CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY
FOR
RESPONSIBLE CONTRACTOR PROGRAM

EFFECTIVE JULY 1, 2025

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CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF INVESTMENT POLICY FOR RESPONSIBLE CONTRACTOR PROGRAM

July 1, 2025

This Policy is effective July 1, 2025 and supersedes all previous Responsible Contractor policies for parties subject to this Policy.

I. PURPOSE

This document sets forth the investment policy ("the Policy") of the Responsible Contractor Program (the "Program" or "RCP"). The design of this Policy is intended to ensure that contractors, investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("CalPERS") take prudent and careful action while managing the Program. Additionally, use of this Policy provides assurance that there is sufficient flexibility in controlling investment risks and returns while using contractors.

This Policy, is consistent with CalPERS Statement of Investment Beliefs, adopted October 14, 2013. CalPERS Statement of Investment Beliefs provides context for CalPERS actions, reflects CalPERS values, and acknowledges CalPERS responsibility to sustain its ability to pay benefits for generations. The Investment Beliefs can be found at https://www.calpers.ca.gov/docs/board-agendas/201702/pension/item7-01.pdf.

This Policy is also consistent with CalPERS' Labor Principles[1] adopted November 13, 2023. (https://vxa.calpers.ca.gov/CALPERS%20LABOR%20PRINCIPLES.pdf), reproduced below:

Freedom of association and the effective recognition of the right to collective bargaining

- Seek to support and improve the well-being of employees as part of human capital management strategy and in compliance with applicable laws.

The elimination of all forms of forced or compulsory labor

- Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize forced labor.

The effective abolition of child labor

- Respect the human rights of those affected by their investment activities

[1] See: https://www.calpers.ca.gov/docs/board-agendas/202311/invest/item05b-02_a.pdf page # 39 of 42

and seek to confirm that their investments do not flow to companies that utilize child labor.

The elimination of discrimination in respect of employment and occupation

- Respect the human rights of those affected by their investment activities and seek to conform that their investments do not flow to companies that maintain discriminatory policies. Seek to improve diversity, equity, and inclusion in portfolio investments to address recruitment, retention, and compensation.

A safe and healthy working environment

- Seek to support and improve the well-being of employees as part of human capital management strategy that includes providing a safe and healthy workplace.

II. INTRODUCTION

CalPERS has a deep interest in the condition of workers employed by CalPERS and its Managers and Delegates (as defined in the next section). CalPERS, through the Policy set forth in this document, supports and encourages fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalPERS real estate and infrastructure investments.

CalPERS endorses small business development, market competition, and control of operating costs. CalPERS supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of CalPERS real estate and infrastructure investments. CalPERS believes that an adequately compensated and trained worker delivers a higher quality product and service. Therefore, this Policy supports and encourages employer paid safety training by contractors to ensure that all employees have the skills necessary to perform assigned work safely. The Policy includes provisions for transition, monitoring, and enforcement.

III. DEFINITIONS

Capitalized terms used in this Policy have the following meanings for purposes of this Policy:

A. **Board** – The CalPERS Board of Administration or the committee thereof to which the Board has delegated the function in question.

B. **CalPERS** – The California Public Employees' Retirement System.

C. **Delegate** – A person or entity that a Manager or other Delegate retains (other than pursuant to an Exempt Contract) to provide services with respect to an RCP Investment, such as general contractors, contractors, and subcontractors. When a Delegate hires another Delegate, the latter is the former's "Sub-Delegate" (see Definition N, below). For example, the general partner of a partnership that owns an office building that is an RCP Investment normally would be the Manager. The Property Manager that the Manager hires to manage the building would be a Delegate. In turn, if that Delegate hires another firm, e.g., a janitorial services company, to provide services with respect to the property, the janitorial services company would be the Property Manager's Sub-Delegate (see definition of Sub-Delegate below). Delegates and Sub-Delegates are collectively referred to as "Delegates" in this Policy unless the context indicates otherwise. Any person or entity in such a delegation chain that performs services pursuant to an Exempt Contract would not be a Delegate or Sub- Delegate with respect to those services, nor would any person or entity it retains or subcontracts with to provide those services.

D. **Exempt Contract** – An RCP Investment-related construction or property services contract (1) for professional services (e.g., architect, legal, or engineering services) or (2) for less than $100,000. This threshold amount is applied both at the contract level and the subcontract level. For example, a $1 million maintenance contract normally would not be an Exempt Contract, but a $40,000 subcontract under it would be an Exempt Contract. Incremental contract amounts shall not be used to circumvent the threshold amount to create an Exempt Contract or subcontract under this Policy. Any contract in effect when a property first becomes an RCP Investment also shall be an Exempt Contract, but this exemption shall lapse at the end of the contract's term (including any extensions the contract permitted before the investment became an RCP Investment).

E. **Fiduciary Duty Requirement** – The duty of the CalPERS Board, Staff, and Managers to be loyal and prudent, and achieve a competitive return, as set forth in Section IV.A.-C. To the extent a Delegate has been delegated the discretion to make business decisions affecting RCP Investments, CalPERS expects the Delegate or Sub-Delegate to make prudent business decisions.

F. **Manager** – A person or entity that directly contracts with CalPERS to manage or otherwise control an RCP Investment, such as an investment manager or the general partner of a partnership in which CalPERS directly invests.

