XV. Responsible Workforce Management Principles for Private Equity

The Maryland State Retirement and Pension System ("the System") believes that workforce management best practices provide for the protection of health, safety, fair compensation, reasonable benefits and rights of companies' workers. Implementing workforce management best practices can help reduce workplace injuries and create an engaged and stable workforce that in turn can provide a competitive advantage for companies and their investors.

The System believes that investment managers, advisers and/or general partners in its private equity asset class ("PE Managers") should develop workforce management practices that respect workers' rights and protections, health and safety, while also providing fair compensation, skills development and training, and competitive benefits at companies in which they have made an equity investment ("Portfolio Companies"), consistent with their ability to deliver good investment returns. A diverse, reasonably compensated, and well-trained workforce can deliver higher quality products and services. This in turn may improve returns to private equity funds and their investors, including the System.

These Responsible Workforce Management Principles (the "Principles") are intended to encourage the adoption and implementation of responsible workforce management policies and practices with the goal of enhancing the overall value of investments.

Applicability
These Principles are intended to help guide the Investment Division Staff's ("Staff") due diligence review, as well as its monitoring and oversight of private equity asset class investments with respect to responsible workforce management practices. The principles will be most applicable to Staff's review of a direct investment by the System into funds with investment strategies that focus on the control of portfolio companies. For investments with indirect investment strategies, such as funds-of-funds or funds engaged in the purchase and sale of limited partner fund interests on the secondary market the PE manager should be aware of the principles and encouraged to employ them in their evaluation of investments.

Due Diligence Review and Engagement
Consistent with the fiduciary responsibility of the Board and other System fiduciaries to act solely in the best interest of the System's participants, for the exclusive purposes of providing benefits to the participants and incurring reasonable expenses of administration, and in furtherance of the System's role as a long-term investor prudently investing System assets in a well-diversified manner to optimize long-term risk-adjusted returns, the following will be required in Staff's due diligence review of a prospective private equity investment:

1. The Investment Division will provide all potential PE Managers with a copy of these Principles and any changes thereto.

2. The due diligence phase of all potential private equity investments will include a review and consideration of the workforce management policies and practices of PE Managers.

3. The written investment recommendations of Investment Division staff with respect to all potential private equity investments will address, along with the evaluation of other relevant investment factors, the PE Manager's representations regarding its workforce management policies and practices, focusing on the risks and standards relevant to the investment under consideration. This analysis will be considered with other investment factors in the investment decision making process.

4. The Investment Division will also provide these Principles to existing PE Managers in its private equity portfolio, will encourage them to integrate the Principles into their management practices, and will engage with them periodically on the Principles. The Investment Division will communicate any changes to the Principles to its PE Managers.

These Principles will be implemented on a best-efforts basis. Recognizing that PE Managers generally have the authority to make all management decisions regarding their investments, the Board strongly encourages them to observe and comply whenever possible with these principles. It is acceptable for a PE Manager to have its own policy or, in the absence of a policy, employ practices like those described in these Principles. Regardless of the policy adopted by the PE Managers, future capital allocations will be evaluated for evidence of a pattern of persistent non-compliance.

The Board believes that these Principles serve as a means of managing investment risk, including material Environmental, Social, and Governance (ESG) risks in relation to the System's private equity investments. As described elsewhere in the Board's Investment Policy Manual, fiduciaries may not sacrifice investment returns or assume greater investment risks as a means of using plan investments to promote collateral social policy goals.

Responsible Workforce Management Principles

The System, through these Principles, subject at all times to the fiduciary duties of loyalty and prudence, supports responsible workforce management policies and best practices of their PE Managers with respect to their Portfolio Companies. To this end, Staff should urge the System's PE Managers, subject to the investment objectives of the relevant funds and the duties of the PE Managers to the relevant funds and their limited partners, to encourage the management of their Portfolio Companies to:

1. Maximize the productivity and effectiveness of their workers by investing in training, safe workplaces, fair compensation, and reasonable health and retirement benefits.

2. Comply with all national, state, and local laws, including, but not limited to, those pertaining to wages, health, occupational safety, labor relations, withholding taxes, and insurance.

3. Adopt policies and practices to protect their workers' human rights, including, but not limited to: eradication of all forms of forced or obligatory labor; effective abolition of illegal child labor; freedom of association, including non-interference; the right to

collective bargaining; and the elimination of employment discrimination. If portfolio companies adhere to specific international human rights standards, in keeping with those standards, where national law and international human rights standards differ, portfolio companies should strive to follow the higher standard. Where they are in conflict, portfolio companies should respect local law, while seeking to respect the principles of internationally recognized human rights.

4. Adopt a position of neutrality and commit to non-interference in the event there is an attempt by a labor organization to organize workers at a portfolio company. While expressing their views on unions, portfolio companies should not make any direct or indirect threats, create an atmosphere of intimidation or fear, or retaliate against employees exercising their right to freedom of association. Portfolio companies should commit to bargaining in good faith with their union-represented workforces to reach mutually beneficial collective bargaining agreements.

5. Comply with all national, state, and local laws such that any impacts on portfolio company workers and existing collective bargaining agreements due to mergers, acquisitions, restructurings, reorganizations or bankruptcies are minimized.

6. Support policies that provide for reliable work schedules, compensation levels, and benefits for all employees that allow for an adequate standard of living, and provisions for sick leave.

7. Make occupational safety and health a top priority; measure and disclose relevant safety and health metrics, including workplace injuries.

8. Adopt policies that encourage workforce inclusion, opportunity, and belonging; prohibit discrimination and harassment in the workplace.

9. Implement policies and practices that ensure portfolio company workers can safely report, without fear of retaliation, violations of these Principles to PE Managers and relevant regulatory agencies.