

Operations Manual

August 2, 2022

NPAworldwide

Section A.
Policies



NPAworldwide™

Recruitment Network

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CONFIDENTIAL

Section A. NPAworldwide Policies

Article 5, Section E of the Bylaws charges the Board to “prepare and maintain an Operations Manual to outline procedures and practices implementing the Bylaws.” The procedures, practices, guidelines, and policies documented here are intended for all members and members’ staff, employees, and contractors. Comments may be advisory or statements of required action. ***Violations will be subject to Board review and may expose members to expulsion.***

1. Basic Principles

Trust and cooperation among members are essential to the free flow of information which will ensure the success of both NPAworldwide and its members. In order to assure trust and cooperation, members should not interfere with another member’s operations or misuse another member’s contacts or relationships developed while working cooperatively.

The “But For” concept is a central theme to cooperative engagements between members. “But For” information received from an affiliate, a placement would not have taken place; therefore, it is a cooperative or split placement and reported and treated accordingly.

The key to a cooperative placement is the exchange of information—information of such a nature and timeliness that when it is acted upon results in a placement. No member can “own” a client or candidate. What is important is current information regarding the status of a candidate or a client’s needs which can lead to a placement. It should be noted that it is possible for others to develop the same information independently. However, when information is shared which is not common to both members and that shared information results in a placement, a split placement has been made.

It is equitable to compensate the efforts of exporters / candidate-sides when “but for” their work an importer / job-side would not have had a particular candidate to place. It is also reasonable to limit the “ownership” of candidates by exporters / candidate-sides. Clearly one should not forever “own” the placement rights to a candidate referred to members. The NPAworldwide policy is a combination of the “but for” rule and the concept that once a referring member is compensated for a candidate placement, the candidate is free to select his/her own representative.

Definitions

Member / Affiliate—a recruiting firm that is currently a member

Originating Office - the office which first originates a candidate or position

Recipient Office - the office to which the originating office transmits candidate or position information

Importer / job-side – the member with the client relationship and position, searching for candidates

Exporter / candidate-side – the member with the candidate relationship, looking to place a candidate in a position

Cooperative Placement / Split Placement - whenever two members exchange information, whether directly or indirectly, regarding a candidate or a position which, as a result of that exchange, causes the hire of a candidate by a company or the payment of a fee to a member

2. Communication

The core of all placement activity is communication. It is important that all employees of NPAworldwide member firms understand their responsibilities and obligations to communicate regarding placement activity.

In all placement activity, the member having contact with the employer is obliged to report to the office that sent the candidate all significant information regarding the placement, i.e. arrangement of any interview(s), offers and acceptances. Whenever candidate contact information is released to a client company, immediate full disclosure of all information concerning a position, including the name of the client and location, must be communicated to the member supplying the candidate.

Members are responsible for cooperating to facilitate successful placements. A member office must consider the other member office as a full and equal partner in the placement activity and involve them fully in all aspects of the placement process. Contacts made to screen candidates before first interview are not considered part of the placement activity; however, all activity from a first interview (by phone or in person) onward is part of the placement activity until the shared information results in a conclusion.

3. Primary Information Source Recognition

It is considered unethical and improper to deliberately use information obtained from an affiliate without sharing in the resultant fee. A cooperative placement is made by the exchange of information of such a nature and timeliness that it significantly contributes to a placement. The exchange of information by itself cannot cause a placement. Someone has to act on that information. Any question dealing with whether a placement is cooperative or not requires consideration of the significance of the information, the timeliness of the information, and the intent behind the actions of the recipient of the information. When the timing and significance of the information is such that a member would not normally have made a placement, a cooperative placement may have occurred.

As members market their services to potential client companies and candidates, utilizing resources available outside NPAworldwide to support their efforts, it is expected that members will find themselves soliciting business from the same clients or recruiting the same candidates. Nothing in the rules restricts the right of a member to develop business opportunities based on information available through non-NPAworldwide channels, even though it may have been previously provided by an affiliate, if in its normal and customary business function, the same information would have developed from these non-NPAworldwide efforts.

4. Secondary Information Source Recognition

Secondary information is information gained by a recipient office as a result of communicating with an originating affiliate's client or candidate which results in new positions or candidates. An originating office may give permission to a recipient office to deal directly with his/her candidate or client. New positions or candidates developed as a result of that approved contact belong to the originating office. The exception to this rule is that, should new *unsolicited* positions be received by the recipient office more than 1 year after receiving the original position, "ownership" of those positions will belong to the recipient office.

Permission to contact a candidate is assumed. Permission to contact may be denied by the exporter / candidate-side by completion of the Don't Contact field on the candidate entry screen. Unless a written document is provided that alters this original and documented request, no contact should be made.

While in contact with a client, if the recipient office receives new positions, they are required to notify the originating office immediately and send all documentation developed. If the originating office fills the new positions with its own candidates then no cooperative placement exists. In this situation, the originating office is free to utilize the NPAworldwide system to make a placement in which the recipient office may or may not be the successful cooperative placement partner.

The major test of information source recognition should revolve around the basic "But For" and "extension of service" rule:

But for the direct information received from another member, or indirect information received as a natural extension of their ongoing service with your firm, a placement would not have been made, then a cooperative placement has occurred.

Affiliate relations are founded upon trust. Part of that trust involves confidentiality and proper usage of information submitted both directly and indirectly to an affiliate. In light of this, no affiliate shall use candidate or position information to develop further candidates or positions without permission (written or verbal) from the originating office.

5. Client Source Recognition

Members may consider an employer to be a direct client except in the following situations:

- a. For specific positions where the client has been identified by an affiliate, candidate referrals must be made through that affiliate.
- b. For specific positions where a member has been placed in direct contact with the client of an affiliate for the purpose of facilitating referrals, those placements will be considered to be cooperative. All subsequent positions received by the member introduced to a client of an affiliate for 1 year after the introduction shall be considered cooperative, regardless of when an offer is extended or accepted. The relationship of an affiliate and their client demands

primary respect and the use of an affiliate's information continues to generate split placements. After 1 year it would be unethical to solicit this affiliate's client. If there has been prior agreement between two members, the terms of that agreement shall prevail regarding the term of obligation.