G. **Neutrality** – For Core Real Estate Managers, the requirement that such Managers remain neutral, as set forth in Addendum A, and Appendix 4 and 5 of this Policy with respect to agreements or amendments to agreements entered into on or after the effective date of this Policy.

H. **Policy** – The policy set forth in this document, as amended from time to time. Except to the extent that the Staff determines otherwise, an amendment to this Policy made after a person or entity becomes a Manager shall apply to the Manager.

I. **Property Manager** – A person or entity that manages the day-to-day operations of a building, including such things as leasing, tenant improvements, guard, and janitorial services, or performs similar functions.

J. **RCP Contract** – An RCP Investment-related contract (other than an Exempt Contract) for (a) building or construction-related services (including tenant improvements unless paid for by the tenant)[2], and (b) property-related services (such as cleaning maintenance, security, food and beverage service, and other services provided within the property that are specific to the nature of that asset, e.g., senior living operations, hotel operations, transportation assets, hospitals, etc.).

K. **RCP Investment** – An investment Section VI.A. designates as an RCP Investment, generally real estate, and infrastructure investments more than 50% owned by CalPERS. Determination of an RCP Investment designation only will be made when CalPERS first contracts with the person or entity who would be the Manager, or when CalPERS subsequently enters into a new contract with the person or entity. For example, if CalPERS, at the time of the first contract, will not own more than 50% of a real estate or infrastructure investment, subsequent CalPERS investments in that real estate or infrastructure investment that cause it to be more than 50% CalPERS-owned will not make it an RCP Investment, nor cause the person or entity managing it to become a Manager**.**

If it is intended or reasonably foreseeable that an initial investment less than 50% CalPERS-owned will grow to a greater percentage, CalPERS and Manager will determine at the inception whether designating the investment as an RCP Investment is appropriate under the circumstances. Incremental increases in percentages of CalPERS ownership shall not be used to circumvent an RCP Investment designation.

[2] Contracts that are made between tenants and contractors, where the manager is not a party to those agreements, and any resulting payments made by the tenant should not be reported.

L. **Responsible Contractor** –A Responsible Contractor, as used in this Policy, is a contractor or subcontractor who (1) pays workers a fair wage and a fair benefit (see Section VI.H.), as evidenced by payroll and employee records and (2) is not debarred by and whose principal officer is not debarred by a municipal, state, or federal government.

M. **Staff** – The CalPERS Investment Office staff.

N. **Sub-Delegate** – A person or entity retained by a Delegate or another Sub-Delegate (other than pursuant to an Exempt Contract) to provide services with respect to an RCP Investment. If a Sub-Delegate, in turn, subcontracts with another firm, the subcontractor would be the Sub- Delegate of the initial Sub-Delegate, and so on.

IV. PRINCIPAL REQUIREMENTS OF THE RESPONSIBLE CONTRACTOR PROGRAM POLICY

A. **Duty of Loyalty** – Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of CalPERS participants and beneficiaries. CalPERS and its Managers' duty to the participants and their beneficiaries shall take precedence over any other duty.

B. **Prudence** – CalPERS and its Managers are charged with the fiduciary duty of exercising the care, skill, prudence, and diligence appropriate to the task.

C. **Competitive Return** – To comply with duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.

D. **Competitive Bidding** – Managers and Delegates shall select contractors and their subcontractors for RCP Contracts through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to seek bids actively from all qualified sources within an area, particularly those identified as Responsible Contractors. See Section VI.F. and I. for more information on the competitive bidding requirements.

E. **Local, State, and National Laws** – All Managers, Delegates and the contractors and subcontractors they hire, while performing services with respect to RCP Investments, shall observe all local, state, and national laws (including, by way of illustration, those pertaining to applicable licensing and permitting, insurance, withholding taxes, minimum wage, and health and occupational safety).

F. **Delegation Requirement** – Managers must require their Delegates to comply with this Policy, and Delegates must require their Sub-Delegates to comply with this Policy. CalPERS will hold Managers responsible for Delegate noncompliance to the extent a Manager permits or causes a Delegate to violate this Policy or fails to take appropriate remedial action after learning of a violation. In a like manner, each Delegate is responsible for its Sub-Delegate's noncompliance with this Policy to the greatest extent reasonable and prudent in light of all circumstances and factors at that time.

V. SELECTION PREFERENCE OF A RESPONSIBLE CONTRACTOR

If the requirements in Section IV. are satisfied, CalPERS strongly prefers Managers and Delegates to hire Responsible Contractors to provide services to RCP Investments. As to non-RCP Investments, Staff shall give a strong preference to investment managers, advisors, partners, and the equivalent that have internal responsible contractor policies that are consistent with this Policy, subject to the Fiduciary Duty Requirement.

VI. TRANSITION, ENFORCEMENT, MONITORING, AND ADMINISTRATION

A. **RCP Investments** – This Policy shall only apply with respect to RCP Investments. An RCP Investment is (1) a real estate investment, or (2) an infrastructure investment to which the CalPERS infrastructure policy makes this Policy apply, in either case, including one owned by a business entity (such as a joint venture, limited liability company, or partnership), in which CalPERS owns a greater than 50% ownership interest (subject to the terms of Section III.K.) RCP Investments do not include any other types of investments, including commingled funds, opportunity funds, mezzanine debt, hybrid debt, international investments, indirect investments, specialty investments, and mortgage investments lacking equity features.

