

Responsible Contractor Policy

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Responsible Contractor Program (RCP) Policy | Overview

Purpose

- The RCP Policy supports fair market wages and benefits based on local conditions for workers employed by contractors and subcontractors, subject to fiduciary principles¹
- Applies when the Real Assets program makes investments in the service, maintenance, development, and improvement of CalPERS' domestic Real Estate and Infrastructure assets

Scope

- U.S. Real Estate and Infrastructure assets where CalPERS holds > 50% interest
- Contracts of \geq \$100k
- Managers² provide an annual RCP compliance and certification report

RCP Policy | History

Year	Event
1998	<ul style="list-style-type: none"> Investment Committee approves establishment of the Policy
2010	<ul style="list-style-type: none"> Five-year policy review and engagement process begins Establishment of the Neutrality Trial³ for Core⁴ managers on service contracts
2012	<ul style="list-style-type: none"> RCP Policy enhanced and revised
2015	<ul style="list-style-type: none"> Extensive 18-month policy review and engagement process RCP Policy enhanced and revised Neutrality Trial for Core managers becomes permanent policy New Neutrality Trial established for select Non-Core⁵ managers

³ See slide 10 for Neutrality information

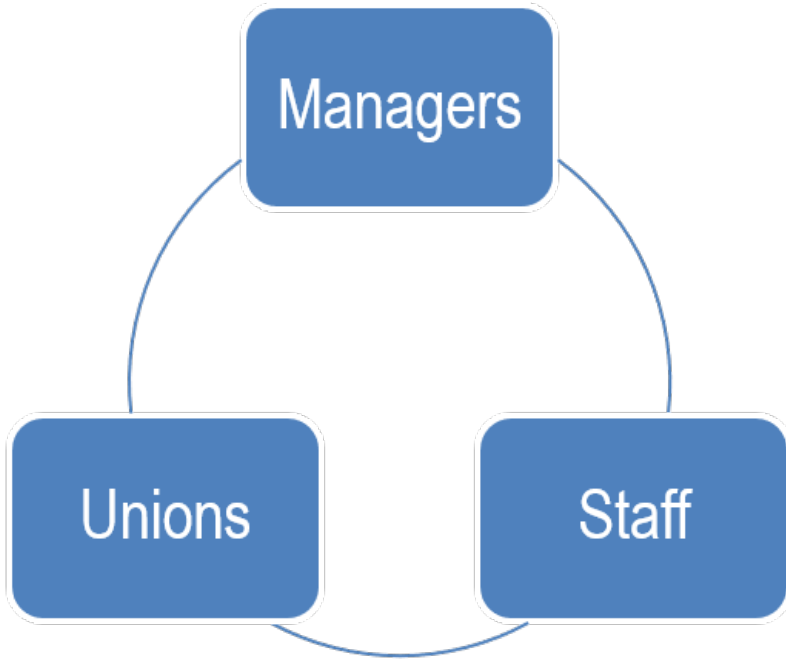
⁴ Investments that produce a predictable current net income yield after debt service

⁵ Investments not considered Core; 'select' are certain identified non-core investments

RCP Policy | FY 2021-22 Summary Results

- All 16 managers reported in aggregate 100% compliance⁶
- Over \$981 million paid to certifying responsible contractors
- All managers certified they and their contractors / sub-contractors complied with the RCP Policy to the best of their knowledge
- For the 2021-22 Fiscal Year (FY), the increase in the total amount paid to certifying responsible contractors was attributed to several factors including: new managers reporting for the first time, delays lifted on contracts previously on hold due to covid supply chain issues, and the purchase of new assets that required capital work
- All managers reported the RCP Policy had no adverse material impact on CalPERS' investment returns
- No formal complaints were filed during the reporting period