6. Solicitation

Fundamental to the success of the network is that members will not knowingly solicit the work entrusted to a trading partner. Solicitation efforts should be focused on positions and candidates other than those being worked by NPAworldwide affiliates.

7. Other Ethics and Procedures

a. A Direct Relationship Must Exist

A direct client/affiliate or candidate/affiliate relationship must be established prior to sending either positions or candidates to other members. Establishment of a direct relationship requires that value be added through supplying information beyond that contained in job ads or resumes sourced from an outplacement service or web postings. Direct contact must be current and first hand, and gained through extended written or voice contact with the client or candidate. Failure to have established a direct relationship with either the candidate or client may result in the forfeiture of any claim to a cooperative placement or other such penalty as determined by the Board. NPAworldwide forbids the use of an alias or fictitious name on a candidate submittal.

b. Do Not Contact Clients Without Permission

Importers / candidate-sides are not required to provide access to their employer/client. Contact with an employer client of an affiliate, without the express permission of that affiliate, relative to that client's consideration of a candidate or the collection of a fee is in violation of these rules. Should there be a significant delay in agreed payment terms by a client, it may be appropriate for the affiliate with the client relationship to allow direct client contact to facilitate accelerated payment or confirmation of the expected date of payment.

c. Permission is Required Before Contacting Candidates

Permission to directly contact an affiliate's candidate is *automatically assumed* unless prohibited by comment in the Don't Contact field. Members who do not supply a work phone number are expressly requesting that contact at the candidate's place of employment not be made. Members must exercise caution when contacting candidates at work.

d. Solicitation of an Affiliate's Candidate is Prohibited

An importer / job-side is prohibited from soliciting an exporter / candidate-side's candidate by sending update or other communication including, but not limited to, personal and job history

questionnaires, agency promotional letters, brochures, or business cards. An update communication may include, but is not limited to, an email, phone call or letter. An update communication may be sent to an originating member's candidate if a copy of the update communication is also sent to the originating member. Such candidate update communication must include the name of the originating office and recruiter's name as the original referral source.

e. Secondary Sourcing

Secondary sourcing occurs when a candidate is asked to provide or voluntarily provides referrals for additional candidates or position openings. Affiliates may note on a candidate record "No Secondary Sourcing." Receiving members are required to comply and a failure to do so can result in arbitration and economic sanctions against the offender.

f. Recognition of Affiliate Submittals

It is always appropriate to respond to affiliates with recognition of a submission and provide feedback in a timely manner. If you do not wish to be burdened with recognition of submittals from affiliates (an important component to working within a split fee network), then do not share position openings with partners.

When a member receives the same candidate or position from more than one affiliate, it is acceptable to recognize the first received or, alternatively, to recognize the originating office that furnished the information which caused the placement activity to start.

Position openings shared with affiliates will generate candidate submissions. If such a submittal triggers interest in the candidate and the member with the position then "finds" that same candidate in their files, the current referral is recognized. The current referral is credited for generating the interest. If the submittal identifies a candidate already under consideration by the member with the position opening, the submitting affiliate must be told immediately of the prior consideration of the submitted candidate. This is why recognition of affiliate submittals is a necessary requirement of membership.

If a member receives an unsolicited candidate referral not related to a currently shared position opening and has the candidate in their files, the receiving member does not owe a split on placing that candidate in a future position opening.

g. Direct Response to Advertising/Marketing

Clients and candidates referred to you by an affiliate may subsequently come directly to your firm in response to normal advertising or marketing efforts. All referrals made to you prior to this direct contact are shared and will result in a split fee if completed.

h. Do Not Share NPAworldwide Information Outside of NPAworldwide

Information regarding your affiliate's clients or candidates may not be shared with any non-member firm at any time without the permission of the originating office. Failure to comply with this rule could result in your paying an affiliate for a cooperative placement if that non-member agency makes a placement as a result of the information you gave them, even if you received no financial benefit.

i. Referred Candidates Remain Shared

Candidates placed by members shall not be recruited or solicited for alternative opportunities by either the importing or exporting member. A candidate referred by one member to another remains a shared candidate unless:

- a) Placed by a member in a full-time job, the entire fee collected, and the guarantee period satisfied.
- b) Placed by a member in a contract job that lasts a minimum of one calendar year, and all split fees due were collected.
- c) The candidate responds directly to a member's advertising or other normal marketing or recruiting activities.

If no fee has been shared and a member contacts a candidate previously referred to them by a member because of that referral, or the candidate contacts a member because of another member's original referral, any placement which results from that contact will be a split placement.

j. Define Client Contact Rules

Members are cautioned that when you place an affiliate in direct contact with your client, the arrangements must be clearly defined, preferably in writing. Any willful interference by a member with the relationship between the original referring member and their client company will be considered improper conduct. For these provisions to take effect, the affiliate receiving a position opening must first be given an opportunity to refuse the order.

k. Placement of Hiring Authorities

Members who make placements by introducing affiliates' candidates into hiring authority positions deserve a degree of protection on position openings subsequently issued by that placed candidate. For a period of 1 year following the start date of that placed candidate and in the absence of documented activity between the exporting affiliate and the importer / job-side's client firm during the 1-year period immediately preceding the placed candidate's start date, placements resulting from positions referred to the initial exporting affiliate by that placed candidate are to be considered split placements if still employed by the importing member's client.

I. Open Position Postings

NPAworldwide discourages the use of open position posting; that is, orders which disclose the client and other client contact information.

Sample Scenarios

Example 1

Member A sends the resume of candidate X to Member B. B presents the candidate to his/her client, arranges an interview. The client hires candidate X. This IS a cooperative placement.

Example 2

Member A sends Member B a position from Client X and authorizes B to contact his/her client directly. B presents one of his/her candidates to the client, arranges an interview, and the client hires the candidate. This IS a cooperative placement and "A" is the billing office.

