

**AGREEMENT FOR CONSULTING SERVICES PERTAINING TO A GOVERNANCE, RISK
MANAGEMENT AND COMPLIANCE ASSESSMENT**

This Agreement for Consulting Services ("Agreement") is made and effective as of October 3, 2022, by and between the State Board of Administration of Florida (the "SBA"), located at 1801 Hermitage Boulevard, Tallahassee, Florida 32308, and Funston Advisory Services LLC (the "Consultant"), located at 6632 Telegraph Road, #225, Bloomfield Hills, Michigan 48301.

WITNESSETH

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the SBA hereby retains and engages the Consultant to act on the terms and conditions hereinafter set forth.

I. SERVICES TO BE PROVIDED

The Consultant shall render those consulting services needed to perform a Governance, Risk Management and Compliance Assessment for the SBA. The Services to be provided are more particularly set forth in Schedule A, attached hereto and by this reference made a part of this Agreement.

In addition, the SBA may ask Consultant to provide additional consulting and other non-retainer services (hereinafter "Additional Services") as the SBA may require during the term of the Agreement. The scope and nature of such Additional Services will be negotiated by the parties as needed.

II. TERMS AND CONDITIONS:

A. Term of Contract:

This Agreement shall have an initial term of one (1) year, commencing as of the date first written above. The term of the Agreement may be extended two additional one-year periods, upon the mutual written agreement of the parties.

Notwithstanding the foregoing, either party may terminate this Agreement upon written notice under the terms and conditions of the Agreement.

B. Fee Schedule:

Consultant will perform the agreed-upon work for an all-inclusive fee (time and expenses) of \$327,800, as indicated in the table below:

Team Member	Level	Hourly Rate	Total Hours	Total Fees	Expenses	Total Cost
Rick Funston	Project Leader	\$550	126	\$69,300	\$3,600	\$72,900
Randy Miller	Project Manager	\$550	128	\$70,400	\$3,600	\$74,000
Michael Gold	Senior Consultant	\$525	108	\$56,700	\$3,600	\$60,300
Steve Harding	Senior Consultant	\$525	124	\$65,100	\$3,600	\$68,700
Tiffany Reeves	Legal Advisor	\$525	92	\$48,300	\$3,600	\$51,900
			578	\$309,800	\$18,000	\$327,800

Payment Schedule:

- 25% upon initiation of the project;
- 25% upon completion of Phase 1;
- 25% upon completion of Phase 2;
- 25% upon completion of Phase 3.

C. Key Personnel:

Consultant shall determine which of its personnel shall be assigned to perform the Services under this Agreement and reserves the right to replace or reassign such personnel during the term hereof; provided, however, that Consultant shall, subject to scheduling and staffing considerations, use commercially reasonable efforts to honor SBA's request for specific individuals for performing the Services. In addition, at any time during the term of this Agreement, Consultant shall provide the SBA with written notification of changes in Key Personnel (as hereinafter defined), or to the duties to be performed by such or personnel, at least two (2) weeks in advance of any such changes. Notwithstanding the foregoing, in the event that Consultant experiences changes in Key Personnel which take effect less than two (2) weeks after the Consultant's President becomes aware that such change will occur, the Consultant shall notify the SBA of such changes within two (2) business days from the date on which the Consultant's President becomes aware of such change. In the event that such notification is provided during such period, the terms of this Agreement shall be deemed to have been satisfied, notwithstanding that two (2) weeks' notice was not provided. For purposes of this Agreement, the Key Personnel shall be Rick Funston, Randy Miller, Michael Gold, Steve Harding, and Tiffany Reeves. Thereafter, the Key Personnel shall include any of replacements as reasonably approved by the SBA under this Section II(C) (The "Key Personnel"). This Agreement may be terminated in accordance with Section II(J) hereof upon written notice from the SBA to Consultant because of changes in the Key Personnel not made in accordance with the immediately preceding two sentences or otherwise. SBA will also have full access to any personnel, other than the Key

Personnel, that produce work product or recommendations under the terms of this Agreement (e.g., policy or research committees and their members).

D. Confidentiality

1. Consultant, in the course of its duties, may have access to certain non-public information pertaining to the FRS Defined Benefit Plan, the FRS Defined Contribution Plan, other SBA mandates, the SBA and its employees, and/or the State of Florida. All such information may be confidential, pursuant to the provisions Florida law, including, without limitation, Sections 215.44(8), 215.557, and 121.4501(19), Florida Statutes. Consultant agrees that all confidential information shall be received in strict confidence and shall be used only for the purposes of this Agreement. Consultant further agrees that such confidential information shall only be provided to parties, whether internal or external to Consultant, that are directly involved with performing the duties under the Agreement and that further have a need to know the confidential information in order to carry out their duties in support of the Agreement. Consultant agrees to take all reasonable precautions to prevent the disclosure of such information to parties other than those previously specified except as may be necessary by reason of legal (including the provisions of Chapter 119, Florida Statutes), accounting or regulatory requirements, as the case may be. The obligation to treat information as confidential shall not apply to information which:
 - a) is in the public domain, other than by any breach of this agreement;
 - b) is in the possession of the Consultant on the effective date of this Agreement, and such information was not obtained from the SBA;
 - c) was developed by Consultant outside the scope of any agreement with the SBA; or
 - d) was obtained rightfully from third parties.
2. Consultant shall treat the confidential information as confidential, using the same standard of care that it uses to protect its own proprietary or confidential information (but not less than a reasonable standard of care), and no information shall be disclosed to third parties by the Consultant, its officers, employees, consultants, or agents without the prior written request of the SBA. Consultant agrees to take all reasonable precautions to prevent the disclosure to third parties of such information, except as may be necessary by reason of legal, accounting or regulatory requirements, as the case may be.
3. Consultant shall not be bound by this Section to the extent that it acts under compulsion of law or in accordance with the requirements of any national or local government instrumentality. If Consultant is required to disclose confidential information pursuant to such requirements of law, the Consultant shall first notify the SBA so that it may seek protective orders or take any other legal action it deems necessary. Any Confidential Information disclosed pursuant to requirements of law shall still be deemed confidential.
4. The SBA and the Consultant acknowledge and agree that a breach of these confidentiality obligations would cause irreparable harm to the SBA and that no adequate remedy is available at law for such breach. Accordingly, it is agreed that the SBA will be entitled to

an injunction or injunctions to prevent breaches of these confidentiality obligations and to enforce specifically the terms and provisions of this Section II(D).

E. Conflict of Interest

1. Consultant shall not directly or indirectly receive any benefit from recommendations made to the SBA and shall disclose to the SBA any actual or potential personal investment or economic interest of the Consultant or, to its knowledge, any officer, director or employee thereof which may be enhanced by the recommendations made to the SBA. Consultant acknowledges and understands that the SBA is subject to the provisions of Chapter 112, Part III, "Code of Ethics for Public Officers and Employees," Florida Statutes, and all rules adopted thereunder, and Consultant agrees to comply promptly with any requirements that may be applicable to it thereunder. Consultant represents that it and/or its parent organization currently has, and further covenants that it and/or its parent organization will have at all times during the term of this Agreement, a code of ethics, code of professional conduct or other policies and procedures that prohibit all officers, directors or employees thereof from engaging in any activity or conduct that would constitute an actual or perceived conflict of interest between such person and the Consultant's clients without the prior written approval of Consultant.
2. Consultant shall promptly notify the SBA of any pending or threatened action by Consultant's clients regarding the retention of Consultant based on any allegation of an actual or perceived conflict of interest between such client and Consultant (including any divisions, subsidiaries or affiliates).