Housing Development Partnerships exempted from this Policy in the past shall remain exempt, but voluntary compliance is strongly recommended, subject to the Fiduciary Requirement, and bearing in mind that Responsible Contractor status is determined based on local market factors that include the nature of the project (e.g., residential or commercial) among other factors. Hence, for example, a contractor doing work on a single family housing project might still be a Responsible Contractor even though it pays lower wages than a Responsible Contractor in the area pays for commercial office building construction, if that is consistent with locally prevailing labor practices.

The practicality, schedule, and method of extending this Policy in the future beyond RCP Investments depends on factors that include the structure of the investment and the degree of control CalPERS can exercise.

B. **Manager Expectations** – CalPERS supports Managers cooperating and bargaining in good faith with workers who have chosen to be represented by unions. Managers, Delegates, and Sub-Delegates should not make threats, create an atmosphere of intimidation or fear, or retaliate against employees who are exercising their right to freedom of association. When the Policy is not applicable by its terms, investment advisors, general partners, and other similar entities managing CalPERS real estate or infrastructure investments (including commingled funds and indirect investments) are encouraged to make a good faith effort to comply with the spirit of the policy, consistent with the Fiduciary Duty Requirement. Good faith efforts may include, but are not limited to, encouraging the use of and advocating for Responsible Contractors, supplying timely information on bidding opportunities to interested Responsible Contractors, and facilitating meetings with organized labor.

C. **Notification** – CalPERS shall provide a copy of this Policy to all current and prospective Managers of RCP Investments.

D. **Solicitation Documents** – Except for Exempt Contracts, all requests for proposal and invitations to bid relating to RCP Investments (including both those CalPERS issues for Managers and those Managers or Delegates issue for Delegates and Sub-Delegates, respectively) shall both describe the terms of this Policy (or include a copy of it) and include a copy of the Responsible Contractor Self-Certification Form (Appendix 1). Responses by bidders shall include information to assist CalPERS, the Manager, or Delegate (whichever is applicable) in evaluating a bid. CalPERS reserves the right to disclose the contents of the Self-Certification Form at its discretion or the discretion of the applicable Manager or Delegate. Disclosure also may be required by applicable law.

E. **Contracts and Renewals** – Except for Exempt Contracts, all contracts that retain Managers, Delegates, and Sub-Delegates with respect to RCP Investments shall require compliance with this Policy. CalPERS will take compliance with this Policy into account in considering Manager contract renewals. The Staff will report non-compliance to the Board on a timely basis or at a minimum annually. Unless a Manager agrees to be bound by this Policy restatement, a contract entered into before the date this Policy restatement was adopted shall remain subject to the terms of the Policy in effect when the contract was entered into. The preceding sentence will apply to renewals pursuant to the contract's renewal provisions, but it will cease to apply if the contract is otherwise extended.

F. **Responsibilities** – The responsibilities of the Staff, Managers, and Delegates, and the role of unions under this Policy are as follows:

1. Staff responsibilities. The Staff shall have the following responsibilities:

a. Reviewing Managers' annual reports regarding compliance with the Policy.

b. Developing and maintaining Manager contact information and making it available to inquiring parties.

c. Developing and maintaining procedures sufficient to implement the Policy and to monitor Managers' and Delegates' compliance with the Policy.

d. Reporting periodically to the Investment Committee on Managers' and Delegates' compliance with the Policy, making recommendations for, or taking, corrective or enforcement action as necessary, and describing any enforcement actions it has taken.

2. Manager responsibilities. Managers shall have the following responsibilities, the performance of which (but not the responsibility for which) they may delegate to, e.g., Property Managers:

a. Communicating this Policy, and any written policy or procedures of the Manager relating to this Policy, to all of its Delegates.

b. Maintaining written policies and procedures, including competitive bidding, and providing periodic employee training for implementing and complying with this Policy.

c. Reviewing a list prepared by each Delegate of current and pending RCP Contracts.

d. Maintaining a simplified bid summary for each RCP Contract. The summary shall identify the contract, number of bids submitted, the successful bidder, and its Responsible Contractor status.

e. Monitoring and enforcing its and its Delegates' compliance with this Policy, including undertaking appropriate steps to correct or deal with violations, and to cause each Delegate to do the same with respect to its Sub-Delegates (see Section VI.I.)

f. The Manager shall annually provide to Staff the Manager's Certificate of Compliance and Annual Report on Manager's Responsibilities in the form attached to this Policy as Appendix 3.

g. The Manager shall notify (or cause a Delegate to notify) a

national contact at trade/service unions (see Section VI F.4.b.) if the Manager is expanding RCP Investments into new areas so that trade/service unions can provide the Manager contact information of local trade councils and union halls in the market where expansion is occurring.

h. Any other responsibilities this Policy assigns to Managers.