Example 3

Member A sends Member B a candidate. B does nothing but file him/her. Sometime later B receives the candidate's resume directly from the candidate as a result of normal advertising or recruitment efforts. B then places the candidate. As long as B did not use the information gained from A's referral to deliberately target the advertising or recruitment, no cooperative placement occurred. If B had deliberately run an ad, engaged in social media research, et cetera as a deliberate attempt to acquire that candidate directly, then an ethics violation has occurred and a cooperative placement payment would be due A.

The key is the same for candidates or clients (as a result of a shared position opening)—did B use the information and based on that information, intentionally do something to acquire the candidate or client for themselves? Nothing can or should restrict the normal candidate and client acquisition methods of any affiliate.

Example 4

Member A discusses a position opening with Member B and reveals the client name. B commences work on A's position. Later, B, through NORMAL marketing or ad follow-up, obtains the same position and makes a placement. That placement on the specific position opening is a cooperative placement. Should a different position from that client be filled, no cooperative placement has occurred if B did not target the company because of the information from A.

Example 5

Member A sends/discusses a position with Member B. B takes no action. Subsequently, B discovers the position independently through NORMAL marketing efforts and makes a placement. This is not a split placement, as long as B did not use any information provided by A to acquire that position. B should inform A if a position is received directly to avoid conflict and suspicion at the time of placement.

Example 6

Member A sends Member B a candidate. B talks to the candidate and obtains (asks for or is given) the names of other potential candidates. Such additional candidates belong to the original member and all information about such additional candidates must be provided to the original member immediately. If successfully recruited and placed, B owes A a cooperative placement fee.

Example 7

Member A refers a candidate to Member B who subsequently places the candidate. Due to a merger, the fee is not paid and the candidate is laid off. The candidate then contacts B for assistance. If B successfully places the candidate, it IS a split placement because no fee was paid on the initial placement.

Example 8

Member A refers a candidate to Member B who subsequently places the candidate on a six-month contract. After the contract is completed, the candidate is let go and B places the candidate on another contract. Because the initial contract lasted less than one year, this IS a split placement.

Example 9

Member A refers a candidate to Member B who subsequently places the candidate. Ten months later, after the fee and guarantee period are paid and satisfied, the candidate contacts B for assistance and B places the candidate. This is NOT a split placement as the initial placement resulted in a fee being shared.

Example 10

Member A refers a candidate to Member B who arranges interviews but does not place the candidate. Eighteen months later the candidate contacts B, who subsequently places the candidate. Because the candidate only knew of B "But For" A's referral, and no fee was previously earned, this IS a split placement.

Example 11

Member A refers a candidate to Member B who arranges an interview but no placement occurred. Later, the candidate responds to B's advertising for a similar position and B places the

candidate. As long as the ad was not targeted to acquire a particular candidate, this is NOT a split placement because the candidate responded to B's normal advertising.

Example 12

Member A refers Candidate X to Member B who interviews the candidate but no placement occurred. Several months later, in the process of recruiting for a position, B is referred to X by a third party B was attempting to recruit. B calls, recruits, and subsequently places X. This is NOT a split placement because X was contacted through a third party referral and NO information from A was used in the contact. (NOTE: If B, when given X's name by the third party, remembered X and uses information originally provided by A, it IS a split placement.)

Example 13

Two members submit the same (or similar) position. The recipient office decides with whom to work. It is possible and allowable to submit candidates to both members. It highly discouraged to submit the same candidate to each member if it is the same position in the same company.

Example 14

A member is contacted and given the details of a position and declines the opportunity to work cooperatively on the position. The member then directly solicits the client and obtains that position. If the previously received information was used in soliciting the client, a split placement IS due if the position is filled. If the member is contacted by the client and given the same position, provided there was no solicitation, a placement is NOT considered a split placement.

Example 15

Member A provides Member B with the details of a position. B says, "We often deal with this client and will supply candidates, but if they call us we will also deal directly with this client." This is an acceptable course of action. If a resume is submitted through A, then a split placement takes place. If a resume is submitted directly by B, a split does not take place. It is not appropriate to submit the same candidate to both A and the client.

Example 16

Member A receives a position through the NPAworldwide system and makes a guess as to the client. Member A speculatively sends a resume directly to the client and a placement follows. This IS a split placement as A used the information provided by a member to make a placement. When working with members, it may be wise to identify the client in order to receive protection under NPAworldwide rules.

Example 17

A candidate of Member A is placed by Member B. The candidate is impressed with the efforts of B and when next seeking a position change, contacts B. This is NOT a split placement.

Example 18

A candidate of Member A is placed by Member B. The candidate is impressed with the efforts of B and tells coworkers about B. "But For" the work of A in obtaining the candidate, in the absence of other factors, these candidates would be considered as sourced from A's original candidate and belong to A.

Example 19

A candidate of Member A is placed by Member B. The candidate is impressed with the work of B. Member B advertises for candidates, and coworkers of the candidate respond to the advertisement. These candidates belong to B.

8. Three-way Placements

Placements involving more than two members are discouraged. Three-way placements involving a third party outside of the NPAworldwide network are not covered by the Bylaws, including indemnification and dispute resolution.

9. Restrictive Employer Contracts, Fees, Agreements, or Terms

The use of restrictive written contracts or agreements developed by employers governing their dealings with recruiting firms is of concern to all members. Any member wishing to refer another member's candidate to a client or use Matchmaker to promote a position where a direct client relationship exists but such a restrictive contract is in place (VMS or other), must first communicate the full meaning of the terms of the contract to the member supplying the candidate or detail the conditions in the Matchmaker posting. Failure to do so could obligate a member to payment of a fee equal to that listed on the member's published fee schedule in the event of the affiliate's candidate obtaining employment with the client, even if you are not compensated by the client.