F. Indemnification

Consultant agrees to protect, indemnify, defend and hold harmless the SBA, its Trustees, officers and employees from and against any and all losses, costs, claims, demands, damages, losses, liabilities and expenses (including reasonable attorneys' fees and expenses, and investigation, collection, settlement and litigation costs), resulting from or arising out of negligence, omissions, fraud, willful misconduct or breach of duty or this contract (including all Addenda); or Consultant's breach of data security; or the violation of or non-compliance with any law, rule, regulation or other legal requirement (including without limitation, the securities laws) of Consultant or its agents, nominees, appointees or subcontractors.

G. Compliance with Laws.

The Consultant hereby covenants and agrees that at all times during the term of this Agreement, the Consultant shall comply with all applicable laws, rules, regulations, industry/professional standards, or other applicable legal requirements (including, without limitation, all applicable laws, rules, regulations, and industry standards relating to cybersecurity or data collection, storage, security or privacy) to which the Consultant, its Services or any of the activities contemplated by this Agreement are subject.

H. Public Records

1. Notwithstanding any provision in this Agreement between the parties, Consultant acknowledges and agrees that the SBA is bound by the provisions of Chapter 119 (Public Records), Florida Statutes, and in the event of any conflict between Chapter 119, Florida Statutes, and the terms of this Agreement between the parties, the provisions and procedures of Chapter 119, Florida Statutes, shall prevail. To the extent applicable, Consultant shall comply with Chapter 119, Florida Statutes. In particular, Consultant shall:
 - (a) Keep and maintain public records required by the SBA in order to perform the Services under this Agreement;
 - (b) Upon request from the SBA's custodian of public records, provide the SBA with a copy of the requested public records or allow such records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes or as otherwise provided by Florida law;
 - (c) Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the contract term and following the completion of the contract if Consultant does not transfer the records to the SBA when the Agreement is completed;
 - (d) Upon completion of the Agreement, transfer, at no cost, to the SBA all public records in Consultant's possession or keep and maintain the public records required by the SBA in order to perform the services under this Agreement. If Consultant transfers all public records to the SBA upon completion of the contract, Consultant shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If Consultant keeps and maintains public records upon completion of the contract, Consultant shall meet all applicable requirements for retaining public records. Consultant shall, upon request from the SBA's custodian of records, provide all records that are stored electronically to the SBA in a format that is compatible with the information technology systems of the SBA.
 - (e) IF CONSULTANT HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO CONSULTANT'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT, CONTACT THE SBA'S CUSTODIAN OF PUBLIC RECORDS AT: STATE BOARD OF ADMINISTRATION OF FLORIDA, POST OFFICE BOX 13300, TALLAHASSEE, FLORIDA 32317-3300, sbacontracts@sbafla.com, (850) 488-4406.

- (f) Consultant consents and agrees to be sued in, and subject to the exclusive jurisdiction of, Florida state courts located in Leon County, Florida with respect to any civil or criminal litigation required to enforce the provisions of Chapter 119, Florida Statutes, or the provisions of this Section II.(H).
- (g) All requests, including telephone requests, for inspection of public records shall be immediately forwarded to the SBA's Office of General Counsel.

I. Right to Audit

(a) During the term of and for a period of six (6) years after the expiration or termination of the Agreement, the SBA shall have the right to have any person or entity designated by the SBA, including an independent public accountant or auditor and/or any federal or state auditor, to inspect, review and/or audit, any books, records and supporting documents relating to the Agreement and/or the subject matter of the Agreement (the "Records"). In the event such right is exercised and upon no less than ten (10) business days' prior written notice by the SBA, Consultant agrees to permit reasonable access to its premises and the Records during Consultant's normal business hours. The SBA shall have the right, in connection with any such inspection, review and/or audit, to have one or more members of its staff present at all times. During the term of and for a period of six (6) years after the expiration or termination of the Agreement (or for any longer period of time that may be required by any applicable law relating to the retention of Records), Consultant shall maintain and retain the Records, at its sole expense. In the event the SBA and/or its designees are in the process of conducting such an inspection, review and/or audit upon the expiration of the six (6)-year access and/or retention periods described herein, then this Section II.(I). shall survive in its entirety until the conclusion of such inspection, review and/or audit, in the SBA's or the SBA designee's reasonable determination. For the avoidance of doubt, the scope of any inspection, review and/or audit under this Section may include, without limitation, Consultant's compliance with the terms of the Agreement compliance with any applicable foreign, federal, state and/or local law, an assessment of risks and controls or the source and application of the SBA's funds.

(b) Consultant shall use best efforts to cooperate with the SBA and any person or entity designated by the SBA in connection with any inspection, review and/or audit under this Section including, without limitation, causing its relevant and knowledgeable employees and/or representatives to be available to assist and to respond to reasonable inquiries and requests of the SBA and/or its designees. Consultant shall respond (including, if relevant and appropriate, with an action plan) within a reasonable time to any reports, findings and/or assessments provided to Consultant by the SBA and/or its designees, and Consultant shall provide a copy of all such responses to the SBA (including the SBA's management contact listed in the Letter of Understanding. Consultant acknowledges and agrees that any such report, finding and/or assessment is intended for the sole use and for the benefit of the SBA.

(c) Except as set forth herein, the SBA shall bear the costs of any inspection, review and/or audit described in this Section II.(I). However, in the event Consultant engaged in or

committed (including through acts or omissions) any fraud, misrepresentation and/or non-performance, then Consultant shall be obligated to reimburse the SBA for the total costs of inspection, review and/or audit. Consultant's reimbursement obligation herein shall be in addition to all other rights, remedies and damages available to the SBA at law or in equity, which shall not be deemed waived or relinquished in any way because of Consultant's additional reimbursement obligation hereunder.

J. Termination:

The SBA may terminate the Agreement at any time for any reason whatsoever upon providing thirty (30) days written notice to the Consultant. The Consultant may resign upon sixty (60) days advance written notice. However, certain provisions of the Agreement may survive the termination of the Agreement by the SBA or the resignation of the Consultant under the Agreement. Except as set forth herein or as otherwise required by law, upon expiration or termination hereof, Consultant shall have no further obligations under this Agreement. As long as the SBA is not in material breach of its obligations under this Agreement, Consultant shall continue to serve, at the same fees, at the SBA's request until the appointment of a successor.

K. Assignments

Consultant shall not assign or delegate its rights or responsibilities without the prior written consent of the SBA. No person or organization may succeed to or assume Consultant's rights and obligations under the Agreement by operation of law, whether by merger, consolidation, change in control, reorganization or otherwise without the SBA's prior written consent.

L. Subcontractors/Agents

Consultant shall be responsible and accountable for the acts or omissions of Consultant Representatives (including the Consultant's officers, directors, employees, agents, contractors, subcontractors and consultants, including affiliates thereof) to the same extent it is responsible and accountable for its own actions or omissions under the Agreement. Consultant agrees to impose the requirements of this Agreement on all Contractor Representatives. Consultant shall execute a written agreement with each Consultant Representative containing equivalent terms to this Agreement.

M. Information to be Provided

Consultant shall assume any information the SBA supplies (or which is supplied on its behalf) is accurate and complete. Consultant's responsibilities (and the associated project fees) do not include extensive independent verification of required information.

N. Consultant Intellectual Capital

Consultant hereby grants to the SBA and its successors and assigns a perpetual license to use, alter and modify for any purpose any and all work, services (including the Services), records, information, methodologies, processes, documentation, deliverables or any other intellectual capital of any kind, including all modifications, derivations and adaptations thereof (the "Intellectual Capital"), performed, prepared, created or developed, in whole or in part, by the Consultant under this Agreement, subject to the understanding that the SBA shall not sell or transmit the Intellectual Capital to third persons for compensation (which shall exclude reimbursement or payment for copying and other ministerial costs) unless otherwise required by law. Except as otherwise set forth above, Consultant shall retain exclusive rights to the Intellectual Capital. Notwithstanding the foregoing, the Consultant, for itself and its past, present and future successors, assigns, representatives, officers, directors, shareholders, employees and agents, does hereby release, permit, acquit, satisfy, and forever discharge the SBA, its successors, assigns, affiliates, trustees, officers, and employees from any and all claims, demands, actions, causes of action, costs, expenses, attorneys' fees, sums of money, lost profits, damages and all liabilities of any kind whatsoever (the "Liabilities"), at law or in equity, whether known or unknown, that Consultant had, now has and may have in the future relating to the SBA's use, transmission and disclosure of the Intellectual Capital, except for the Liabilities directly resulting from the SBA's material breach of this Section II.(N).

