

RESPONSIBLE CONTRACTOR POLICY

Description of Terms

The NABTU RCP Scorecard incorporates changes from the previous year – all designed to make the Scorecard more objective, transparent, and useful to the investor community.

In the past, the Scorecard focused on whether an investment manager had a Responsible Contractor Policy and what the policy said. NABTU undertook a close reading of each policy to determine whether the policy included the essential elements of what it means to be a truly responsible contractor.

NABTU’s evaluation process now recognizes that implementation of the policy is equally important. Several categories now explicitly measure how a firm puts the policy into practice, along with elements that enable investors to observe independently the firm’s commitment to effective implementation. A firm that adopts good policy language but fails to implement the policy effectively and consistently will not be awarded the highest rating.

NABTU’s objectives are two-fold: to hold investment management firms to a high standard of business operations and to clearly indicate how such firms can improve their policies and practices in the years ahead. NABTU accepts that its evaluation must be clear, objective, and transparent. Investment management firms deserve to know how they have been evaluated and what elements of their policy and practices meet the standards that investors expect. This Description is intended to describe the scoring methodology and the way in which points were awarded.

Ultimately, the success of this effort depends on acceptance by the investor community – pension fund trustees, fund staff, and investment consultants and other advisors. NABTU considers the Scorecard to be an evolving effort to broaden and deepen the continuing dialogue between investment managers and their clients.

METHODOLOGY

Real estate and infrastructure managers were invited to submit the firms’ responsible contractor policy and respond to a NABTU questionnaire that sought information about how each firm puts the policy into practice. The questionnaire covered significantly more ground than past versions and extended the analysis beyond a single investment vehicle or fund to include information on each firm’s broader operations, specifically inquiring whether each firm’s responsible contractor policy applied to other investment products the firm may offer.

Managers were evaluated across ten categories. Each category could earn up to five points, and all ten categories were equally weighted in the final evaluation. The metric and scale applied to each category was designed specifically to be clear and transparent. The total points earned across all ten categories were then multiplied by two to reach a final percentage score.

No effort has been made to suggest what might constitute a “good” or “bad” score. That determination rests with investors and advisors. Investors may choose to attach greater or less weight to a category according to specific investment objectives and requirements of each fund. Investors are strongly encouraged to discuss these ratings in greater detail with the investment firms they employ or consider.

RATINGS

This year’s Scorecard rates investment managers by the points each manager receives, which then result in a percentage score. NABTU made this change to reflect the complexity of interplay between policy and business practices. This approach allows room for a wider range of concerns and a more granular evaluation of each manager’s response. It gives investors and their advisors better information about each manager’s policy and practices.

SCORECARD CATEGORIES

- (1) **Effectiveness:** NABTU seeks to distinguish between those policies with language that requires union labor in all circumstances from those with “best efforts” language that allows the use of both union and non-union contractors.

Metric: Policies that require 100% union labor were given full points. Policies that allow union and non-union contractors were given half the available points.

- (2) **Coverage:** RCP language should be broad in coverage and include relevant off-site activities in addition to on-site construction work. How construction materials are transported to the work site are relevant to the policy’s coverage, as are the firm’s practices will respect to property maintenance and operations. NABTU’s objective is to take a “cradle-to-grave” approach to property development, construction, and management.

Metric: Policies are granted two points for coverage of on-site construction work and one point each for the explicit mention in the Policy of each of the following:

- Materials delivery to the construction site;
- Operations; and
- Maintenance, rehabilitation, tenant improvements, and other post-construction activity.

- (3) **Application:** Many firms offer more than one investment fund, strategy, or product. Some confine their Responsible Contractor Policy to just a few of these offerings. NABTU encourages firms to apply their RCP’s across all relevant real estate or infrastructure vehicles offered by these firms. This survey question attempts to identify whether the policy apply to just one investment fund or product offered by the firm or across all investment funds or products.

Metric: Points are awarded, on a scale of zero to 5, according to the percentage of firm offerings that operate under an RCP.

- (4) **Neutrality provision:** Employees have a legal right to representation, and a strong Policy will require the firm, and contractors and subcontractors retained by the firm, to comply with federal and state laws that protect those rights in the event of a legitimate attempt of workers employed by contractors or subcontractors retained by the firm to affiliate with a labor union.

Metric: Policies that include a neutrality provision will be given full points. Policies that do not will be given no points.

- (5) **Labor Disputes:** Regardless of the adoption of a Responsible Contractor Policy, a firm may encounter a labor dispute on a project it finances. NABTU encourages firms to achieve a reasonable resolution of any such dispute. Each firm will be evaluated on the specific circumstances of a dispute, and we will rely on reports from affiliated labor unions, investors, and investment consultants to assess the severity. In all cases, firms will be allowed the opportunity to respond to complaints received by NABTU.

Metric: A firm that has a current dispute received zero points. A firm that has had a labor dispute in the recent past that was not resolved satisfactorily in the judgement of NABTU will receive four points. A firm that has had no labor dispute in the recent past will receive full points.

- (6) **Advance notification:** NABTU encourages firms to provide advance notification of upcoming construction work, which will allow union contractors to submit timely and competitively priced bids. NABTU has created a mechanism to receive these notifications and to distribute them to signatory contractors and unions in the relevant geographic location.

Metric: Firms that provide regular advance notification to NABTU will receive full points. Firms that provide some advance notification will receive half the available points. Firms that do not provide advance notification will receive zero points.

- (7) **Reports Work Hours:** NABTU encourages firms to be accountable and transparent when it comes to the firms' construction operations. One way to observe this is to report to NABTU the hours generated by the construction work they finance. Doing so helps NABTU confirm that the firm has complied with its RCP requirement to report hours worked and jobs created.

Metric: Firms that regularly report the number of hours worked by employees on construction projects financed by the firm will receive full points. Firms that occasionally or incompletely report will receive half the available points. Firms that do not report will receive zero points.

- (8) **Designated Labor Liaison:** NABTU encourages firms to appoint a labor liaison to work with portfolio managers and project management staff within the firm and signatory contractors and unions outside the firm to make the bidding process efficient and competitive. A labor liaison can also assist the firm in resolving labor issues before such issues become disputes. A liaison can be a vital bridge between internal and external parties in dealing with the complexities of bidding and smooth operations. NABTU

considers the presence of a designated liaison as an objective and observable indication that the firm is more likely to achieve successful outcomes. It's also important that the liaison have a proven record of working with NABTU and its affiliates, as demonstrated by whether the liaison has met with NABTU and established appropriate lines of communication.

Metric: Firms that designate a labor liaison and have had that liaison meet with NABTU receive full points. Firms that have appointed a liaison, but the liaison has not engaged constructively with NABTU receive half the available points. Firms that have not appointed a labor liaison receive zero points.

- (9) **Policy Enforcement Provisions:** Policy enforcement is a critical measure of a firm's internal controls & human capital risk management.

Metric: Among the most important areas are third party reporting back to the investment managers, internal education & compliance, a firm's track record of handling complaints, and a process set up for post bid review by stakeholders. Very robust enforcement across these components received five points, robust enforcement four points and some enforcement three points. Those firms lacking any demonstrable policy received zero points in this category.

- (10) **Project Labor Agreements:** NABTU encourages firms to utilize Project Labor Agreements (PLA's) while financing large or complex projects. Use of PLA's indicates a firm's willingness to recognize the role of union labor and reduces the likelihood of a labor dispute during construction. It also demonstrates that the firm employs a sophisticated approach to project management.

Metric: Firms with a regular track record of PLA usage received five points, while limited past use received two and a half points. Firms without any record of utilizing PLAs received zero points.