Members are prohibited from posting positions to Matchmaker or the NPA Job Board that are obtained through Bounty Jobs, from a VMS portal, or similar services. Members are further prohibited from submitting NPA members' candidates for consideration for any position managed by Bounty Jobs, Job Scout, Recruitify, Reflik, Talentvine, a VMS portal or similar services without first fully informing the NPAworldwide partner and gaining permission to submit a candidate, preferably in writing. While three-way splits are discouraged, members are permitted to enter into partnerships to work positions managed by these services but will not be covered by indemnification or dispute resolution processes. Successful placements are subject to brokerage on the fee amount split.

10. Advertising Members' Positions

Members potentially advertise or otherwise publicize information contained in positions shared through NPAworldwide. The receiving member is required to ensure neither the originating office nor the originating office's client can be identified. NPAworldwide systems have a "Permission to Advertise"

selection option that communicates the intent of the originating office. Publication of a position, either in its entirety or in a modified version, for which permission to advertise has not been established is a violation of policies and procedures and may be grounds for expulsion.

11. Doing Business with a Former Member/Former Employee

Members may resign or be terminated for a variety of reasons. Members should carefully consider working with former members. There may be conditions that led to resignation or termination of a firm which should be taken into consideration when continuing to work with that firm. Members are encouraged to work with NPAworldwide members rather than non-members. Members have met strict conditions for membership, have documented payment histories, and have executed agreements protecting confidential client and candidate information.

NPAworldwide has a significant investment in its membership. Therefore, for one year following termination, if a member works with a former member, or two former members work together, all placements made with the former member are subject to brokerage, payable by the current and former member, to NPAworldwide.

Brokerage is due on split placements made between a member and any person who in the previous 12 months has been employed or contracted to a member. Brokerage is to be collected by the member (irrespective of whether they are an importer / job-side or exporter / candidate-side) and remitted to NPAworldwide in accordance with standard procedure.

12. Brokering of Candidates

Members must have a direct relationship with each candidate submitted. Members shall not submit candidates through NPAworldwide systems, or directly to members, who belong to another organization, placement firm, or agency.

13. Marketing of NPAworldwide / Self-Promotion

Members are not authorized to solicit business by representing themselves as NPAworldwide's exclusive representative. No member may use the NPAworldwide name or logo as its primary identifying name or logo.

NPAworldwide functions shall not be used to foster or promote members' products or services that extend beyond the normal exchange of positions or candidates. In some situations, sponsorship opportunities are available for a fee.

Confidential information derived from or provided by NPAworldwide is to be used by members *only* for business activity relating to the exchange of candidates and positions. Member use of confidential NPAworldwide information (emails, addresses, phone numbers, etc.) for unsolicited promotion of products and/or services, charitable activities, political activities, or any other personal non-NPAworldwide interest, is inappropriate. The offending member is subject to expulsion. NPAworldwide will designate appropriate methods or locations for unsolicited promotion, if the Board agrees to make such an option available.

14. Professional Staff

Each member has a significant investment in training and developing recruiters, employees, and staff ("professional staff"). For reasons described above, no member shall hire professional staff of another member during the term of employment and for a period of one year following termination of employment. This restriction may be waived only by written consent by the affected member. Such consent may be withheld in the sole and absolute discretion of the affected member. In the event of denial, the hiring member may, by written appeal to the Board of Directors, seek relief.

The restrictions imposed by this section only restrict hiring by members and the restrictions are not intended to prevent any recruiter or employee from seeking new employment outside of the NPAworldwide network. Since members constitute a small percentage of recruiting firms, the restrictions imposed by this paragraph should have nominal impact upon an individual's ability to obtain alternate employment. Nothing contained in this paragraph shall relieve a departing individual from his or her continuing obligation to protect confidential or proprietary information of NPAworldwide and its members.

NPAworldwide policy considers the circulation of positions for recruiters, managers, associates, etc. to the offices of NPAworldwide affiliates to be unethical conduct. A member shall neither entice nor recruit another member's employee to change companies.

15. In-house Recruiting

In-house recruiting occurs when a member or member employee(s) works on contract exclusively for a client. In such instances all members are required to:

- a. Notify NPAworldwide immediately of such a client relationship.
- b. If an affiliate is engaged in a search for the contract client they must be notified in advance of this relationship.
- c. Ensure strict adherence to NPAworldwide bylaws and policies with specific attention to policies on candidate ownership.
- d. If a placement occurs, brokerage is due.

16. NPWorldwide Job Board Usage and Policies

- a. The use of the Job Board requires payment of a fee when a candidate sourced from the Job Board or a secondarily sourced candidate is placed by a member. The current fees as established by the Board of Directors are:
 - i. 12% of the amount to be paid by the client for candidates that applied to your job posting. Candidates so identified remain shared candidates for 1 year. Placed secondarily sourced candidates require a 12% fee if sourced (not placed) within 12 months of the initial candidate referral from the Job Board and will remain shared candidates for 12 months from the point they are secondarily sourced.
 - ii. If the candidate is registered to the system and not a direct applicant to your posted job, then a 17% fee is due upon client payment.
 - iii. Job Board candidates used in member-to-member splits require a 5% brokerage from the parties engaged in the split. Job Board candidates used in a split with non-member partners require a 12% fee on the funds paid to the NPWorldwide member.
- b. It is permissible to post "recruiter" positions on the Job Board in an effort to locate non-NPWorldwide applicants. Refer to "Professional Staff" above for policies concerning member applicants to posted positions.
- c. Members may not post contact details that allow a candidate to make direct application and circumvent crediting to the Job Board as the source of candidate interest.
- d. A position shared with affiliates and/or on the NPWorldwide Job Board must be a bona fide, current position from a client company with which you have a direct relationship. Speculative or generic positions used to solicit commonly-required candidates are not permitted.
- e. Filled positions must be removed immediately.
- f. Falloffs will be refunded when the member recruiter refunds a client fee. If a replacement guarantee is in place and the candidate is replaced either via another Job Board candidate or otherwise, no refund will be provided. When replaced by a member-to-member split, brokerage is not required from the importer / job-side.
- g. For falloffs that require a client fee refund, NPWorldwide will base the refund on the time after the candidate start date and consistent with prorated refund policies a member has extended to a client. If the falloff is:
 - i. 1-90 days after start date, up to a 100% refund will be considered
 - ii. 91-180 days after start date, up to a 50% refund will be considered
 - iii. 181 plus after start date, no refund will be offered
 - iv. For example, if the fee schedule is a 90-day prorated refund and the candidate left after one month, then two-thirds of the job board fee would be refunded to the firm required to refund a fee to their client.