O. Governing Law and Jurisdiction

This Agreement shall be governed by, construed under and interpreted in accordance with laws of the State of Florida without regard to conflict of law principles. Any proceedings to resolve disputes regarding or arising out of this Agreement shall be conducted in the state courts located in Leon County, Florida, and the parties hereby consent to the jurisdiction and venue of those courts.

P. E-Verify.

Consultant shall register with and use the E-Verify system to verify employment eligibility of newly hired employees performing services within the United States in accordance with Section 448.095, Florida Statutes. Consultant acknowledges that the SBA is subject to, and Consultant agrees to comply with, Section 448.095, Florida Statutes, as amended from time to time, to the extent applicable.

Q. Agreement Transparency.

Consistent with the Florida Transparency in Contracting Initiative, the SBA posts certain operational Agreements on its website, and this Agreement will be one of the agreements posted. Consultant hereby agrees that the SBA is authorized to post this Agreement (including any amendments or addenda hereto) and a description of the content of the Agreement (including any amendments or addenda hereto) on the SBA's website.

R. Former SBA Employees

Except upon the prior written approval of the SBA, Consultant shall not assign any former employee of the SBA to perform any of the services in this Agreement.

S. Data Security

Consultant and the SBA agree to the terms set forth in Schedule B, the Data Security Terms and the Systems Use Agreement, which are attached hereto and incorporated into this Agreement by this reference.

T. Counterparts

This Agreement may be executed in one or more counterparts, and when each party has executed at least one counterpart, this Agreement shall be deemed to be one and the same document.

U. Severability

If one or more provisions of this Agreement or the application of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the application of the same provisions or any of the remaining provisions to other circumstances.

V. Remedies

All rights and remedies granted under this Agreement shall be cumulative and not exclusive of any other rights and remedies which the parties may have at law or in equity. The parties may exercise all or any of such rights and remedies at any one or more times without being deemed to have waived any or all other rights or remedies which they may have.

W. Survival

All representations, warranties, covenants and agreements set forth in Section II(F), (G), (H), (I), (J), (N), (O), (P), (R), (S), (V) and (Y) of this Agreement or in any instrument, document, agreement or writing delivered in connection therewith shall survive the completion of any of the Services provided hereunder or the termination of this Agreement.

X. Entire Agreement

The SBA and Consultant acknowledge that they have read this Agreement and that together with all written amendments, exhibits, schedules, and addenda hereto, which shall be incorporated by reference herein, this Agreement constitutes the entire and exclusive agreement between the SBA and Consultant with respect to the subject matter hereof, and no statement, agreement, or understanding not contained herein shall be enforced or

recognized. THIS AGREEMENT CANNOT BE MODIFIED OR SUPPLEMENTED BY ORAL STATEMENTS MADE EITHER BEFORE OR AFTER EXECUTION OF THIS AGREEMENT AND ANY SUCH STATEMENTS DO NOT CONSTITUTE WARRANTIES. NO COLLATERAL OR PRIOR STATEMENTS, REPRESENTATIONS, UNDERSTANDINGS, AGREEMENTS, OR WARRANTIES (EXPRESS OR IMPLIED) ARE A PART OF THIS AGREEMENT.

Y. Binding Effect

This Agreement shall be binding upon the parties, their successors, legal representatives, and assignees. Consultant and SBA intend this Agreement to be a valid legal instrument, and no provision of this Agreement which shall be deemed unenforceable shall in any way invalidate any other provision of this Agreement, all of which remain in full force and effect. No waiver, alteration, or modification of any of the provisions of this Agreement shall be effective or binding unless in writing and signed by authorized representatives of both parties.

Z. Relationship of the Parties

The relationship between the parties is that of independent contractors. None of the provisions of this Agreement shall be construed to create a partnership or joint venture relationship between the parties or the partners, officers, members or employees of the other party by virtue of either this Agreement or actions taken pursuant to this Agreement. No employee or representative of Consultant will hold himself or herself out as, nor claim to be, an officer or employee of the State or the SBA by reason of this Agreement, nor will he or she make any claim of right, privilege or benefit which would accrue to an employee of the SBA under Florida law.

aa. SBA Policies

Communication Policy. Consultant acknowledges and agrees that it has received the SBA Communications Policy (#10-004) (the "Communications Policy"). Consultant covenants and agrees that it shall comply with the Communication Policy, and such modifications to the policy as may be provided to Consultant from time to time, to the fullest extent that the Communications Policy applies to the Consultant. Consultant may not identify the SBA for purposes of business development or press releases without the express prior written consent of the SBA.

Fraud Hotline. The SBA maintains a fraud hotline at (888) 876-7548 to encourage individuals to report suspected SBA-related fraud, theft, or financial misconduct on an anonymous basis. Within 30 days following the effective date of this Agreement, Consultant agrees to communicate this hotline information to those of its employees that are responsible for to those employees providing services under this contract upon the written providing services under this contract. Consultant also agrees to re-communicate this hotline information at the request of the SBA.

bb. Notices

All notices, requests, instructions, other advice, or documents required hereunder shall be in writing and delivered personally or via a recognized overnight delivery service mailed by first-class mail, postage prepaid, to the following:

If to the SBA:

if mailed:

State Board of Administration of Florida
Post Office Box 13300
Tallahassee, Florida 32317-3300
Attention: Executive Director

if hand delivered:

State Board of Administration of Florida
1801 Hermitage Boulevard
Suite 100
Tallahassee, Florida 32308
Attention: Executive Director

If to the Consultant:

Funston Advisory Services LLC
1945 Tarpon Road
Naples, Florida 34102
Attention: Rick Funston
Email: Rfunston@Funstonadv.com

cc. No Waiver:

A party's failure at any time to enforce any of the provisions of this Agreement or any right with respect thereto shall not be construed to be a waiver of such provision or right, nor to affect the validity of this Agreement. The exercise or non-exercise by a party of any right under the terms or covenants herein shall not preclude or prejudice the exercising thereafter of the same or other rights under this Agreement.

dd. Nondiscrimination:

Consultant agrees not to discriminate against any employee or applicant because of age, race, religion, color, handicap, sex, physical conditions, developmental disability, sexual orientation or national origin.

ee. Headings and Captions.

All headings and captions contained in this Agreement are for convenience of reference only and shall not affect in any way the interpretation or meaning of this Agreement.