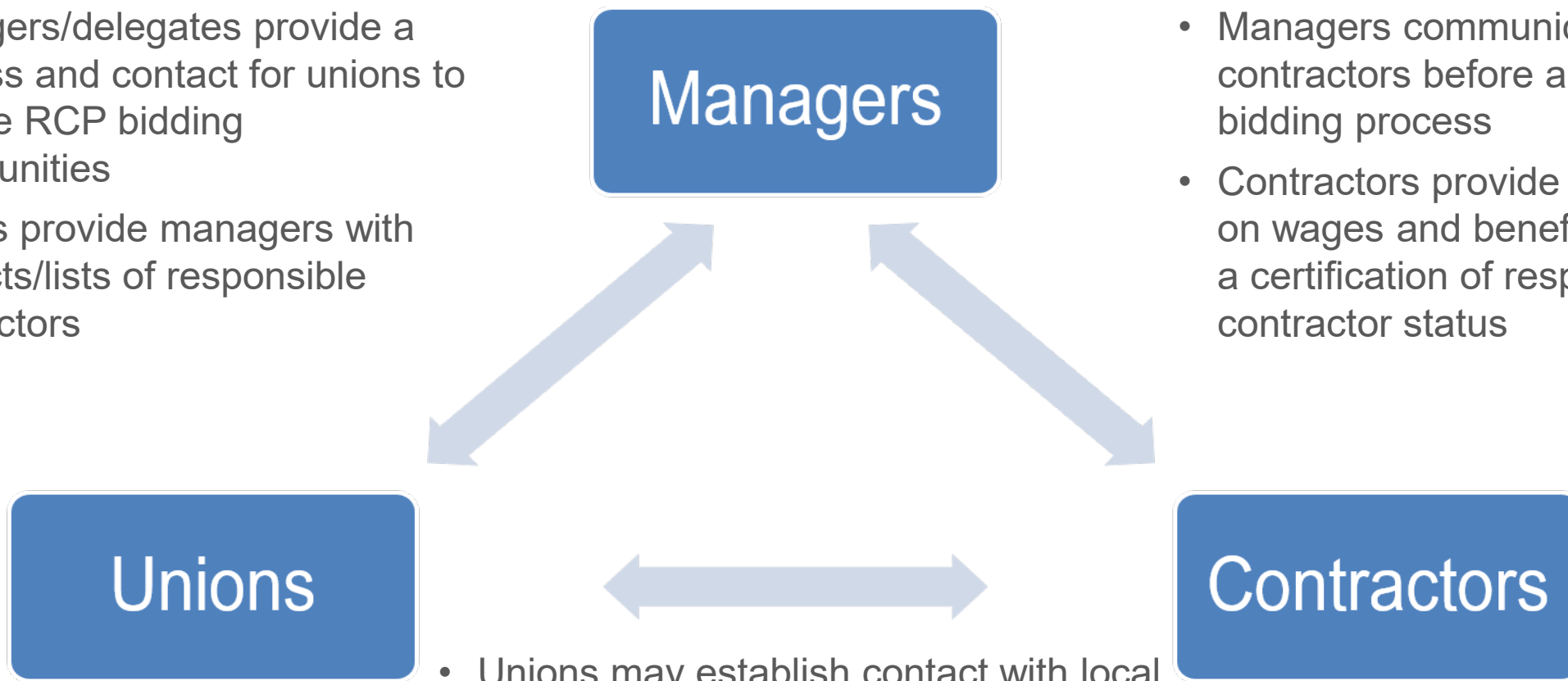
RCP Policy | Communication & Engagement



- INVO staff communicates regularly with key labor leaders and Real Assets managers regarding implementation of the RCP Policy
- The RCP Policy, information on its implementation, annual reports and links to contact Real Assets managers to request information on RCP bidding opportunities are available on the CalPERS website
- Staff continues to address labor issues as they occur, in accordance with the RCP Policy. Some RCP concerns fall outside of the RCP scope; however, the “Spirit of the policy” applies, such as:
 - CalPERS has no ownership interest in the asset
 - Contract is < \$100,000

RCP Policy | Bidding and Notification Process

- Managers/delegates provide a process and contact for unions to receive RCP bidding opportunities
- Unions provide managers with contacts/lists of responsible contractors



- Managers communicate with contractors before and during bidding process
- Contractors provide information on wages and benefits and sign a certification of responsible contractor status

- Unions may establish contact with local signatories and identify interested and qualified responsible contractors

RCP Policy | Compliance and Total Contracting

Fiscal Year	RCP Compliance (%)	Total Paid to Responsible Contractors (\$Billions)	Real Assets Ending Market Value ⁷ (\$Billions)
2015-16	99.73	1.22	29.89
2016-17	99.97	1.18	34.32
2017-18	100.00	0.86	36.12
2018-19	99.98	0.84	39.20
2019-20	100.00	0.84	42.80
2020-21	100.00	0.46	44.42
2021-22	100.00	0.98	68.80
Total		\$6.38 Bn	

Appendix

CalPERS Investment Beliefs

Investment Belief 4

Long-term value creation requires effective management of three forms of capital: financial, physical, and human

Investment Belief 3

CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries

RCP Policy | Neutrality

- CalPERS remains neutral in the event a labor organization attempts to organize workers on RCP Investments
- All Core investment managers and their contractors / subcontractors are required to remain neutral should workers who provide maintenance, operation, or other property related services at an RCP managed asset organize
- Select Non-Core Real Estate and Infrastructure funds and their contractors /subcontractors agree to the above on a voluntary basis

RCP Policy | Manager Responsibilities Report ⁸

Investment managers that reported costs to administer the RCP estimated between \$5,000 and \$235,000 per year

- Estimates vary according to the number of qualifying contracts and unique staffing and implementation practices of each investment manager

All investment managers (or their delegates ⁹) reported that they:

- Maintained written policies and procedures for implementing and complying with the RCP; provided training on administering the RCP
- Communicated the RCP Policy, and their own written policies or procedures relating to the RCP, to their employees and contractors
- Monitored and enforced their own and delegates' compliance with the RCP, including the investigation of potential violations
- Used a 30-day pre-bid notification procedure when appropriate