17. TEAM Split Placements

NPWorldwide has entered into a partnership with TEAM (The Employment Agents Movement) to increase coverage and opportunity for NPWorldwide members outside the UK. When working with TEAM the following apply to the NPWorldwide member or a dual NPWorldwide/TEAM member:

- a. When an NPAworldwide/TEAM dual member, based in the UK, engages and completes a split with a TEAM-only member, no brokerage is due if the position, candidate, and every aspect was managed and sourced outside of NPAworldwide systems.
- b. In all other instances, brokerage is due. The NPAworldwide or DUAL NPAworldwide/TEAM member should request confirmation, in writing, of the terms for the split being worked, including the percentage (typically 47.5% NPAworldwide firm – 47.5% TEAM firm – 5% NPAworldwide), guarantee period, currency, minimum acceptable fee, and any other needed details.
- c. If a split is made, the NPAworldwide member must report the placement and submit the brokerage. List your firm as the importer / job-side and list TEAM #8000 as the Exporter / candidate-side. In the comments field please list "TEAM Split" and the name of the TEAM firm. Collect and submit NPAworldwide's 5%. Failure to report placements and submit brokerage from splits with TEAM shall constitute grounds for suspension or expulsion from NPAworldwide.

18. Verification Procedures

As provided for in the bylaws, the Board, by majority vote, may authorize an inspection of the operations of any member for the purpose of verifying compliance with policies and procedures. An inspection may be conducted by the Chairperson/CEO and/or individuals appointed by the Board of Directors. These individuals may be officers or other members of NPAworldwide, attorneys, accountants, or other agents with such investigative, business or other skills as the Board shall deem necessary or beneficial in order to conclude the verification. Procedures may include review and copying of business records or other information regarding a member's operations. The examination shall be limited to those records and information pertaining to NPAworldwide-related matters and only to the specific complaint or items closely related to the complaint.

Anyone appointed to conduct an investigation shall, as a condition of accepting the appointment, execute an agreement of confidentiality. This agreement shall require the appointee to maintain confidentiality of matters that do not relate to NPAworldwide, do not relate to the complaint, or are not closely related to the complaint coming to the appointee's attention, while conducting an examination. The appointee will only disclose information relevant to NPAworldwide matters to those officers authorized to receive it. The Board of Directors shall not be required to provide any advance notice of any verification procedures. Any member subject to verification procedures shall immediately comply with any and all requests for information and with any and all requests to secure business records or other information regarding the member's operations.

The Chairperson/CEO of NPAworldwide shall provide any appointee with written authorization confirming his or her authority to conduct verification procedures. A member may also confirm authorization of any such appointee by telephone with the Chairperson/CEO, Secretary/ Treasurer, Director, or President.

Failure of any member to cooperate fully with the verification procedures shall constitute grounds for suspension and/or expulsion. If the Chairperson/CEO or his/her appointee encounter the refusal by any member to cooperate with verification procedures set forth herein, then the Chairperson/CEO or his/her appointee may seek such legal or equitable relief from the courts as they shall deem appropriate. If verification procedures reveal a breach by a member of the NPAworldwide Membership Agreement,

Bylaws, or Operations Manual, and there is financial harm or potential financial harm to another member or NPAworldwide, then such member shall, in addition to other damages, be required to reimburse NPAworldwide for all fees and expenses incurred with respect to verification procedures, including without limitation, actual attorney fees incurred to enforce such procedures. Such reimbursement shall be limited to direct costs and expenses incurred in the investigation and verification procedure.

19. Discrimination and Privacy

Discrimination and privacy laws vary widely from country to country and within each country. Members must comply with relevant discrimination and privacy laws and statutes.

Positions submitted through NPAworldwide may never contain any reference which would be a blatant violation of applicable anti-discrimination policies. Candidate descriptions fall under the same restriction. Information on the resume/CV is supplied by the candidate. However, recruiters should never solicit or suggest the inclusion of discriminatory information on the candidate's resume/CV.

Sometimes members will share candidate and position records through NPAworldwide that contain offending comments. Members should be aware that with a real-time sharing system, records are immediately available "as is" to other trading partners. NPAworldwide does not guarantee that records are reviewed for objectionable content or that objectionable content is removed prior to posting.

In no event shall NPAworldwide or any other member be liable for any damages arising out of a member or a member's client's unlawful discriminatory use of NPAworldwide's database information or services, however arising, including negligence. Members agree to indemnify and hold NPAworldwide and its subsidiaries, affiliates, officers, directors, agents, employees, and other members harmless from any claim or demand including reasonable attorney fees arising out of a member's, or that member's client's, breach of the Bylaws and Operations Manual prohibitions on discrimination.

20. Member Disputes

Past experience has proven most incidents involving members have been the result of inexperience or lack of knowledge regarding recognition and handling of other affiliates' candidates or positions. Whether a member is new or a veteran to the concepts of networking and split placements, members and recruiters who are new to the network must become familiar with NPAworldwide policies and procedures. It is the member's obligation to become knowledgeable in these matters. Further, each owner should make it mandatory for their professional staff to be aware of NPAworldwide policies and procedures. In the history of arbitration, never has there been a case where ignorance was grounds to excuse an offending member's actions.

Reference materials to educate members, owners, and professional staff about NPAworldwide policies, procedures and practices include:

- Bylaws
- Operations Manual

These items are available on the members-only website. Members are further advised to seek the guidance of a Director before taking action if there are questions about what is right or wrong.