3. Delegate responsibilities. Delegates (or Managers, to the extent they undertake these functions) shall have the following responsibilities: Communicating this Policy in RCP Contract bid documents.

a. Communicating about the Policy to any interested party.

b. Ensuring there is a competitive bidding process for RCP Contracts, inclusive of potentially eligible Responsible Contractors.

c. Requiring that bidders for RCP Contracts provide the Delegate a Responsible Contractor self-certification on a form approved by CalPERS.

d. Preparing and sending to Managers a listing of current and pending RCP Contracts for each RCP Investments with which the Delegate is involved. The building trades and service trades and other potential bidders will have access to this list.

e. Providing Managers with a simplified bid summary for each RCP Contract.

f. Providing property level annual report information to Managers.

g. Maintaining documentation for successful bidders on RCP Contracts.

h. Seeking from trade unions/service unions input in the development of Responsible Contractor lists.

i. Maintaining a list of any interested Responsible Contractors and local trade councils and union halls in all markets in which the Policy is applicable. (Names, addresses and telephone numbers.)

j. Any other responsibilities this Policy assigns to Delegates.

4. Union tasks. Trade unions/service unions are expected to undertake the following tasks:

a. Delivering to Managers and Delegates lists of names and telephone numbers of Responsible Contractors.

b. Providing a national contact person/address/e-mail address where current information and notifications of expansions into new areas can be sent.

c. Providing contact information (address, e-mail address, phone number and contact person) of local trade councils and union halls in all markets in which this Policy is applicable to the Manager or Delegate.

d. Referring interested and qualified Responsible Contractors to the Manager.

e. Monitoring the local labor markets continually to update the lists.

f. Providing technical input as appropriate.

G. **Outreach** – Managers must use reasonable methods to timely notify potential contractors of bidding opportunities for RCP Contracts. Managers and Delegates shall provide RCP Contract solicitation documents to any potential contractor who, has in writing, expressed an interest in bidding for the contract. CalPERS supports and encourages participation by and equal consideration to all firms that meet the selection criteria for contractors and service providers, including service-disabled veteran owned businesses (SDVOB), minority owned firms, and firms owned by women.

H. **Fair Wage, Fair Benefits, and Training** – The Policy avoids a narrow definition of “fair wage”, “fair benefits”, and “training” that might not be practical in all markets. Furthermore, the Policy does not require a “prevailing wage”, as defined by government surveys. Instead, the Policy looks to local practices concerning type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is very important.

The definition of fair benefits generally includes, but is not limited to, employer-paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a fair wage and a fair benefit depends on the wages and benefits paid on comparable real estate or infrastructure projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g., residential or commercial and public or private), comparable job or trade classifications, and the scope and complexity of services provided.

In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other

items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Sections IV.D. and VI. This program is premised upon the availability of a list of Responsible Contractors in every market in which CalPERS directly owns a property. While Managers and Delegates are responsible for gathering and analyzing information relevant in identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on them.

Instead, this Policy invites the various local trades to suggest contractors, which in their view, qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders associations, and governments.

I. **Annual Review and Data Forms** – Managers must file a Responsible Contractor annual report with CalPERS. Managers shall present summary data in a format described and approved by CalPERS (see Appendix 3.) They shall include evidence showing that they have made good faith efforts to monitor their Delegates for compliance with this Policy and undertaken appropriate steps to correct or deal with violations, and to cause each Delegate to do the same with respect to its Sub- Delegates.

The annual review shall determine whether each Manager or Delegate conducted a good faith outreach program and a competitive bidding process that includes Responsible Contractors. A Manager or Delegate will not be faulted merely because a Responsible Contractor does not respond to the invitation to bid. For each bidder, the Manager or Delegate is obliged to gather appropriate responsible contractor information and make a judgment concerning the principal requirements described in Section IV. CalPERS shall focus on a Manager's and its Delegates' overall pattern of conduct and not any one specific incident.

J. **Competitive Bidding** – Managers and Delegates shall create a bidding process for RCP Contracts that includes notification and invitations to bid (see Section VI.G.) distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors. This process may include: electronic or paper advance bid notifications; and pre-bid meetings, if appropriate under the circumstances. This obligation will be deemed satisfied if bids are solicited on a publicly accessible web site, but CalPERS encourages Managers and Delegates using this approach to include a feature in their web sites permitting potential bidders to sign up for automatic e-mail notification of projects open for bidding.

If appropriate under the circumstances, Managers and Delegates shall use a 30-day pre-bid notification procedure to maximize Responsible Contractor bidding opportunities.

Large numbers of bidders do not necessarily assure inclusion. Managers,

Delegates, or Property Managers must take care in ensuring that bidders include potentially eligible Responsible Contractors. Managers, Delegates, or Property Managers may choose a reasonable number of contractors to invite to bid from the list of Responsible Contractors or other would-be bidders. Given the time and expense required to solicit and evaluate bids, it is not essential to invite all potential bidders.

Although the Policy does not require hiring union workers, Managers and Delegates must invite trade unions (through web site postings or other means) whose members work in the region where the work is to be performed to participate in the following:

1. Deliver to the Manager or Delegate lists of names and telephone numbers of Responsible Contractors and local trade councils and union halls in the region, including Responsible Contractors who expressed any interest in bidding.

2. Continually monitor the local markets, updating the lists.

Managers and Delegates shall maintain these lists supplied by the trade unions.

The review of the bids shall include consideration of loyalty, prudence, competitive risk-adjusted returns, and adherence to this Policy.

