

PRINCIPLES OF RESPONSIBLE WORKFORCE MANAGEMENT IN PRIVATE EQUITY

Rev. 2023-05-11

GENERAL PRINCIPLES

- A. These Principles of Responsible Workforce Management (“Principles”) are designed to ensure that General Partners selected by the NEBF Board of Trustees for our Private Equity portfolio take prudent and careful action in accordance with the Principles. NEBF, through these Principles, supports and encourages fair wages and fair benefits for workers employed by its portfolio companies, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on NEBF’s private equity investments. NEBF has a deep interest in the conditions of workers employed by its portfolio companies. Consistent with the ideals espoused by labor unions and other advocates for workers’ rights, NEBF believes that a diverse, adequately compensated, and trained workforce delivers a higher quality product and service, thereby providing NEBF with a better opportunity for long-term security of its investments, along with a better opportunity for long-term growth and investment return. Adequate compensation includes fair wages and benefits, including healthcare and retirement plans.
- B. Consistent with their fiduciary duties to NEBF as a Limited Partner, General Partners shall adopt business policies and practices that recognize that the workforces of their portfolio companies are a critical asset. General Partners will seek to maximize the value of their portfolio companies’ human capital by investing in employee skills, safe workplaces, fair compensation, and adequate health and retirement benefits.
- C. Applicable Investments: the Principles shall apply to portfolio companies in NEBF’s limited partnership investments entered into after the date these principles are adopted in NEBF’s private equity asset class in which the GENERAL PARTNERS exercises control. Control is defined as a majority ownership state, either alone or together with similarly situated private equity investors and/or majority voting control over the portfolio company board. In the case of investments in which NEBF does not hold control, NEBF will encourage General Partners to use best efforts to apply the Principles to all companies in their portfolios, including those over which they do not exercise control as defined herein.
- D. Requirements:
 1. Duty of Loyalty - Notwithstanding any other considerations, assets will be managed for the exclusive benefit of and with loyalty, honesty, good faith and fairness toward the Applicable Investments and all holders of the ownership interests in such Applicable Investments, including, without limitation, plan participants and beneficiaries.
 2. Prudence - The Trustees, the NEBF Staff (“Staff”), and General Partners are charged with the fiduciary duty to exercise the care, skill, prudence, and diligence appropriate to the task.
 3. Competitive Return - All investments and services must be made and managed in a manner that produces a competitive, risk-adjusted rate of return.
 4. Local, State, and National Laws – General Partners and portfolio companies shall observe all local, state, and national laws (including, by way of illustration, those related to insurance, withholding taxes, labor, anti-discrimination, environmental, occupational health and safety, and the right to organize unions).

5. General Partners will require portfolio companies to treat their workforces with dignity and respect, to remain neutral when workers seek to exercise their freedom to join together in a union, and to negotiate in good faith with unionized workers.
6. General Partners will seek to minimize adverse impacts on the workforce resulting from portfolio company transactions and asset acquisition, management, and disposition activity.
7. General Partners will provide their LPs with transparency in all matters regarding portfolio company workforce issues as requested by LPs and will facilitate communication with and among their LPs regarding workforce issues of concern.
8. Annually and prior to exiting a fund investment, General Partners will provide a report to LPs on how wages and benefits have changed since the beginning of the fund's investment, total company headcount, and any other material changes in conditions of employment since the commencement of the Fund's investment.

RECOMMENDED BEST PRACTICES

1.0 Workers' Rights

- 1.1 General Partners will adopt policies covering all portfolio companies and their supply chains to guarantee respect for the ILO Core Conventions on freedom of association and effective recognition of the right to collective bargaining, elimination of all forms of forced or obligatory labor, the effective abolition of child labor, and the elimination of discrimination in employment and occupation.
- 1.2 General Partners shall direct management teams of portfolio companies to maintain a position of neutrality when workers seek to exercise their freedom to join together in a union, and when applicable, will enter into neutrality agreements with labor organizations that contain the following provisions:
 - 1.2.1 A commitment to non-interference in union organizing, including a prohibition on the use of "union avoidance" persuaders and captive audience meetings;
 - 1.2.2 Reasonable accommodations for unions to access worksites and to communicate with employees;
 - 1.2.3 A voluntary recognition or expedited election procedure for determining majority support for a union; and
 - 1.2.4 Arbitration of disputes and first contract if no agreement is reached after a specified period of time.
- 1.3 General Partners shall direct the management teams of portfolio companies to negotiate in good faith with their union-represented workforces to reach mutually beneficial collective bargaining agreements.