If you have a dispute with another member, the progression of resolution is as follows:

- Recruiter to recruiter
- Owner to owner
- Owner to Director
- Director with Director
- Directors with Executive Committee
- Board Review
- Arbitration

21. Code of Conduct and Ethics

NPAworldwide operates for the mutual benefit of its members, client companies or employers, and candidates and is committed to the highest standards of ethical business practices.

Members and their employees, while representing NPAworldwide, are prohibited from all forms of harassment of other members and their employees, employees of outside contractors and vendors, visitors, candidates, or clients. This includes any demeaning, insulting, embarrassing, or intimidating behavior directed at anyone related to gender, race, ethnicity, sexual orientation, physical or mental disability, age, pregnancy, religion, veteran status, national origin, or any legally protected status.

NPAworldwide specifically bans unwelcome sexual advances or physical contact, sexually-oriented gestures and statements, and prohibits retaliation against anyone who rejects, protests, or complains about such sexual harassment.

Members and their employees are expected to act in compliance with this Code. Violation of these principles will be dealt with in an appropriate disciplinary action, including expulsion. Any member or employee under investigation may be suspended pending completion of the investigation.

Operations Manual

August 2, 2022

NPAworldwide

Section E. Financial
Obligations



NPAworldwide™

Recruitment Network

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Section E. Financial Obligations

As a member-owned cooperative, NPAworldwide programs are designed to improve the earnings of the individual members. These programs are developed and planned with the participation of members and are then adopted by vote of the Board of Directors or the membership.

Reporting Acceptances

A major source of income for NPAworldwide is a 5% brokerage payment on cooperative placements between members. Upon learning of an acceptance of a job offer that involves a fellow member, the importing member (representing/billing the client) must immediately notify the exporting member (representing the candidate) of the acceptance, the targeted start date, salary and the billing arrangements. The importer / job-side must complete an acceptance report accurately and fully on the NPAworldwide system within seven (7) days of the acceptance.

Reporting acceptances is a mutual responsibility that begins with the member who is billing the client (importer / job-side). If the importer / job-side fails to report the acceptance, then it becomes the responsibility of the exporter / candidate-side to communicate the acceptance to NPAworldwide. Failure to report an acceptance within seven (7) days is grounds for disciplinary action or expulsion for both members participating in the placement. Members should never be aware of an acceptance that has not been communicated to NPAworldwide Headquarters.

Brokerage Payments

IMMEDIATELY upon receipt of the fee, the billing member sends a copy of the Placement Report with client payment verification (copy of the client check, wire transfer confirmation or other documentation) and 5% of the total payment received to NPAworldwide Headquarters. At the same time the billing member sends a copy of the Placement Report and the client payment verification and 47.5% of the fee to the cooperating member. If the placement information changes between acceptance and receipt of the fee, the billing member should show the changes on the submitted copy. The money received for each cooperative placement is posted in equal (1/2 the total received) amounts to the accounts of the two members involved. Each member then receives credit for one cooperative placement.

Members receiving payment for a cooperative placement involving non-U.S. currencies will disburse the 5% brokerage in U.S. currency, and the affiliate payment should also be made immediately in their local currency. Payments to both NPAworldwide and the affiliate will include a copy of the client payment verification (copy of the client check, wire transfer confirmation or other documentation). If payment is made via wire transfer, the conversion to local currency is done at the time of the wire origination. Evidence of the payment and the conversion rate used by the bank should be provided to NPAworldwide and the affiliate. Brokerage payments to NPAworldwide made via credit card will be processed only in U.S. Dollars, using the conversion rate published on <https://usa.visa.com/support/consumer/travel-support/exchange-rate-calculator.html/> at the time of credit card processing.

The word IMMEDIATE means payment must be made by the close of the next business day. Cooperative placement fees are shared income. The collecting member is in no way entitled to use of the funds that are rightfully a fellow member's and NPAworldwide's. Delay of payment, holding or using such funds, will not be tolerated by the Board of Directors, which takes the position that delay constitutes misappropriation and misuse of such funds.

Gross Receipt Taxes

Members in jurisdictions that levy relevant taxes (e.g. gross receipts, VAT, or GST) should aim to be taxed only on their portion of any split fee. If necessary, they should seek guidance from a qualified professional to avoid being taxed on the full fee. Only 47.5% of the total received is income for the billing member. If local regulations or accounting practices prohibit this partitioning of income to the rightful owners of the income, then before the initiation of a cooperative placement, the exporting member and NPAworldwide must be informed in writing by the fee-collecting member of all local tax requirements. The collecting member is responsible for 100% of the tax liability absent a written agreement stating otherwise.

Installment Payments

In rare cases, the 5% brokerage fee may be paid in installments but only because the payment to the member is being paid in installments, or in the case of contract positions the 5% may be withheld and accumulated until some reasonable portion of the total fee has been collected. In either case, a completed placement report form should accompany the first installment, to assure correct posting to your account. The cooperating member's portion must be paid immediately upon receipt of each installment payment, whether NPAworldwide is paid its 5% brokerage in installments or upon the final installment payment.

Dual Membership and Brokerage

In addition to the Bylaws requirements, some procedural restrictions apply to members having dual membership status. Brokerage is payable on all cooperative placements between members, irrespective of any brokerage requirement of another network even if that affiliation generated the placement activity.

Fall-offs, Split Fees, and Brokerage

If a cooperative placement fails (falls-off) and the job-side firm is obliged to give a refund under the terms of its agreement with the employer, NPAworldwide and the candidate-side member will participate in the refund proportionately. The job-side member shall supply NPAworldwide and the candidate-side member with relevant proof (such as a copy of the refund check/electronic funds transfer documents, etc.) that a refund was issued to the client and all correspondence related to the refund. When the job-side member provides the required documentation, NPAworldwide will refund the brokerage payment received and candidate-side member will refund payment received from the job-side member, within 7 days. If that refund takes the form of a credit, NPAworldwide and the candidate-side member

will refund when the client-side member documents that the credit has turned into a financial loss. (For Job Board Fall-offs, see the Job Board Section.)