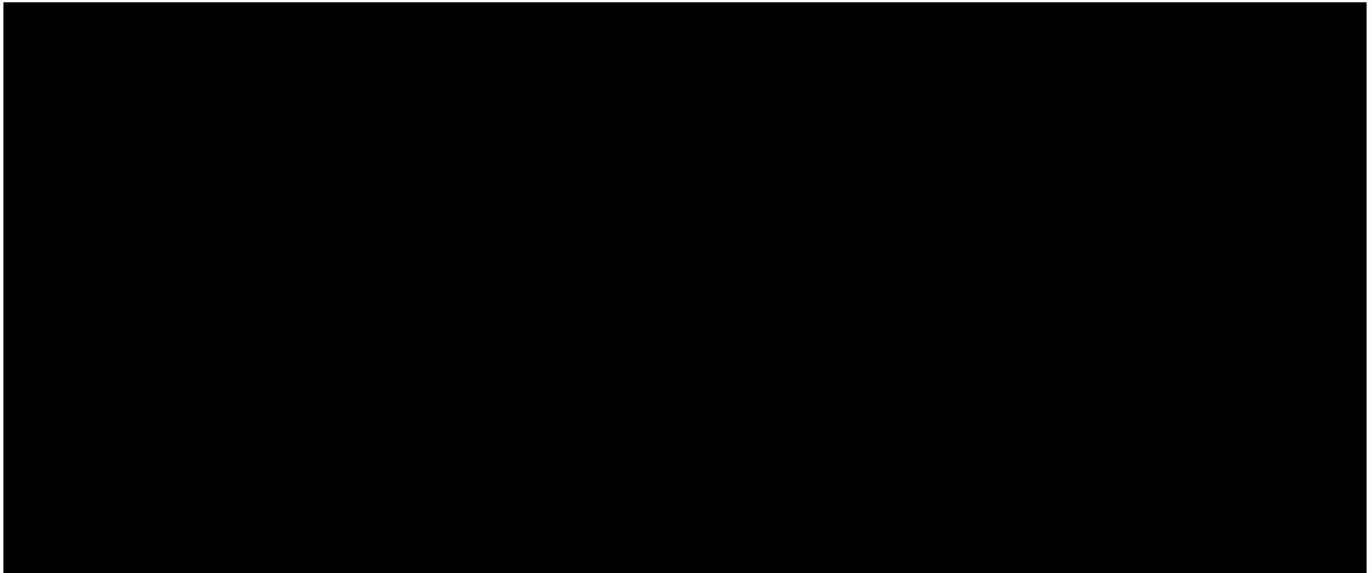
ff. Pronouns.

Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine, or neuter, as the context requires.

gg. Data Security.

Consultant and the SBA agree to the terms set forth in Schedule B, the Data Security Addendum, and the Systems Use Agreement that are attached hereto and incorporated into this Agreement by this reference.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers as of the dates set forth below.



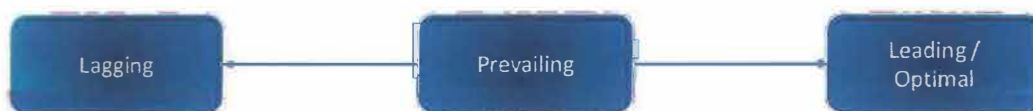
SCHEDULE A

SCOPE OF CONSULTING SERVICES

The overall objective for this Governance, Risk Management and Compliance (“GRC”) Assessment is to perform an assessment of the current state of SBA’s GRC Program and related controls, including the monitoring and oversight activities associated with its investment management activities, middle and back-office operations, and certain other processes. The assessment will be performed leveraging the Committee of Sponsoring Organizations (COSO) framework across the three lines of defense. The assessment will include the identification of any gaps as compared to leading practices.

Also to be provided is an assessment of progress regarding implementation of the 109 recommendations included in the 2018 GRC review.

For each area within scope of the review, the standard of comparison will be stated and then a three-point scale will be used to describe SBA’s current state, as follows:



- A lagging practice is one that is generally regarded as inferior to prevailing practice.
- A prevailing practice is common among peers. Whether it is effective or not remains to be determined.
- A leading practice is a practical improvement over the prevailing practice.

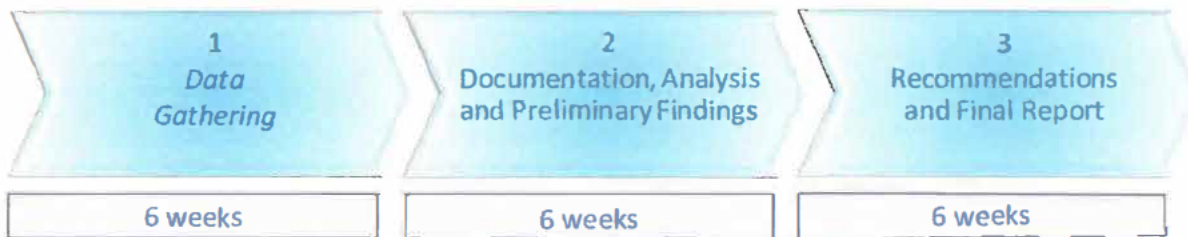
What constitutes best practice will be determined by SBA as best suited for its particular needs and circumstances. If an area was assessed in the 2018 GRC review, then the conclusions and recommendations from the 2018 report will be considered and it will be assessed whether each recommendation was implemented fully or partially, if it was rejected and not implemented, or if the recommendation is no longer valid due to changing policies or other circumstances.

1. Areas for Evaluation/Assessment

Consultant Project Approach and Timing

Consultant has developed the following three-phase approach shown in Figure 1 below, which describes how Consultant will conduct this assessment, consistent with the scope of services identified in the ITN. Consultant believes the assessment can be completed in a 4-5-month timeframe, depending on the availability of SBA personnel.

Figure 1. Project Approach and Timing



A. Phase 1: Data Gathering

In Phase 1, Consultant will gather data through:

1. Conducting a kick-off meeting with SBA.
2. Requesting and reviewing key GRC documents.
3. Designing and administering a GRC Lines of Defense self-assessment survey of each line of defense.
4. Developing an InGov[®] peer benchmarking governance profile.
5. Conducting initial interviews with SBA staff and third parties.

1.1 KICKOFF MEETING

A kickoff meeting will be scheduled to introduce the Consultant's team, discuss the project workplan, and discuss any questions about the assessment process.

1.2 DOCUMENT REQUEST

Prior to conducting the kickoff meeting, Consultant's team will prepare a document request and allow several weeks for the SBA staff to respond.

1.3 GRC LINES OF DEFENSE SURVEY

The GRC Lines of Defense survey will be prepared by Consultant at the outset of the engagement. SBA should identify those people they would like to participate in the survey. If SBA wishes to

see a breakout of the responses by line of defense, there should be no fewer than three (3) people from each line to maintain anonymity.

Participants representing each line of defense will be surveyed to identify what is working well and what could be improved in each area of scope for the assessment:

- Oversight groups: Independent Advisory Councils and Oversight Committee
- First line: Senior Management
- Second line: Operational Management; ERM, Compliance, Manager Oversight, Performance and Risk Analytics, Inspector General
- Third line: Office of Internal Audit
- Fourth line: Independent advisors to the oversight groups, e.g., investment consultants, external auditor

It is expected that no more than 30 minutes will be required for each person to respond to the GRC Lines of Defense survey.

1.4 GRC InGov® BENCHMARKING PROFILE

InGov®, Consultant's proprietary benchmarking database that enables rapid comparison of governance policies and practices on over 300 dimensions of public retirement system governance will be utilized. The survey will be configured to SBA's specific requirements. The targeted surveys will be distributed to SBA's subject matter specialists for completion. Consultant will analyze the results and prepare an InGov® benchmarking report that compares SBA's GRC practices with its peers and highlights similarities and differences. The results will be available to SBA leadership.

1.5 INTERVIEWS WITH SBA AND THIRD PARTIES

Consultant will conduct 15-20 interviews of SBA executives and third parties to better understand the GRC survey responses and confirm the findings of Consultant's document reviews and SBA's GRC InGov® profile.

At the conclusion of Phase 1, the initial data gathering activities will be completed and will enable Consultant to begin its process documentation and analysis and to develop preliminary findings.

B. Phase 2: Documentation, Analysis and Preliminary Findings

COSO Frameworks

In Phase 2, COSO's *Internal Control – Integrated Framework*, May 2013 (including the 17 principles) and COSO's *Enterprise Risk Management – Integrating with Strategy and Performance*, June 2017 will be utilized to evaluate each line of defense and the capability maturity.