An extension permitted by the terms of an RCP Contract is not subject to the competitive bidding requirement this section imposes. However, a new RCP Contract with an existing contractor to replace an expiring contract is subject to this requirement unless the contractor was a Responsible Contractor under the expiring contract and will remain one under the new contract.

K. **Neutrality** – CalPERS will itself remain neutral, and it supports Manager neutrality, in the event a labor organization lawfully attempts to organize workers providing construction, maintenance, operation or services at an RCP Investment. To remain “neutral” means not to take any action or make any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent. This Policy neither obligates nor prohibits Managers or Delegates from entering into private neutrality, labor peace or other lawful agreements with a labor organization seeking to represent or who currently represents workers at an RCP Investment.

Resolution of any inter-jurisdictional trade disputes shall be the responsibility of the unions (e.g., trades and the various state and national building trades councils.) This Policy does not call for any involvement by Managers or Delegates in inter-jurisdictional trade disputes.

Notwithstanding the foregoing, Core Real Estate Managers and their Delegates are required to remain neutral, subject to the terms and conditions set forth in Addendum A, and Appendix 4 and 5 of this Policy with respect to agreements or amendments to agreements entered into on or after the effective date of this Policy.

L. **Enforcement** – This Policy is an important CalPERS policy. The Board expects the Staff to diligently monitor Managers for compliance with the Policy, just as it expects Managers to diligently monitor their Delegates and Delegates their Sub-Delegates for compliance. If the Staff determines that a Manager has materially violated the Policy, either directly or by failing to take appropriate steps to prevent or remedy material Delegate Policy violations, the Staff is to consider all reasonably available remedies and implement any appropriate ones that it determines will best address the violation in a manner that satisfies the Staff's Fiduciary Duty Requirement, or recommend that the Board take such actions. For example, to the extent that CalPERS has the right to cancel its contract with a Manager that has violated this Policy, or to the extent the Manager has the right to cancel its contract with a Delegate that has violated this Policy or require a Delegate to cancel a contract with a Sub-Delegate that has violated this Policy, Staff may cancel the CalPERS contract with the Manager or request the Manager to secure cancellation of the Delegate or Sub-Delegate contract but only if doing so would not violate the Fiduciary Duty Requirement.

Unless a Manager promptly corrects a material Policy violation, the Staff shall place the non-complying Manager on a probation watch list. If the Manager does not modify this pattern of conduct, even after discussions with the Staff, CalPERS shall consider this pattern of conduct along with other information when it reviews the Manager for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of the Policy.

CalPERS does not require that Managers or Delegates use any particular system for compliance. However, from time to time, the Staff may disseminate information and suggestions regarding efficient ways for complying with this Policy.

M. **Complaints** – Formal complaint(s) may be submitted to CalPERS per the attached Complaint, Investigation and Dispute Resolution Process Regarding Potential Violations of the CalPERS Responsible Contractor Program Policy (Appendix 2).

Approved by the Policy Subcommittee	September 11, 1998
Approved by the Investment Committee	September 14, 1998
Revised by the Policy Subcommittee	September 12, 2003
Approved by the Investment Committee	October 14, 2003
Revised by the Policy Subcommittee	March 12, 2004
Approved by the Investment Committee	April 19, 2004
Revised by the Policy Subcommittee	March 11, 2005
Approved by the Investment Committee	April 18, 2005
Revised by the Policy Subcommittee	June 10, 2005
Approved by the Investment Committee	August 15, 2005
Revised by the Policy Subcommittee	March 17, 2008
Approved by the Investment Committee	April 21, 2008
Approved by the Investment Committee	February 13, 2012
Approved by the Investment Committee	March 16, 2015
Effective	July 1, 2015
Approved by the Investment Committee	March 17, 2025
Effective	July 1, 2025

ADDENDUM A

NEUTRALITY REQUIREMENT FOR CORE REAL ESTATE MANAGERS

1. To whom the neutrality requirement applies. Notwithstanding the provisions of Section VI. K. of this Policy, neutrality is required as to employees of an employer subject to the RCP who provide maintenance, operation, or other property- related services (e.g., food services) at an RCP Investment managed by a Core Real Estate Manager, pursuant to an RCP Contract that is not an Exempt Contract. Neutrality is not required as to employees providing professional services (e.g., accounting or property management services) or construction services.

   For example, if a Core Real Estate Manager's own employees provide maintenance services at an RCP Investment, the Manager would have to remain neutral if they attempt to organize.

   Core Real Estate Managers shall secure compliance with the neutrality requirement by including the Model Delegate/Sub-Delegate Contract Rider attached hereto as Appendix 4 in their contracts with their Delegates and Sub-Delegates. Managers may add other provisions or make minor changes to the rider, in either case if they are not materially inconsistent with it. Neutrality exceptions or limitations may not be added to the rider.

2. When applied. A Core Real Estate Manager, and its Delegate, or Sub-Delegate, shall remain neutral at all times while it is subject to the neutrality requirement. However, prior to the commencement of any organizing efforts, a minor, unintentional violation of the neutrality requirement will not violate the RCP.

3. Notification of neutrality. A Core Real Estate Manager, its Delegate, or Sub-Delegate, shall notify employees with respect to whom the RCP requires it to remain neutral that it has agreed to be neutral, by providing the following notice to such employees in writing in any reasonable manner: "As required by our contract to provide [type of service] at [name of building], [name of contractor] has agreed to remain neutral if our employees who provide such services choose to join or form a union. This means that [name of contractor] will not do or say anything that either supports or opposes employee selection of a union."