Collections / Legal Action to Collect Brokerage

Occasionally it will become necessary for the billing member to take legal action in order to collect a placement fee. In that event, the billing member may deduct the legal cost of collection from the gross amount of the fee collected and compute the 5% brokerage fee and the 47.5% share to the cooperating member on the net amount collected.

Discounts for Multiple Placements

Discounts, including those for multiple placements, must be agreed upon in advance and in writing.

Fee Variances and Unbundled Services

At times members are asked to provide additional or partial services. While it is impossible to describe all the circumstances which could arise when a number of services are included in a single fee, and part of that fee becomes a split fee, the exporting member must know the entire circumstances before a candidate is submitted and agree to the arrangements. Such arrangements shall be confirmed in writing.

Retainers

NPAnetworldwide requires a split of the total fee, inclusive of a retainer or engagement fee associated with the position in which the split occurs. Because of the differences in the types of retainers and the way they are paid (for example, one retainer for multiple positions), the member with the job order is required to clarify any retainers/engagement fees which are to be received from the client for their recruiting efforts when POSTING/SHARING their position in NPAnetworldwide, or contacting or liaising with another affiliate for assistance on the assignment, and PRIOR to presenting the cooperating member's candidate to the client company. Failure to clarify and gain agreement of the fee in writing prior to arranging an interview can obligate the placing member to payment of a fee equal to 47.5% of that listed in their published fee schedule. NPAnetworldwide has the option to request copies of client payment records, including credit card payments receipts, copies of the draft, or bank payment records to verify the total fee payment.

While it is impossible to specify every client relationship regarding retainers/engagement fees in this manual, it is required that each member of NPAnetworldwide follow the spirit of NPAnetworldwide, and compensate a partner firm honestly and appropriately when a split placement is made where a retainer or engagement fee is involved.

Invoices

Dues are billed on annual basis to its members with a provision for monthly payments. Included on monthly invoices are membership dues and other miscellaneous billings which may accumulate during the month. These invoices are payable upon receipt. Accounts outstanding more than thirty (30) days will be assessed a service fee of 2% per month on the unpaid balance.

Accounts Receivable

Provisions for automatic suspension of member accounts are covered in the Bylaws Article 3, Section G.2.

Checks received in payment on account or as brokerage payment and returned for insufficient funds must be made good, and a \$25 fine will be assessed to the member's account for each occurrence.

Member Resignations

Member firms may request resignation at any time by contacting NPAworldwide Headquarters. The final dues invoice will be issued the month after the resignation request is received. For example, if resignation is requested on October 31, the final dues invoice will be issued in November. If resignation is requested on November 1, the final dues invoice will be issued in December.

Members will be notified of all pending resignation requests, including the effective date of resignation.

Resignations will be finalized once all outstanding dues and brokerage payments have been made, and the remaining terms of the Membership Agreement have been fulfilled.

Indemnification

Article 10, Section B of the bylaws provides that when a member is unable to collect a share of a split fee collected by another member, that reimbursement may be made by NPAworldwide to the member incurring the loss. The Indemnification Fund is the last option to collect unpaid splits or other arbitration ruling awards made by the Board of Directors. No payments will be distributed from the fund for a minimum of 90 days from the award. During this time the aggrieved member must make every effort to collect the money. The collection effort must be documented and made available to the appropriate NPAworldwide officer before any funds are released.

- **Report of Claims** - Claims must be supported by a report of the circumstances surrounding a claim and the details regarding actions taken to collect this amount.
- **Publication of Claims** - When a first claim is received it will be published to the members via the *Vignette* or other necessary methods. This is intended to serve as a notice to other members that there is a problem and that they should carefully scrutinize their dealings with the member involved.

- **Resolution of Claims** – After 90 days, starting from the date of publication, claims will be considered closed and subject to Board authorization, the distribution will be made.
- **Conditions Regarding Claims**
 - a. A member submitting a claim and receiving a reimbursement must agree, when appropriate, to execute an assignment of claim to NPAworldwide and to be part of any action or lawsuit to effect recovery. Additionally, the member(s) so indemnified must agree that if NPAworldwide succeeds in recovering fees from the former member in excess of the amount indemnified, such excess will be distributed only after legal expenses incurred by NPAworldwide to bring such action have been deducted. The Board shall have full discretion as to the form and jurisdiction of the action.
 - b. Publication of the suspension, expulsion, or resignation of a member removes the protection of indemnification for any submittals of claims which occur after the date of suspension, termination, or resignation. When and if the member is reinstated, the indemnification protection is restored.

Fee Schedule and Guarantee (Member Profile)

Members have a common goal—to share fees. Each member is an independent business. Each member identifies his/her own fee schedule and is completely free to establish fees to be charged to clients. Each member profile must include a fee schedule. That stated fee schedule must be kept current, reflecting the fee schedule in effect at the present time. NPAworldwide makes no recommendations regarding any member's fee schedule. Each member is required to publish standard guarantee terms in their Member Profile. In the absence of written evidence to the contrary, the guarantee of the job-side member will prevail and the candidate-side member, by consenting to the use of the candidate, is assumed to have accepted the guarantee of the job-side member.

During the placement process, or on occasion when difficulties arise after the candidate has commenced employment, a client may ask for an amendment or change in the guarantee (for example an extension of the guarantee period). The job-side member shall not obligate the candidate-side member to a change of guarantee, without his/her consent in writing. Should the job-side member's agreement provide for replacing the employee instead of providing a refund, the job-side member must give the candidate-side member immediate opportunity to provide a replacement candidate. Failure to offer an opportunity to replace waives the requirement that the candidate-side member contribute to any refund. Unless otherwise agreed to in the job-side member's agreement with customer, the job-side member and candidate-side member will agree to an appropriate timeframe for the candidate-side member to have exclusivity in finding a replacement before the job-side member engages additional resources. It is appropriate for the time to replace the candidate to be similar and consistent with the time to fill the role initially. If the candidate-side member is provided immediate opportunity to replace but is unsuccessful and the replacement is provided without its participation, the job-side member must provide relevant documentation on the replacement to NPAworldwide and the candidate-side member. Upon receipt of such documentation, the candidate-side member will refund the original split amount in full within 7 days. If the replacement is made without the cooperation of any member, NPAworldwide will refund the brokerage originally paid. In no case will the amount refunded by NPAworldwide or the cooperating member be greater than that paid to them for the original placement.