New COSO Guidance on Governance

The COSO models for both Internal Control and ERM will be applied as frameworks, as well as Consultant's experience in ERM and internal control with public retirement systems with assets under management totaling more than \$2 trillion, as well as Consultant's extensive private sector experience.

Powers Reserved

COSO has recognized that, currently, there is no comprehensive framework for the governance of public companies or, for that matter, public retirement systems. **Accordingly, Consultant is now developing guidance for COSO on governance and the powers reserved for boards.** These powers reserved are decision authorities reserved exclusively for a specific decision-maker. The authority may be delegated but not the responsibility. It is through the prudent exercise of these powers that fiduciaries fulfill their duties.

Enterprise Governance Framework

The powers reserved are described in the context of an Enterprise Governance Framework shown below in Figure 2. As it applies to public retirement systems, the framework begins with the system's overall purpose and vital functions to be performed as described in the enabling legislation, and its policies.

The Enterprise Governance framework is comprised of fiduciary duties and five powers to fulfill those duties. The framework importantly provides a context for conducting the business of the board and its committees, setting direction and policy, approving key decisions, prudently delegating authority and resources to the executive and staff, overseeing the execution of direction, and obtaining independent auditor and advice to verify the reliability of reports and advice.

The framework will be used to organize Consultant's assessment of SBA's Governance. All of Consultant's proprietary governance tools and knowledge bases are organized consistently with this framework. The purpose of all organizations is to achieve the mission despite uncertainties.

Implementation of the 2018 GRC Assessment Recommendations

As Consultant assesses each line of defense, Consultant will also review the conclusions and recommendations of the 2018 GRC Assessment. As the scope of the 2022 GRC Assessment is similar in most (but not all) areas, this will help establish the baseline for the current state and the evolution of the maturity in each area. Consultant will include an assessment of progress on implementation of the 2018 recommendations, or provide an explanation of why they may no longer be valid due to changing circumstances, as appropriate.

Figure 2. Enterprise Governance Framework



Independent Validation Statement

The SBA wants to include an Independent Validation Statement to attach to the OIA's self-assessment report consistent with the IIA's Quality Assessment Manual. This will be included in Phase 2, with the Statement developed during Phase 3.

Phase 2 activities will include:

- Documenting the SBA's current policies and practices using Consultant's proprietary Enterprise Governance Framework. This provides a comprehensive organizing framework for understanding and analyzing the governance effectiveness of a system based on its specific enabling legislation shown in Figure 2 below:
- Comparing SBA's current policies and practices to our industry knowledgebase of Leading, Prevailing and Lagging Policies and Practices using our National Public Pension Policy Repository (N3PR). This is a proprietary tool that enables us to quickly compare an individual system's governance policies for completeness and quality to the policies of over 80 public retirement systems.
- Explicitly reviewing the Internal Audit function consistent with the IIA's Quality Assessment Manual
- Identifying strengths, gaps and opportunities for improvement
- Identifying recommendations/options to close priority gaps

Based upon the self-assessment survey responses, Consultant will prepare the preliminary documentation, analysis and findings. At about the midpoint of Phase 2, Consultant will conduct a follow-up round of interviews to review and validate preliminary findings prior to completing the draft final report. Consultant will also utilize these interviews to gain a deeper understanding of the level of collaboration, independence, and process maturity. Consultant will provide interim progress reports at least every four (4) weeks throughout the assessment.

Phase 2 Detailed activities for Each Area of Scope

2.1 SENIOR MANAGEMENT AND INDEPENDENT ADVISORY COUNCILS AND OVERSIGHT COMMITTEE

The primary role of Senior Management is five-fold:

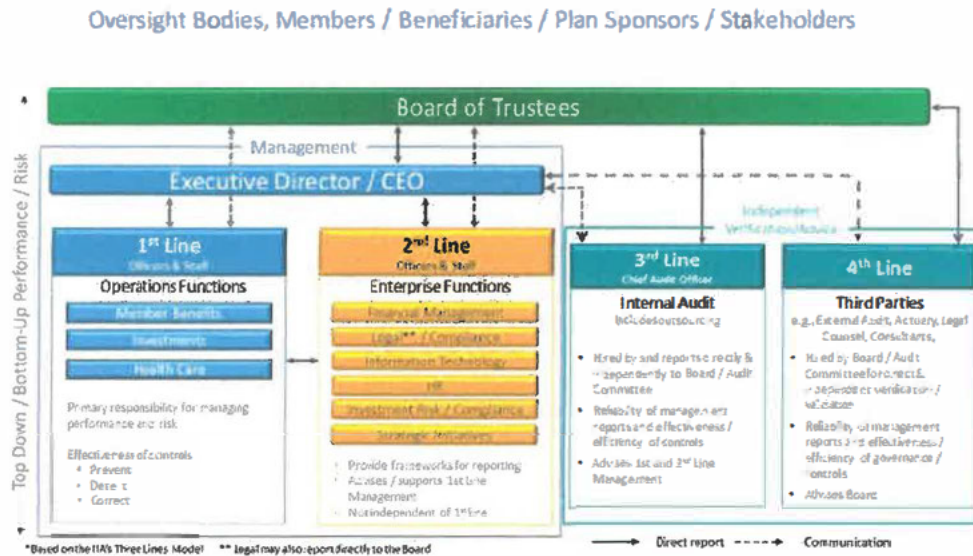
1. To engage and consult with stakeholders,
2. Research and advise the trustees on direction and policy,
3. Direct and the control the organization to execute the approved direction within policy,
4. Record and report timely and reliability,
5. Reasonably assure the organization is performing as expected unless the board is otherwise notified.

SBA's Independent Advisory Councils help oversee their respective mandates and provide policy advice to the trustees

Consultant will evaluate the maturity of the following compared to leading practice using the enterprise governance framework:

Consultant has adapted the IIA's model of the three lines model and added a fourth line, i.e., third parties. This review is an example of the fourth line. See Figure 3 below

Figure 3. Lines of Relationship



Lines of relationship define who is accountable to whom as part of the lines of defense and value creation. There are four sets of internal relationships with boards of trustees, and they all have different roles. Keeping them separate helps boards of trustees govern more effectively.

The first line of relationships is with the senior executive officers and staff who are responsible for pension-specific operations such as investments. This first line of management has the primary responsibility for operational performance and risk, as well as the effectiveness of controls to prevent, detect, and correct problems.

The second line are those responsible for performance and risk of enterprise-wide functions, including, for example, financial management, legal, compliance, information technology, cybersecurity, and human resources.

The third line is internal audit (IA), which reports directly to the on the reliability of management's reports and the effectiveness of controls. To be effective, IA must be independent of management. For this reason, the head of IA is typically a direct report to the board (through the audit committee), along with the ED.

The fourth line of relationship is comprised of independent advisors and auditors. While they need to work cooperatively with management on a day-to-day basis, they are independent of the executive and accountable to the board. To ensure that accountability, these independent auditors and advisors should be hired and evaluated by the board, not management. It is very important that these roles, responsibilities, and relationships are clear. As part of Consultant's GRC Lines of Defense Survey, Consultant will conduct a 360° evaluation of reporting relationships and their effectiveness.

2.1.1 Document and evaluate the processes whereby senior management:

A. Establishes the organization's objectives and defines strategies to achieve those objectives:

1. Assess overall strategic planning process.
2. Review delegation and decision authorities for oversight, approval and implementation.
3. Assess strategic v. tactical focus and linkage to the Investment Policy Statement (IPS).
4. Review scope and development of governance policies and procedures.
5. Assess development and maintenance of the IPS.
6. Assess development and maintenance of the Manager Selection Policy.