4. Neutrality requirement exceptions.

a. If at the time a contract is entered into, a Core Real Estate Manager, based on reasonable evidence, believes that requiring neutrality would materially adversely affect an RCP Investment (e.g., that its financial performance would suffer by more than the lesser of $50,000 or a 10% increase in contract cost), the neutrality requirement shall not apply. An exception normally may be granted only after competitive bidding has failed to result in an acceptable bid because of the neutrality requirement. However, if it is virtually certain that competitive bidding would not produce an acceptable bid if neutrality were required, an exception may be granted without competitive bidding, e.g., when only one contractor could do the work because of proprietary software or equipment, and that contractor would not agree to neutrality. If a contract has been entered into requiring neutrality, but the Manager, based on reasonable evidence, believes that requirement should be waived for the reasons set forth in the preceding sentences, it may grant a neutrality exception.

b. Within 30 days after granting a neutrality exception, the Manager shall send a written report to Staff explaining its decision. The form attached as Appendix 5 to this document shall be used for making such reports. Staff may revise this form as Staff deems appropriate. Staff shall prepare an analogous report for exceptions it grants. Subject to reasonable limitations established by Staff, copies of exception reports will be sent by e-mail to labor representatives and Managers that have asked to be included in an exception report e-mail group.

c. If Staff, based on the information it obtains in these exception reports or otherwise, determines that a Manager has a practice of granting neutrality exceptions improperly (i.e., in a manner not permitted by the first paragraph of this section), it shall cancel the Manager's right to grant neutrality exceptions in the future. Thereafter, the Manager must request exceptions from the Staff, which shall be deemed granted unless rejected in writing by the Staff within two business days after receipt.

d. Staff shall review neutrality exceptions for appropriateness, with the assistance of experts and consultants if Staff determines that would be helpful. Staff shall report on neutrality exceptions in its RCP Policy Annual Report or more frequently as the Investment Committee requests.

5. Monitoring and enforcement. Each Core Real Estate Manager subject to the neutrality requirement shall make commercially reasonable, good faith efforts to prevent its Delegates and Sub-Delegates from violating the neutrality requirement, to remedy neutrality violations when possible, and to warn or discipline its Delegates and Sub-Delegates for neutrality violations as appropriate. These efforts may involve communicating with affected labor unions or seeking their participation in remedial efforts.

6. Unforeseen issues. If unforeseen issues arise in the implementation, administration, or evaluation of the neutrality requirement, the Investment Committee shall have the power to take any actions it determines to be appropriate to deal with or resolve those issues. If there is insufficient time to secure such Investment Committee action, Staff shall have the power to take any actions it determines to be appropriate to deal with or resolve unforeseen issues. Staff shall promptly report any such actions it takes to the Investment Committee.

Appendix 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

Introduction
The California Public Employees' Retirement System ("CalPERS") has a deep interest in the condition of workers employed by CalPERS and its Managers and Delegates. CalPERS, through the Statement of Investment Policy for the Responsible Contractor Program ("Responsible Contractor Program Policy"), supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on CalPERS real estate and infrastructure investments.

A. GENERAL INFORMATION

Company Name	
Address	
City	
Telephone Number	Email
Contractor's License #	Contractor License Expiration Date

Please complete the following questions about your firm and the marketplace in which you operate. Refer to definitions on page 4 of this Appendix.

B. WAGES

1. Considering the wages paid by your competitors in this market, the nature of this project, and the size and scope of this contract, do you believe that your firm will pay local market wages to workers on this job? (Additional information may be provided below)

☐ YES ☐ NO

C. BENEFITS

1. For the workers on this job, will your firm provide access to health insurance? (Additional information such as percent of employees covered, employer contribution, individual or family coverage may be provided below)

☐ YES ☐ NO

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C. BENEFITS (CONTINUED)

2. For the workers on this job, will your firm provide access to a pension, 401(k), or a similar retirement savings or deferred compensation program? (Additional information such as type of plan, the percentage of workers covered, and employer contribution may be provided below)

   ☐ YES ☐ NO

3. For workers on this job, will your firm provide access to apprenticeship programs for skilled trades and/or hire an apprentice(s) from a registered Federal or State approved Building Trades Joint Labor-Management apprenticeship program? (Additional information may be provided below)

   ☐ YES ☐ NO

4. Are there any other benefits that you will provide to the workers on this job such as paid vacation, sick leave, dental/vision/life, etc.? (Additional information such as types of benefits, percentage employer contribution, who is covered, and percentage of employees covered may be provided below)

   ☐ YES ☐ NO

5. Considering your answers above, the benefits your competitors in this market provide to their employees, the size and scope of this contract, and the nature of this project, do you believe your firm will provide benefits consistent with local market practices to the workers on this job? (Additional information may be provided below)

   ☐ YES ☐ NO

You may attach additional page(s) as necessary to provide complete documentation of responses.

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D. REGULATORY STATUS (attach additional pages if necessary)

1. In the last 24 months, has your firm been fined, debarred, suffered an adverse judgment, incurred a penalty, been found in violation of, or had to change its employment policies because of violations of State or Federal labor laws, including but not limited to the National Labor Relations Act, Occupational Safety and Health Administration, the Civil Rights Act of 1964 (e. g., sexual harassment or discrimination violations), EPA, or Water or Air Quality Boards? If yes, please explain.