2.0 Human Capital Management

- 2.1 General Partners will require that their portfolio companies make occupational safety and health a top management priority and will provide interested LPs with disclosure of relevant safety and health records.

- 2.2 General Partners will require portfolio companies to adopt policies that encourage workforce diversity and inclusion and prohibit discrimination and harassment in the workplace. General Partners should prioritize diversity on the boards of portfolio companies, including representation of historically underrepresented groups.
- 2.3 General Partners should discourage the use of non-disclosure provisions in employment contracts and forced arbitration provisions in individual employment contracts for non-supervisory employees.
- 2.4 General Partners shall seek to avoid investments associated with controversial workforce practices such as the privatization of public sector jobs or the offshoring of domestic jobs.
- 2.5 General Partners will implement data collection and verification processes that ensure employees of portfolio companies can safely report, without fear of retaliation, violations of these principles to the GENERAL PARTNERS and relevant regulatory agencies. In order to facilitate that safety General Partners will:
 - a. Encourage Portfolio Companies to share these principles with their employees;
 - b. Establish an open line of communication with any labor union representing workers at a portfolio company and verify with the union data reported at portfolio companies as part of their ongoing monitoring of portfolio company compliance with these principles; and
 - c. At portfolio companies where workers are not represented by a union, General Partners will contract with an independent whistle-blower hotline to facilitate employees an opportunity to verify company reporting on workforce issues.

3.0 Wages and Benefits

- 3.1 General Partners shall support the payment of industry standard wages for all portfolio company employees and contracted workers defined by federal and state prevailing wage regulations and local living wage ordinances.
- 3.2 General Partners will encourage portfolio companies to adopt policies that provide for a minimum amount of work hours and predictable schedules, the payment of overtime pay, progressive discipline before losing hours or being fired.
- 3.3 General Partners shall actively support the provision of employee benefits that provide retirement security, family health care, unemployment insurance for all portfolio company employees.
- 3.4 General Partners shall actively support the provision of adequate sick leave, compassionate care leave, disability, and workers compensation benefits for all portfolio company employees.
- 3.5 General Partners will adopt policies covering all portfolio companies in which workers hired through temporary agencies or staffing agencies receive the same pay and benefits as permanent, direct-hire employees performing similar work.
- 3.6 General Partners will adopt policies covering all portfolio companies in which companies abide by time limits (such as 90 days) for temp positions, after which they offer the position to the temp worker on a permanent, direct-hire basis or eliminate the position entirely.

4.0 Contractor Management

- 4.1 General Partners with portfolio companies that engage in construction or property service industries, or that own or lease real estate, shall encourage them to adopt, a responsible contractor policy similar to that of NEBF that covers their real estate activities.
- 4.2 General Partners shall discourage the use of temporary staffing agencies as a substitute for hiring regular employees for construction, operations, or maintenance of portfolio company real estate assets.
- 4.3 General Partners shall require portfolio companies and their contractors to participate in state-recognized apprenticeship training programs.

5.0 Mergers, Restructuring, Reorganization, Terminations, Bankruptcy

- 5.1 General Partners will respect any collective bargaining agreements in effect for any companies they acquire, and when selling a portfolio company, will seek to negotiate successorship clauses that require the continuation of any collective bargaining agreements in effect.
- 5.2 General Partners will adopt policies covering all portfolio companies that in the event a portfolio company prepares to file for bankruptcy, the company will make payment of all wages earned by employees and all employer contributions owed to pension and health care plans prior to the filing
- 5.3 General Partners will adopt policies covering all portfolio companies that will provide reasonable severance pay, reflecting tenure and seniority, to all employees who are laid off and qualify for unemployment insurance benefits.
- 5.4 General Partners will adopt policies covering all portfolio companies indicating that in the event of merger, restructuring or reorganization, portfolio companies will offer transfers to comparable jobs where applicable to all displaced workers.

6.0 Diversity & Inclusion

- 6.1 General Partners will adopt policies covering all portfolio companies that encourage diversity and inclusion and that prohibit discrimination and harassment in the workplace. To ensure vigorous implementation of this principle General Partners should:
 - a. adopt policies against the use of non-disclosure agreements and forced arbitration at portfolio companies.
 - b. ensure portfolio companies prioritize diversity on portfolio company boards, including ensuring board member representation of historically underrepresented groups,
 - c. ensure portfolio companies conduct civil rights audits as part of their regular business practices.
- 6.2 General Partners will adopt policies covering all portfolio companies to disclose pay rates by job category, disaggregated by race, ethnicity and gender. Such disclosures can be made using a form such as Component 2 of the EEO-1.