B. Establishes governance structures to best manage risk:

1. Assess the governance structure for managing risk
 - a. Design
 - i. Alignment with strategy
 - ii. Inclusion of stakeholders
 - iii. Common framework
 - iv. Role of Board, Committees and senior management
 - v. Capability and resource needs
 - b. Approval
 - c. Implementation
 - d. Monitoring
 - e. Continuous Improvement
 - f. Training and onboarding

C. Demonstrates a commitment to competence, integrity, and ethical values:

1. Assess commitment to competence
 - a. Selection, evaluation and termination of CEO and CAE
 - b. Compensation such as incentive compensation policy
 - c. Recruitment and retention
 - d. Staffing
 - i. HR
 - ii. IT
 - iii. Investment
 1. Asset class
 2. Middle / Back office support
 - e. Training and onboarding
2. Assess commitment to integrity and ethics
 - a. Code of conduct
 - b. Conflicts of interests:
 - i. Staff conflict of interest
 - ii. External manager conflict of interest
 - iii. Use of placement agents
 - iv. Insider trading

- v. Whistleblower
 - vi. Procurement practices
- c. Communication with third parties and stakeholder relations
- D. Establishes structure authority, responsibility, and accountability.
 - 1. Review organization structure and roles
 - a. Reporting structure
 - b. Charters (committees, project)
 - c. Delegations of authorities
 - d. Design, approval and inventory of policies and procedures
 - e. Roles of Board, Investment Advisory Council, Audit Committee, Investment staff, Internal Audit, General Counsel, external consultants/advisors, external audit, and other councils such as Participant Local Advisory Council and Florida Hurricane Catastrophe Fund Advisory Council.

2.1.2 Document the methods by which the councils and committees exercise oversight and advisory responsibility within their constitutional and statutory mandates.

- 1. Assess sufficiency of authority to carry out respective fiduciary duties
- 2. Evaluate understanding of fiduciary duties
- 3. Evaluate annual fiduciary training
- 4. Review education policy
- 5. Assess self-assessment for continuous improvement
- 6. Assess council and committee engagement
- 7. Evaluate clarity of powers reserved for board, committees, councils and CEO
- 8. Assess success in addressing mandates
- 9. Assess sufficiency of information and insights provided to the board for decision-making.

2.2 THE FIRST LINE OF DEFENSE: OPERATIONAL AND INVESTMENT MANAGEMENT

The first line of defense lies with the business and process owners whose activities create and/or manage the risks that can facilitate or prevent an organization's objectives from being achieved, including taking the right risks. The first line owns the risk, and the design and execution of the organization's controls to respond to those risks.

2.2.1 Document and evaluate the following processes for which operational and investment management have responsibility:

- E. Understanding of and involvement in the risk assessment process and participating in oversight committee meetings.
 - 1. Linkage of entity-wide objectives to sub-objectives
 - 2. Application of approved tolerances to decision-making
 - 3. Sub-objectives are specific, measurable, attainable, relevant to be achieved

within certain times

4. Development of processes to identify, deter and detect fraud

In scope operations include Information Technology, Human Resources, Procurement, Defined Contributions and Investments. Consultant will consider the perspective of Operational Management, Internal Audit and those responsible for the SBA ERM program.

F. Identifying and communicating significant changes to processes.

1. Reports to management, board and audit committee contain sufficient information for decision-making
2. Changes in processes are communicated to key stakeholders
3. Key stakeholders receive relevant training

G. Identifying, communicating, and analyzing significant changes to risk.

1. Methods for maintaining data to monitor day-to-day activities
2. Management's process to evaluate costs and benefits in alignment with achievement of organization's objectives.
3. Communicates information throughout the organization.
4. Management's process for determining reliability and integrity of data.

H. Developing and implementing control activities through policies and procedures and providing any necessary training relating to these policies and procedures.

1. Risk response plan
2. Includes general control activities over technology
3. Communication and education program
4. Continuous improvement program
5. Management's process to document, review and maintain dynamically

2.3 THE SECOND LINE OF DEFENSE: RISK MANAGEMENT AND COMPLIANCE, INSPECTOR GENERAL AND ENTERPRISE RISK MANAGEMENT (ERM)

The second line is put in place to support management by bringing expertise, process excellence, and management monitoring alongside the first line to help ensure that risk and control are effectively managed. The second line of defense functions are separate from the first line of defense but are still under the control and direction of senior management and typically perform some management functions. The second line is essentially a management and/or oversight function that owns many aspects of the management of risk.

2.3.1 Document and evaluate the composition of the second line of defense considering industry (e.g., registered investment advisors, investment companies) and size.

Consultant will document the existing second line of defense at SBA and the reporting relationships. Consultant will assess the composition of each department in terms of

number of staff and capabilities and compare to other retirement systems and investment boards based upon our InGov[®] database, as well as Consultant's experience with private sector investment organizations.

2.3.2 Document and evaluate the following processes performed by the second line of defense:

A. Assisting management in the design, development and documentation of processes and controls to manage risks.

- Clarity of role of 2nd line assisting with the development of controls while 1st line retains responsibility for maintaining the system of internal controls.

B. Monitoring the adequacy and effectiveness of internal control activities.

- Risks are monitored in relation to SBA's risk appetite and tolerance.
- Provides management reports to support management opinions.
- Audits, including Risk and Control Assessments are performed to evaluate the adequacy of controls.

C. Escalating critical issues, emerging risks, and outliers.

- Policy for escalating
- Monitors whistleblowing program or other channels for escalation of issues.

D. Investigating ethical and other workplace matters (Inspector General)

- Whether the policy for initiating and conducting investigations is sufficient.

E. Developing and maintaining a risk management framework that includes risk appetite and risk tolerance.

- Board, Committee, and Council oversight and establishment of risk appetite and risk tolerance
- Links to organizational strategy
- Embedded in culture
- Established common risk language
- Identify and describe risk inventory
- Process for defining risk appetite and risk tolerance
- Documentation of risk methodology for prioritizing of risks
- Establishing ownership of risks
- Inclusion of appropriate stakeholders internal and external to the organization

In addition, evaluate whether all appropriate risks are identified in the ERM framework.

1. Review risk register and identify potential gaps.
2. Assess communication of risk not addressed by the GRC program.

F. Identifying necessary shifts in the SBA's implicit risks and risk appetite and tolerance due to emerging risks or changes in environment or risk landscape.

- Techniques for monitoring changes in organization strategy, legal, regulatory and compliance risk.

- Role in new product and system development or major changes in strategy and processes.
- G. Providing guidance and training related to risk management and control processes.
- Learning plan for various levels of defense including the board and committees
- H. Performing regular risk assessments, including management surveys, risks included, ERM's process for evaluating impacts of residual risk and the relevancy of managements' responses.
- Tools and techniques used to identify risks and perform risk assessments including surveys, risk workshops, and self-assessments.
 - Considerations for potential fraud.
- I. Monitoring the investment decision-making process, controls, and risk budget policies to determine if there are potential undesirable behaviors or ineffective processes that might be encouraged by drivers in the incentive compensation program (i.e., short term performance incentives that might drive negative long term performance or inappropriate levels of investment or operational risk.)
- Alignment of investments with investment beliefs and strategies
 - Fund performance reporting and analytics
 - Role of risk assessment in investment decision-making process
 - Review incentive compensation program structure
 - Identify implications for incentive compensation and investment decision making
- J. Monitoring compliance with specific policies and procedures and assisting management in the development and communication of policies and procedures.
- Investment compliance capabilities and reporting (not a Compliance Audit) and linkage to the Investment Policy Statement.
 - Investment contract compliance.
 - Statutory compliance.
 - Clarity in role and responsibility for policy development.
 - Use of policy management systems
 - Techniques for monitoring compliance to policies.
 - Communication and education plan.

2.4 THE THIRD LINE OF DEFENSE: OFFICE OF INTERNAL AUDIT (OIA)

The third line provides assurance to senior management and the board over both the first and second lines' efforts consistent with the expectations of the board of directors and senior management. The third line of defense is typically not permitted to perform management functions to protect its objectivity and organizational independence. In addition, the third line has a primary reporting line to the board. As such, the third line is an assurance not a management function, which separates it from the second line of defense.