In the case of a retained search, fees are earned at each step in the schedule. The job-side member must share with the candidate-side member the retainers (such as search assignment fee, defined milestone fee and candidate acceptance fee) at the time the search begins. When any step in the retained search process has been reached the job-side and candidate-side members have earned the fee paid and it is non-refundable unless otherwise stated in the retainer agreement and agreed to by both parties.

Exporter / Candidate-side Fee Publications (Add a Candidate Entry Screen)

A member supplying a candidate may determine the minimum fee he/she expects if his/her candidate is placed by another member. That information is provided by submittal of an "Add a Candidate" screen on Matchmaker. The candidate submittal form provides the exporting member with options regarding the fee required for each candidate submitted, if placed by another member. The form includes the following choices:

- Any Fee
- A Drop Down menu to choose the minimum fee percentage acceptable for each candidate submitted

Option 1 means the exporting member is willing to accept 47.5% of whatever the placing member receives, while Option 2 allows the exporting member to identify the minimum fee acceptable for each candidate. If no preference is indicated on the cover sheet, "Any Fee" is the default entry.

In the event a fee is received by a placing member that exceeds the minimum fee acceptable identified on a candidate submittal from another member, or if the fee paid exceeds the fee percentage or amount identified by that member on the job order form, the placing member will remit 47.5% of the actual fee collected.

Importer / Job-side Fee Publication (Add a Position Entry Screen)

A position submittal must include a specific fee or specific fee percentage. It is assumed that a member responding to that position opening is acknowledging the acceptance of the fee identified on the position and is knowledgeable of the sending member's published fee schedule which may include a statement of deviation from established percentages. Statements of deviation do not apply if a specific percentage or fee amount is stated on position.

In the absence of a written understanding between the members making a split placement, the member submitting the candidate that identifies a minimum fee acceptable will be paid that minimum fee by the importing member, irrespective of whether the importing member accepted a lower fee from the client. Importing members should always clarify the fee being split prior to submitting candidates to a client.

Deviations from the Published Fee Schedule

There is an obligation to inform the member submitting a candidate, in writing, early in the placement process that a deviation from the standard or published schedule is involved in a pending placement except where the candidate submitted has been marked positively "Any Fee Acceptable."

Should a member consider submitting an affiliate's candidate to a client company that has a stated policy limiting the length of time that referral will be honored for payment of a fee, the affiliate representing that candidate must be informed before such referral and be given the opportunity to refuse the submittal of the candidate. For example, some client companies have stated policies that any candidate received from a placement firm and placed during the ensuing 6 months (or any other defined period) will be acknowledged for fee payment. After six months the candidate's file is retained by the company and if employed, no fee is paid. Under those conditions, the affiliate must be given the opportunity to not have the candidate submitted to that company initially.

Contract Compensation Formulas

If a contract split occurs, the profit will be split 47.5% to the importer / job-side, 47.5% to the exporter / candidate-side, and 5% to NPAworldwide unless otherwise agreed upon in advance. Alternate methods should be agreed upon (preferably in writing) prior to commencement of employment by the contractor.

If the importing firm is funding the payment of the contractor, such a split placement can follow one of two prescribed formulas. Other options must be agreed to in advance.

- **Option 1:** 66% to the importer / job-side and funder, 29% to the exporter / candidate-side, 5% to NPAworldwide of the gross amount billed, minus:
 - contractor's salary
 - federal or state mandated taxes and benefits
 - benefits provided to the contractor
 - per diem provided to the contractor

This formula is intentionally weighted favorably to the importer / job-side/funder because the importer / job-side/funder assumes the sole risk and responsibility for managing that receivable. While brokerage and the trading partner's share of the margin are not payable until the client pays, the importer / job-side/funder is exposed to the full extent of the employee's gross wages. With this formula, if the receivable cannot be collected for any reason during the course of the contract, the exporter / candidate-side will not be held liable for any portion of that receivable.

- **Option 2:** 47.5% to the importer / job-side, 47.5% to the exporter / candidate-side, and 5% to NPAworldwide of the gross profit per hour. Acceptable operating costs to be deducted in determining the gross profit are:
 - contractor's salary
 - federal or state mandated taxes and employee benefits
 - benefits provided to the contractor
 - the cost of money
 - per diem provided to the contractor

In the event that the cooperating firms elect to share the account receivable liability as a condition of this formula, a separate written agreement to that effect is required.

Contract-to-Hire

Occasionally in the course of a contract, the client will request permission to hire the contractor as a permanent employee. Typically the importer / job-side will charge a buy-out fee. In such a case, the importer / job-side, exporter / candidate-side and NPAworldwide will split the buy-out fee 47.5%, 47.5% and 5% respectively.

Change in the Terms of the Contract

Any change in either the pay rate (to the contract employee) or the bill rate (to the client) must be approved in writing by both the importer / job-side and the exporter / candidate-side. Brokerage and split-fee payments shall reflect the changes.

Length of Contract

Like all other NPAworldwide activity, contract placement activity does not expire. If a contract has been estimated to end after a certain number of months but continues for a longer term, all parties will participate in split placement revenue for the duration of the contract. If a contract is reduced in length, all parties split the profit for the actual term of the contract.

Verification of hours and payment

An accounting of hours and profit must be sent to both the affiliate and NPAworldwide at least monthly, or upon receipt of the client's payment. This information can be verified by copies of signed time cards, hours billed to contract client, payment summary from client or payroll/funding source report etc. It is acceptable to issue a profit check to your affiliate and NPAworldwide either weekly or monthly as is appropriate and convenient.