1 This Operational Directive is promulgated by the Director, Risk and Compliance Group, on the basis of a delegation of authority from the Executive Director

2. Purpose

2.1 The purpose of this Operational Directive (OD) is to align the due diligence processes conducted within UNOPS with that of the UN SDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships, as well as to establish the overarching guiding principles and framework on the basis of which UNOPS shall undertake such due diligence across the organisation.

3. Effective Date

3.1 This OD will become effective on07 May 2025

4. Consequential changes

4.1 This OD supersedes and abolishes OD.QAG.2023.01 Due Diligence Framework at UNOPS. The purpose is to replace reference to the Engagement Acceptance Committee (EAC) in article 3.1(l) of the OD with a reference to the UNOPS Portfolio Oversight Committee (POC), and add financial counterparties as a type of entities subject to due diligence under article 2.2. of the OD.

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Yngvil Foss, Director

Risk and Compliance Group

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1. Introduction

1.1. UNOPS must ensure that the external entities it engages and contracts with are aligned with the overarching principles and core values of the UN Charter, the 2030 Sustainable Development Agenda, the Ten Principles of the UN Global Compact[1], the UN Guiding Principles on Business and Human Rights and the Guidelines on a principle-based approach to the Cooperation between the UN and the business sector.[1] (see page 5)

1.2. This OD sets out the framework and overarching principles that apply to ensure that UNOPS does not receive nor disburse funds from/to illicit sources, that the external entities it engages and contracts with do not compromise the core values, reputation and aims of the UN.

2. Definitions and Scope

2.1. Due diligence is a process needed to obtain accurate, verifiable and consistent information with respect to an entity that UNOPS seeks to engage or contract within any capacity. This is essential for decision makers to understand the risks and challenges through a comprehensive, systematic, auditable and consistent process.

2.2. Due Diligence at UNOPS shall fall under the below functional areas, depending on the type of entity that UNOPS engages or contracts with:

- Donors, partners, clients, for which Due Diligence Reviews ("DDRs") are conducted centrally by a dedicated team.
- Vendors, for which DDRs are conducted by the unit running the procurement process pursuant to monetary/DoA thresholds.
- Implementing Partners and grantees, for which DDRs are conducted by the unit running the contracting process pursuant to monetary/DoA thresholds.
- Financial counterparties including banking partners, trading counterparties, trade finance banks for which DDRs are conducted by the unit running cash and liquidity management, financial risk management, banking and payment operations and treasury operations control.

2.3. All Non-UN, Non-State (NUNSE) external entities shall be subject to the due diligence requirement. However, the extent of due diligence to be carried out shall take into consideration and reflect the type of engagement/contract, including the risk level of the specific activity and sector, following three progressive levels (lite, standard, enhanced). Further procedural and operational guidance on the elements of this multi-level approach will be included in the Operational Instruction on Due Diligence.

1. https://unglobalcompact.org/what-is-gc/mission/principles

3. Principles

3.1. The principles set out below inform the risk-based approach to due diligence carried out across the organisation's functional areas. These principles are indicative of the overarching approach to be considered in assessing whether to engage/contract with an external entity, or continue to so engage:

A. Advance the goals of the UN: UNOPS endeavours to prioritise engaging and contracting with external entities that possess preferred partner criteria and demonstrate support of and willingness to advance the core values of the UN and its aims, activities,vision and purpose. UNOPS has a high risk appetite with respect to activities that substantially advance the core values and aims of the UN; and a low risk appetite with respect to activities that may compromise the core values, reputation and aims of the UN.

B. Support the Ten Principles of the UN Global Compact: UNOPS endeavours to prioritise engaging and contracting with external entities that are endorsed participants of the UN Global Compact and are committed to corporate sustainability.

C. Align with the UN Common Approach: The UN SDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships informs the procedural and operational aspects of the due diligence process within UNOPS. Particularly, UNOPS shall apply the following key components of quality due diligence:

- Prospective partner business profile research;
- Screening against exclusionary criteria and identification of Preferred Partner Attributes;
- Risk-benefit analysis considering integrity of partner and impact of partnership;
- Identification of measures to avoid, minimise or manage risk;
- Escalation to the relevant risk resolution authority for final decision making;
- Adopt the UN SDG overarching principles[2] for engagement with the business sector.

D. Mutual recognition. On the basis of mutually agreed terms and conditions, UNOPS may recognise the due diligence conducted by another UN entity or agency, provided that such due diligence was carried out on the same third party and was conducted in accordance with parameters agreed upon within the wider UN system with respect to the specific type and risk level of the engagement/contract in question. UNOPS further commits to utilising common tools such as research platforms and databases.

E. Risk profiling shall take into account: overall adherence to the key principles identified in this document; collaboration type, engagement modalities, legal liabilities,reputational exposure, high-risk sectors, and others.

F. Lifecycle. Due diligence is an ongoing dynamic process that continues for the life of the relationship with UNOPS. Updates to the DDR shall be required in response to significant changes in the associated risk profile (e.g. changes in roles, scope, legal history, type of agreements, etc.). High risk engagements or contracts require a more intensive process and more frequent update.

G. Consistency. Policy functions are responsible to ensure consistency of their own policy domains with the overall framework, incorporating the principles in their respective procedures and practices.

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2. https://unsdg.un.org/sites/default/files/2020-03/Annex-1-UNSDG-Common-Approach-to-Due-Diligence.pdf

H. Accountability. It is the duty of the Delegation of Authority ("DoA") holder to ensure that (a) the outputs of the due diligence process are integrated into the overall assessment and (b) the risks and benefits associated with each option are carefully weighed and considered in the final decision.

I. Exceptions. It may still be possible for UNOPS to engage and contract with external entities not compliant with the above principles or falling under exclusionary criteria; exceptions can be granted inline with delegated authority and subject to review by the relevant oversight bodies, such as UNOPS Portfolio Oversight Committee (POC) and Vendor Review Committee (VRC), as may be required, in cases including but not limited to the delivery of humanitarian or other life-saving operations, emergency-related technical solutions, and exclusivity of operations in a particular sector or geographical area.

4. Application

4.1. All UNOPS personnel, in the context of their individual roles and responsibilities, shall abide by the Due Diligence framework prescriptions and support its operationalization.

4.2. UNOPS Executive Director and Management Team shall set the tone and direction for engaging and contracting with external entities, ensuring that due diligence is a core component of decision-making and ongoing risk management.

4.3. The Due Diligence Unit, within the Risk and Compliance Group, is the custodian of the Due Diligence framework. It is responsible for establishing, maintaining and supporting the implementation of the Due Diligence framework.

4.4. The Due Diligence Unit shall be separate from the unit engaging a partner/client/donor in order to ensure segregation of duties, consistency, quality and overall effectiveness of the due diligence process.

4.5. Relevant decision-making authorities are responsible for ensuring operationalisation of this OD within their respective area of responsibility

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Footnote

1. 'Business sector ' is defined in line with the definition provided in the UN SDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnership. It includes:

- For-profit and commercial enterprises of any size, whether privately owned, public, or fully governed by governments;
- Corporate foundations and foundations that are directly funded and/or governed by business;
- Business associations, coalitions and alliances, including for example chambers of commerce, employers ' associations, cooperatives, and industry and cross-industry initiatives where the participants are for-profit enterprises