Provide an independent validation of OIA's self-assessment related to internal audit activities as to whether OIA's activities are in conformance with the IIA's IPPF. The independent validation

will be consistent with the IIA's Quality Assessment Manual, and will include the following objectives:

2.4.1 Reviewing OIA's self-assessment for completeness and coverage;

2.4.2 Conducting on-site interviews with the Executive Director & Chief Investment Officer, the individual that the CAE reports to administratively, the CFO, the Chair of the Audit Committee, the external audit partner, the CAE, and the OIA self-assessment team;

2.4.3 Reviewing the conclusions drawn for adequate support; and

2.4.4 Validating the conclusions based on limited independent testing.

The primary objective of the QA Independent Validation will be to assess the OIA's conformance with the IIA International Standards for the Professional Practice of Internal Auditing and the Code of Ethics based on OIA's self-assessment. In keeping with the overall GRC review scope, Consultant will also provide feedback on potential leading practices or the identification of opportunities for enhancing existing internal audit activity processes.

For this component of the GRC review, i.e., "the QA Independent Validation", Consultant will look to guidance contained in the latest Quality Assessment Manual for the Internal Audit Activity ("the QA Manual") as it applies to external independent assessments in accordance with Standard 1312, and to our prior QA experience, and Consultant's extensive knowledge of internal audit practices across a broad spectrum of public pension funds, boards of investment and other institutional investors and financial organizations.

The assessment work that Consultant will perform provides limited attention to benchmarking, review, and consultation related to successful internal audit practice. Essentially, the CAE oversees the efforts of an internal assessment team that completes planning documentation, performs assessment work programs, evaluates conformance with the Standards and Code of Ethics, and produces a report summarizing assessment results.

Consultant's process will require communication and coordination with the CAE and will include a review of self-assessment planning documentation, re-performance of a sample of assessment work program steps, conducting interviews with key stakeholders (board members, executive leadership, operating management, and internal audit management and staff), and assessing the conformance conclusions reported by the internal assessment team.

During the on-site visit, Consultant will

- Review documentation prepared by the OIA internal assessment team.
- Perform tests of OIA's self-assessment to validate results.
- Conduct interviews with key stakeholders to follow up on any issues or opportunities identified – all within the agreed-upon scope.

At the conclusion of these activities, Consultant will express an opinion regarding conformance with the Standards and the Code of Ethics to include exercising professional judgment in determining the extent of testing of the self-assessment based on the size and complexity of the internal audit activity.

The work required by OIA to enable Consultant's independent validation is a comprehensive and fully documented internal self-assessment process that requires the SBA CAE and staff to complete the self-assessment work before Consultant even comes on board. The same basic body of work needs to be performed and documented for a self-assessment with independent validation as for a full external assessment. The self-assessment should be performed by the OIA with the same level of due professional care found in performing other internal audit engagements and should be structured in a manner that fully documents and supports planning, fieldwork, and reporting activities. Essentially, the CAE oversees the efforts of an internal assessment team that completes planning documentation, performs assessment work programs, evaluates conformance with the Standards and Code of Ethics, and produces a report summarizing assessment results.

2.5 4TH LINE OF DEFENSE: INDEPENDENT AUDITORS AND ADVISORS

Consultant also has added an assessment of the fourth line of defense – independent auditors and advisors. The fourth line is critically important to providing independent reassurance to the Board and, at SBA, the advisory and other oversight councils.

This review is itself an example of the fourth line.

2.5.1 Identify and document all fourth line of defense entities and their role.

Consultant will look at SBA's relationships with its external independent auditors and advisors. This line would also have a primary reporting relationship to the Board as well as maintain collegial working relationships with management. This would typically include interviews with:

- The external audit partner
- General investment consultant
- Independent fiduciary counsel
- The consulting actuary

Consultant will document the reports to the Board and councils that could provide independent reassurance.

2.5.2 Assess the effectiveness of each fourth line of defense party.

Consultant will assess whether each party is effectively providing independent verification for their respective subject areas to the Board and advisory and other oversight councils. This will include understanding the scope and nature of each report, the report distribution, and whether or not the expected and appropriate reassurance resulted from the report.

Consultant will identify potential improvement opportunities and also any gaps that potentially should be addressed by additional sources of independent reassurance.

2.6 MATURITY ASSESSMENT

2.6.1 Based on the evaluation of the above GRC components provide observations and recommendations for improvement.

Consultant will evaluate each of the SBA's GRC components within scope of this project based upon leading, prevailing or lagging practices as compared to COSO, the three lines of defense and Consultant's extensive experience with pension fund investment organizations, InGov® (Consultant's peer benchmarking database) and Consultant's National Public Pension Policy Repository (N3PR).

Consultant will also take into consideration the conclusions and recommendations from the 2018 GRC Review and how SBA practices have evolved during the past four years.

Phase 3: Recommendations and Final Report

Consultant will conclude the GRC Assessment with a six-week process to review and refine the final report with SBA to ensure accuracy of findings and practicality of recommendations.

The process will include:

- 3.1 PREPARE AND SUBMIT DRAFT FINAL REPORT**
- 3.2 RECEIVE SBA FEEDBACK AND INCORPORATE CHANGE INTO FINAL DRAFT**
- 3.3 SUBMIT FINAL REPORT**
- 3.4 PREPARE AND PRESENT EXECUTIVE SUMMARY OF FINAL REPORT TO AUDIT COMMITTEE**

The contents of the final report will include:

- Executive Summary
- Detailed Findings and Conclusions
 1. Senior Management, Independent Advisory Councils and Oversight Committee
 2. The First Line of Defense
 3. The Second Line of Defense
 4. The Third Line of Defense
 5. The Fourth Line of Defense
 6. Maturity of each area
- Summary of recommendations
- Independent Validation Statement to attach to the OIA's self-assessment report consistent with the IIA's Quality Assessment Manual

In the detailed findings and conclusions, Consultant will include an assessment of implementation progress regarding the 2018 GRC Review recommendations in each line of defense.

In addition to submission of the final report document, Consultant will prepare and present a PowerPoint-format summary of the report to the SBA Audit Committee.

4. Major Deliverables

4.1 INTERIM PROGRESS REPORTS

Consultant will have informal weekly video-conference meetings with the SBA project liaison and would frequently provide discussion materials.

Consultant will conduct monthly status meetings with a prepared status update report. These would be discussed with the SBA project liaison and the SBA executive, as appropriate.

4.2 DRAFT REPORT

Consultant will provide a draft final report to SBA early on in Phase 3. This would be a draft version of the final report with findings and recommendations to be discussed, vetted, and refined, as appropriate, based upon feedback from SBA.

4.3 FINAL REPORT, INCLUDING ANY DOCUMENTATION OF THE OIA'S PROCESSES IN THE FORM OF NARRATIVES AND/OR FLOWCHARTS

The contents of the final report will include:

- Executive Summary
- Detailed Findings and Conclusions
 1. Senior Management, Independent Advisory Councils and Oversight Committee
 2. The First Line of Defense
 3. The Second Line of Defense
 4. The Third Line of Defense
 5. The Fourth Line of Defense
 6. Maturity of each area
- Summary of recommendations

4.4 INDEPENDENT VALIDATION STATEMENT TO ATTACH TO THE OIA'S SELF-ASSESSMENT REPORT CONSISTENT WITH THE IIA'S QUALITY ASSESSMENT MANUAL

Consultant's validation report will include Consultant's opinion confirming the results, or expressing disagreement with the self-assessment, as appropriate. If Consultant is not in agreement with the self-assessment report, Consultant will add appropriate wording to the report, specifying the points of disagreement on whether OIA conforms to the Standards and Code of Ethics.