   ☐ YES ☐ NO

2. Are you aware of any pending complaints that have been filed with your firm or any agency enforcing labor or employment laws? If yes, please explain (an affirmative answer will not necessarily disqualify you from being the successful bidder, however it will be taken into account in determining Responsible Contractor status).

   ☐ YES ☐ NO

3. At any time during the last 24 months, has your firm or any of its owners or officers been convicted of a crime involving the awarding of a contract of a government construction project, or the bidding or performance of a government contract? If yes, please explain.

   ☐ YES ☐ NO

E. RESPONSIBLE CONTRACTOR STATUS (Refer to definitions on page 4 of this Appendix)

Please check **one** of the following boxes:

1. ☐ Meets all Responsible Contractor requirements.
2. ☐ Meets none of the Responsible Contractor requirements.
3. ☐ Meets certain of the Responsible Contractor requirements.

If you have checked the third box above, please provide an explanation below.

F. OWNER'S CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

On behalf of the above-named company, the undersigned certifies that the information and response provided within pages 1 through 4 of this Appendix is complete and accurate as of this date, and he/she is aware that any intentionally misrepresented or falsified information may result in disqualification from future contracting opportunities.

_____ _____
Signature Date

_____ _____
Name (please print) Title

CalPERS reserves the right to disclose the contents of the Self-Certification Form at its discretion or the discretion of the applicable Manager or Delegate. Disclosure also may be required by applicable law.

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E. DEFINITIONS

Responsible Contractor: A Responsible Contractor, as used in this Policy, is a contractor or subcontractor who (1) pays workers a fair wage and a fair benefit (see Section VI.H.), as evidenced by payroll and employee records and (2) is not debarred by and whose principal officer is not debarred by a municipal, state, or federal government.

Fair Wage, Fair Benefits, and Training: The Policy avoids a narrow definition of "fair wage", "fair benefits", and "training" that might not be practical in all markets. Furthermore, the Policy does not require a "prevailing wage", as defined by government surveys. Instead, the Policy looks to local practices concerning type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is very important.

The definition of fair benefits generally includes, but is not limited to, employer-paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a fair wage and a fair benefit depends on the wages and benefits paid on comparable real estate or infrastructure projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g., residential or commercial and public or private), comparable job or trade classifications, and the scope and complexity of services provided.

In determining fair wages and fair benefits concerning a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Sections IV.D. and VI of the Policy. This program is premised upon the availability of a list of Responsible Contractors in every market in which CalPERS directly owns a property. While Managers and Delegates are responsible for gathering and analyzing information relevant in identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on them. Instead, this Policy invites the various local trades to suggest contractors, which in their view, qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders associations, and governments.

See Policy for complete requirements of the Responsible Contractor Program Policy.

Appendix 2

Complaint, Investigation and Dispute Resolution Process Regarding Potential Violations of the CalPERS Responsible Contractor Program Policy

All complaints must be in writing and sent to CalPERS at the following address:

California Public Employees' Retirement System
Investment Office, Real Assets
400 Q Street, Suite E4800
Sacramento, California 95814
Attention: Investments Responsible Contractor Program
Email to:
invo_responsible_contractor_program@calpers.ca.gov

The following outlines the complaint, investigation, and resolution process:

Step 1 - The complaining party contacts CalPERS Staff in writing, stating the complaint. The written complaint must document the specific allegation(s), the specific provision(s) in the RCP that is alleged to be violated, the property address, date, and parties involved. Please include any other information that may be pertinent to the matter.

Step 2 - Staff will log the written complaint into the Responsible Contractor Complaint/Concern Log. The Complaint/Concern Log is maintained by the Staff. After the written complaint has been filed and logged into the Responsible Contractor Complaint/Concern Log, the complaining party may request in writing a copy of that contractor's completed Self-Certification Form.

Step 3 - The Staff will contact the complaining party to gather additional information to fully understand the nature of the complaint(s). Also, upon receipt of a complaint, CalPERS may, in its discretion, disclose to the Manager or Delegate against which the complaint has been filed, the nature of the complaint, may provide a copy of the written complaint to the Manager or Delegate in question and may disclose the Delegate's Self-Certification Form to the complaining party.

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Step 4 - The Staff will work with the Manager that oversees the affected property (the subject of the complaint), to fully understand the matter. Such investigation may include, but not be limited to, determining whether the alleged conduct violates the RCP, reviewing payroll and employee records, Responsible Contractor certifications and the alleged violator's conduct. CalPERS will contact the complaining party before completion of the investigation process to make sure it fully understands the complaint and charges and to attempt to clear up any factual disputes.

Step 5 - Upon completion of the investigation, the Staff will issue a decision on the matter. If a violation of the RCP is deemed to have occurred, that finding will be communicated to the parties involved.

Step 6 - If the Staff deems it necessary, a meeting may also be arranged with the complaining party to address any other outstanding concerns or to better inform the complaining party on how it can be more pro-active in increasing Responsible Contractor bidding on CalPERS related contracts. Appropriate parties involved in the matter will be invited to attend the meeting, including: CalPERS real estate staff, CalPERS legal staff, the affected Manager and the complaining party.

