



California Public Employees' Retirement System
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October 27, 2014

David Rubenstein
Co-Founder and Co-CEO
The Carlyle Group
1001 Pennsylvania Avenue
Suite 220 South
Washington, DC 20004-2505

Dear Mr. Rubenstein:

David.

On behalf of CalPERS, I want to let you know that we value our relationship with The Carlyle Group (Carlyle). As long-term investors in Carlyle we appreciate your willingness to discuss and engage on the labor issues and unrest brought up by Coalition of Cambodian Apparel Workers Democratic Union (C.CAWDU), Service Employees International Union (SEIU) and the Asian Pacific American Labor Alliance. We especially note the care that Carlyle has taken in hiring and sending independent investigator Gare Smith to Cambodia to conduct an inquiry on the issues raised.

Just as we value our relationships with the people and organizations that manage our assets, CalPERS has a deep interest in the condition of workers employed by CalPERS and the companies it invests in. CalPERS has adopted policies that support and encourage fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles. CalPERS believes that an adequately compensated and trained worker delivers a higher quality product and service which, over time, will result in superior investment performance.

Recently, the CalPERS Board adopted a set of ten Investment Beliefs¹ intended to provide a basis for strategic management of the investment portfolio and inform organizational priorities. In particular, these investment beliefs state that long-term value creation requires effective management of three forms of capital: financial, physical, and human. Human capital practices include, but are not limited to, fair labor practices, health and safety, responsible contracting and diversity.

¹ CalPERS Investment beliefs, adopted September 16, 2013 <http://www.calpers.ca.gov/eip-docs/about/pubs/board-offsite.pdf>

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On October 9, 2014, C.CAWDU sent you and David Marchick a letter regarding the methodology of the interviews and requesting specific assistance engaging Yakjin to seek resolution on labor issues at the Yakjin Cambodian factory. We realize that these remain challenging economic times and that it is vital to manage costs. However, as a long-term investor, we know that management of human capital is equally important and ultimately impacts a company's financial sustainability and value creation. CalPERS encourages Carlyle to continue to engage with interested labor organizations to seek appropriate resolution to these issues.

Thank you for your time and consideration. Please do not hesitate to contact me or Laurie Weir at (916) 795-0894 or laurie_weir@calpers.ca.gov if you wish to discuss this further.

Sincerely,

A handwritten signature in black ink, reading "Réal Desrochers". The signature is fluid and cursive, with the first name "Réal" and last name "Desrochers" clearly distinguishable.

Réal Desrochers
Senior Investment Officer
Private Equity