4.5 PRESENTATION OF FINAL REPORT TO AUDIT COMMITTEE

Consultant will prepare and present a PowerPoint-format summary of the report to the SBA Audit Committee.

SCHEDULE B:

STATE BOARD OF ADMINISTRATION DATA SECURITY ADDENDUM

1 DATA SECURITY STANDARDS

Consultant shall comply with either the provisions of applicable SBA policies (SBA Policy #20-404 Remote Access; SBA Policy #20-411 Anti-Virus; and SBA Policy #10-409 Confidential/Sensitive Electronic Data Handling), as amended from time to time, or NIST SP 800 Series, ISO/IEC 27000 Series, or a comparable similar industry standard. Consultant will provide immediate notice to the SBA of any known or suspected violation of any SBA policy or industry standard.

2 NONDISCLOSURE

SBA Data shall be considered confidential and proprietary information to the extent permitted by Florida or other applicable law. Consultant shall hold SBA Data in confidence and shall not disclose SBA Data to any person or entity, whether internal or external to the Consultant, except those persons that are directly involved with performing the duties under the Agreement and that further have a need to know the SBA Data in order to carry out their duties under the Agreement. Additionally, SBA Data may be disclosed when the disclosure is authorized by the SBA or is specifically required by law. For purposes of this Section 2, Data Security, "SBA Data" means all data accessed, created, maintained, obtained, processed, stored, or transmitted by Consultant in the course of performing the Agreement and all information derived therefrom.

3 LOSS OR BREACH OF DATA

Consultant shall provide immediate notice to the SBA in the event it becomes aware of any security breach or any unauthorized transmission or loss of any SBA Data. In the event of loss or destruction of any SBA Data where such loss or destruction is due to the fault or negligence of Consultant, Consultant shall be responsible for recreating such lost or destroyed data in the manner and on the schedule set by the SBA, at Consultant's sole expense, in addition to any other damages the SBA may be entitled to by law or this Agreement. In the event lost or damaged data is suspected, Consultant will perform due diligence, report findings to the SBA, and take all reasonable measures necessary to recover the data, all at Consultant's sole expense. If such data is unrecoverable, Consultant will pay all costs to remediate and correct the problems caused by or resulting from each loss or destruction of data (including, without limitation, the cost to notify third parties and to provide credit monitoring services to third parties), in addition to any other damages the SBA may be entitled to by law or this Agreement. Consultant acknowledges that failure to maintain security that results in a breach of data may subject this Agreement to the administrative sanctions for failure to comply with Section 501.171, Florida Statutes, together with liability for any costs to the SBA of such breach of security caused by Consultant.

4 SECURITY AUDITS

If SBA Data will reside in Consultant's system, the SBA may conduct, or may request Consultant to conduct at Consultant's expense, an annual network penetration test or security audit of Consultant's system(s) on which SBA Data resides. If the term of the Agreement is less than a year long, the penetration test or security audit of Consultant's system(s) on which SBA Data resides, may be exercised at any time during the term of the Agreement.

5 DATA PROTECTION

No SBA Data will be transmitted or shipped to entities outside of the United States of America, nor will it be stored or processed in systems located outside of the United States of America, regardless of the method or level of encryption employed. Access to SBA Data shall only be available to authorized Consultant Representatives that have a legitimate business need. For purposes of this Addendum, "Consultant Representatives" means Consultant's officers, directors, employees, agents, contractors, subcontractors and consultants (including affiliates thereof). Requests for access to the SBA's information technology resources shall be submitted to the SBA's Support and Office Services ("Help Desk") staff. With the SBA's approval, Consultant Representatives may be granted access to SBA information technology resources as necessary for fulfillment of related responsibilities.

6 ENCRYPTION

Consultant shall encrypt all SBA Data, in transmission and at rest, using an SBA approved encryption technology.

7 BACK-UPS

Consultant shall maintain and secure adequate back-ups of all documentation and programs utilized to process or access SBA Data.

8 DATA SECURITY PROCEDURES

Consultant has established appropriate administrative, technical, and physical safeguards to protect the confidentiality of, and to prevent the unauthorized use or access to, SBA Data. Consultant shall develop data security procedures to ensure only authorized access to data and databases by Consultant Representatives for purposes of performing the Agreement and to ensure no unauthorized access to data or databases by individuals or entities other than those authorized by the Agreement or the SBA. Consultant shall ensure that access to data and databases by Consultant Representatives will be provided on a need to know basis and will adhere to the principle of least privilege. (The principle of least privileged means giving a user account only those privileges which are essential to perform its intended function.)

9 OWNERSHIP OF DATA

Consultant shall provide to the SBA, upon its request, SBA Data in the form and format reasonably requested by the SBA. Consultant will not sell, assign, lease, or otherwise transfer any SBA Data to third parties, or commercially exploit SBA Data, except as authorized by the SBA. Consultant will not possess or assert any lien or other right against or to any SBA Data in any circumstances. SBA Data is and shall remain the exclusive

property of the SBA. SBA Data created by Consultant, obtained by Consultant from a source other than the SBA, or derived from SBA Data will become property of the SBA immediately upon the creation, receipt or derivation of such data, as applicable.

10 BACKGROUND CHECKS

Consultant shall confirm that their representatives (which includes Consultant's officers, directors, employees, agents, contractors, subcontractors and consultants, including affiliates thereof) assisting in the performance of the Agreement have passed appropriate, industry standard, background screening (include criminal background checks) and possess the qualifications and training to comply with the terms of the Agreement, before being provided access to SBA Data. Upon the SBA's request, Consultant shall provide to the SBA an attestation that the foregoing background checks have been completed.

11 COMPLIANCE

Consultant represents and warrants that it is in compliance with, and agrees and covenants that it will at all times during the term of the Contract continue to be compliance with, all applicable laws, regulations and industry standards (including, without limitation, all applicable laws, regulations and industry standards relating to cybersecurity or data collection, storage, security or privacy).

12 RETURN/ DESTRUCTION OF SBA DATA

Consultant shall not at any time destroy any SBA Data it holds without the prior written consent of the SBA. If requested by the SBA, within 30 days of the completion, termination or expiration of the Agreement, Consultant will transfer SBA data to the SBA (if so directed by the Agreement), or, unless otherwise required by any applicable law (including, for the avoidance of doubt, Florida's record retention laws), destroy all SBA data possessed by Consultant. Consultant shall provide the SBA documentation affirming the completion of any SBA requested data transfer (including confirmation of receipt by the SBA) and the destruction of any SBA Data possessed by Consultant. Notwithstanding the foregoing, Consultant may, in accordance with applicable legal, disaster recovery and professional requirements, store copies of SBA Data in an archival format which may not be immediately returned or destroyed but which would remain subject to the confidentiality obligations set forth in the Agreement.

13 BUSINESS CONTINUITY PLAN/ DISASTER RECOVERY

Consultant has implemented and will maintain business continuity and disaster recovery plans designed to minimize interruptions of services and ensure recovery of systems and applications used to provide the services under this Agreement. Such plans cover the facilities, systems, data, applications and employees that are critical to the provision of the services, and will be tested at least annually to validate that the recovery strategies, requirements and protocols are viable and sustainable. Consultant shall provide an executive summary of such plans setting forth prioritized threats, time criticality of business functions, resources needed to successfully recover, employee training and communication, and potential costs of recovery, as well as, including an assessment of the plans' most recent test results, to the SBA upon request. In the event of a business disruption that materially impacts (or is reasonably expected to materially impact) Consultant's provision of services

under this Agreement, Consultant will promptly notify the SBA of the disruption and the steps being taken in response.

IN WITNESS WHEREOF, each party has caused this Data Security Addendum to be executed by its respective duly authorized officer, as of October 3, 2022 (the "Effective Date").