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Appendix 3

Manager's Certificate of Compliance and Annual Report on Manager's Responsibilities

GENERAL INFORMATION

Company Name	
Address	
City	
Telephone Number ( )	Email Address

A. MANAGER'S CERTIFICATION OF COMPLIANCE WITH RESPONSIBLE CONTRACTOR POLICY

On behalf of the above-named company, I certify that for the fiscal year ending June 30, 20___, _____ (Manager's Name) and its Delegates and their Sub-Delegates (as defined in the Responsible Contractor Program Policy) have complied, to the best of my knowledge, with the Responsible Contractor Policy and the neutrality requirements as outlined in:

☐ Addendum A ☐ Addendum A does not apply

Signature _____ Date _____

Name (please print) _____ Title _____

B. MANAGER'S ANNUAL REPORTING ON ADMINISTRATION OF RESPONSIBLE CONTRACTOR POLICY

Please provide the information requested by CalPERS on the Annual Report and Manager Responsibilities Report forms found at the following Internet sites:

Annual Report: http://www.calpers.ca.gov/docs/annual-report-template.xls

Manager Responsibilities Report: http://www.calpers.ca.gov/docs/manager-responsibilities-questionnaire.docx

Appendix 4

Model Delegate/Sub-Delegate Contract Rider Agreeing to be Bound by Neutrality Requirement

RIDER #__
TO CONTRACT DATED _____
BETWEEN _____ AND
_____ (CONTRACTOR)
REQUIRING LABOR NEUTRALITY

Services under the contract identified above (Contract) will be provided with respect to real estate beneficially owned by the California Public Employees' Retirement System (CalPERS). CalPERS has established a Neutrality Requirement in connection with its Responsible Contractor Policy, requiring employer neutrality as to union or employee organizing efforts. By signing below, Contractor will be agreeing to be bound by the Neutrality Requirement. The provisions of the Neutrality Requirement that apply to Contractor are as follows:

1. Obligation to Remain Neutral

If a labor organization lawfully attempts to organize Contractor's or its subcontractor's employees providing maintenance, operation, or property-related services at CalPERS-owned real estate listed below (Responsible Contractor Program, or "RCP," Investments), or if such employees themselves attempt to organize, [Name of entity retaining Contractor] and all parties to any such subcontract shall remain "neutral," as explained in the next paragraph. Neutrality only is required as to employees who service an RCP Investment.

To remain "neutral" means not to take any action or make any statement that will directly or indirectly state or imply any support for or opposition to the selection by employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent. This Policy neither obligates nor prohibits Managers or Delegates from entering into private neutrality, labor peace or other lawful agreements with a labor organization seeking to represent or who currently represents workers at an RCP Investment. Managers should cooperate and bargain in good faith with workers who have chosen to be represented by unions.

Contractor shall notify employees with respect to whom it is to remain neutral that it has agreed to be neutral by providing the following notice to such employees in writing in any reasonable manner: "As required by our contract to provide [type of service] at [name of building], [name of contractor] has agreed to remain neutral if our employees who provide such services choose to join or form a union. This means that [name of contractor] will not do or say anything that either supports or opposes employee selection of a union."

Resolution of any inter-jurisdictional trade disputes shall be the responsibility of the unions (e.g., trades and the various state and national building trades councils). Subcontractor is not required to become involved in inter-jurisdictional trade disputes.

2. Obligation to Require Subcontractors to Agree to Similar Rider

If Contractor subcontracts any part of the Contract after signing this Rider, the subcontractor must agree to a rider similar to this one if the subcontract is worth at least $100,000. Contact [name of Manager representative] at ___ for assistance in preparing an appropriate rider. If Contractor has already subcontracted part of this Contract and the subcontract is worth at least $100,000, Subcontractor must promptly encourage its existing subcontractors to agree to such a rider. Contact [name of Manager representative] at __ if Contractor believes that insisting on such a rider or enforcing such a rider will have adverse consequences.

3. RCP Investments

The RCP Investments at which Contractor will or may be performing services are:

- [Insert list]
- Any other investment [Name of entity retaining Contractor] designates in writing

4. Obligation to Provide Information

Contractor must provide information about the effects of requiring neutrality, as requested by [Name of entity retaining Contractor].

Agreed to this ___ day of _____, _____.

_____ _____

[NAME OF ENTITY RETAINING CONTRACTOR] CONTRACTOR

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Appendix 5

Neutrality Exception Report

A Manager subject to the Responsible Contractor Program ("RCP")'s Neutrality Requirement must file this form with CALPERS within 30 days after it grants a neutrality exception under Section 4a of Addendum A.

1. **Manager's Name**:

2. **Person to Contact at Manager for More Information (include contact information)**:

3. **Date neutrality exception granted**:

4. **Date report filed with CalPERS**:

5. **Affected property**:

6. **Delegate/Sub-delegate granted exception**:

7. **Excepted contract (include description of covered work)**:

8. **Value of excepted contract**:

9. **Reason for granting exception (include reasonable evidence showing that requiring neutrality would materially adversely affect the investment** (e.g., describe how its financial performance would suffer by more than the lesser of $50,000 or a 10% increase in contract cost)):

10. **Additional information CalPERS should consider**: