

Labor Principles



The CalPERS Labor Principles reflect our belief that effectively managed human capital drives value creation for investors. They speak common truths about the ethical treatment of labor and the importance of safe and healthy workplaces.

The CalPERS Labor Principles are based on industry-leading frameworks established by the American Investment Council and the International Labor Organization. They are aligned and consistent with employment laws and regulations and were adopted by the CalPERS Board of Administration in 2023. They include:

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 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 confirm 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.

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CalPERS Oversight

We conduct a rigorous selection process for managers and investments and want our business partners to uphold the CalPERS Labor Principles. Our goal is to reduce the risk of labor-related issues in our portfolio companies.

We do that through:

- » Due diligence questionnaires
- » Methodical underwriting standards
- » Monitoring, reporting, and manager engagements

Apparent violations of the CalPERS Labor Principles may result in a reassessment of our business relationship with an external manager.

To learn more about the CalPERS Sustainable Investments Program, visit www.calpers.ca.gov/investments/sustainable-investments-program.



Engagement Process

When an issue is identified, CalPERS engages with investment managers and corporate leaders to address short- and long-term labor risks and opportunities in our portfolio companies.

Here's how that process* works:

1. Identify Potential Issue



2. Gather Information

- » Determine our exposure and the issue's relevance to long-term company performance
- » Evaluate our ability to influence change and deliver measurable outcomes



3. Meet Stakeholders

- » Ensure the stakeholders are utilizing federal and state resources to comply with the law
- » Understand the stakeholders' concerns and perspectives



4. Meet Investment Managers or Portfolio Company Officials

- » Encourage a plan for resolution, risk mitigation, and controls to reduce the risk of future issues



5. Monitor Issue and Keep Lines of Communication Open to Relevant Parties

* Engagements may conclude at any phase based on our analysis and findings. Engagements are confidential and CalPERS is not obligated to share information about specific engagements with the public.