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ILLINOIS STATE TREASURER

Office of the Illinois State Treasurer

FIRST FUND

RESPONSIBLE CONTRACTOR POLICY

This document sets forth the responsible contractor policy (“Policy” or “RCP”) for the FIRST Fund (“FF”) of the Office of the Illinois State Treasurer (“Treasurer”).

1. Purpose

The Treasurer has a deep interest in the working conditions of those employed on behalf of the Treasurer and its investment advisors. The Treasurer, through this Policy, supports and encourages fair wages and fair benefits for workers employed by its managers, contractors and subcontractors, subject at all times to the fiduciary duties of loyalty and prudence, which require competitive returns on the Treasurer’s real estate and infrastructure investments. The Treasurer endorses small business development, market competition, and control of operating costs. The Treasurer supports many of the ideals espoused by labor unions and welcomes participation by labor unions and their signatory contractors in the development and management of the Treasurer’s real estate and infrastructure investments. The Treasurer believes that an adequately compensated and trained worker delivers a higher quality product and service. This Policy is intended to ensure that contractors will be selected based upon demonstrated ability to provide high quality services, their record of compliance with applicable statutes, and payment of fair wages and benefits to employees, as well as by their experience, reputation, responsiveness, fees, and dependability, thereby enhancing the value of real estate properties and infrastructure investments.

2. Definitions

The Treasurer recognizes that its control and influence on external investment managers varies by the degree of ownership it maintains in investment funds managed on its behalf by external investment managers. Accordingly, the Treasurer has defined terms, as used in this Policy, as follows:

A. “Controlled Investments” means the Treasurer owns more than a 50 percent equity position either directly or indirectly in a real estate or investment fund or project.

B. “Non-Controlled Investments” means the Treasurer does not have greater than 50 percent equity ownership and/or control of a real estate, or infrastructure fund or project (“Non-Controlled Investments”), the Treasurer strongly encourages its investment managers to comply with the spirit

and practice of responsible contracting, including, but not limited to, adhering to this Policy and defining responsible contracting terms and policies of their own.

For the avoidance of doubt, while the Treasurer encourages all real assets firms to practice responsible contracting, the specific terms and requirements of this Policy do not apply to debt investments lacking equity features and the respective investment managers of the debt investments.

C. “Responsible Contractor” means a contractor or subcontractor who (1) pays workers a fair wage and provides fair benefits 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.

D. “Fair Wage” includes all compensation required by applicable law. **“Fair benefits”** may include, but are not limited to, employer-paid family health care coverage, pension benefits, including defined benefit pension benefits, employee safety training 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, based upon local market factors, which include the nature of the project (e.g., residential or commercial; public or private), comparable job or trade classifications, and the scope and complexity of services provided. For real estate or infrastructure projects that include local, state or federal financing that triggers prevailing wage laws including, where applicable, the Illinois Prevailing Wage Act (820 ILCS 130/0.01 *et. seq.*), the Treasurer supports and requires investment managers to pay such prevailing wages.

E. “Investments” means a commitment to a real asset with the goal of generating income. The investments will be in infrastructure development projects to develop economic and social infrastructure, including but not limited to land, buildings, transportation, utilities, communication, renewable energy, schools, healthcare, and other real assets.

3. Minimum Contract Size

The Policy applies to all investment-related contracts of \$100,000 or more, for construction or construction-related services, or more improvements, related to any Controlled or Non-Controlled Investment. Minimum contract size refers to the total project value of the work contracted for and not to any disaggregation by trade or task. For example, a \$100,000 contract to paint two buildings in a single office complex would not be treated as two \$50,000 contracts, each less than the minimum contract size. Disaggregation designed to evade the requirements of the Policy is not permitted and will be considered noncompliant.

4. Applicable Expenditures Categories

The Policy applies to tenant improvements, capital expenditures, and operational service contracts (such as cleaning and security) related to investments.

5. Initial Requirements of the Responsible Contracting Policy

A. Duty of Loyalty: All Treasurer assets shall be managed for the exclusive beneficiaries of the Treasurer.

B. Prudence: The Treasurer and its external advisors are charged with the fiduciary duty to exercise the care, skill, prudence, and diligence appropriate in implementing the Program.

C. Competitive Return: To comply with the 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. Local, State and National Laws: All investment managers, advisors, property managers, contractors and their subcontractors shall observe all local, state, and federal laws (including by way of illustration those pertaining to insurance, withholding taxes, minimum wage, labor, anti-discrimination, environmental, occupational health and safety, and the right to organize).

6. Recommended Practices of Responsible Contractor

A. MWVD and Service-Disabled Veteran Owned Businesses: The Treasurer encourages the use of businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability ("MWVD Persons;" such businesses owned by or under the control of MWVD Persons, "MWVD Businesses"). The Treasurer expects its investment managers, property managers and contractors will grant preferences to MWVD Businesses consistent with those preferences identified in Section 30 of the State Treasurer Act (15 ILCS 505/30).

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability" and "control", have the meanings provided in Section 2 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 45 of the Illinois Procurement Code (30 ILCS 500/45-57).

B. Neutrality: The Treasurer supports and encourages a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services at a property owned by an entity in which the Treasurer is invested.

Resolution of any inter-jurisdictional trade dispute will be the responsibility of the trades and the various state and national building trades councils. This Policy does not call for any involvement by the Treasurer, investment managers, advisors, property managers, and contractors in inter-jurisdictional trade disputes.

C. Employer Paid Safety Training: The Treasurer supports and encourages the provision of employer-paid safety training by contractors to ensure that all employees have the skills and legal certifications necessary to perform assigned work safely.

D. Competitive Bidding and Selection Process: The Treasurer supports and encourages the selection of contractors and their subcontractors for construction, maintenance, and services through a competitive bidding and selection process. The purpose of this requirement is to obtain the best value for the Treasurer, to encourage fair competition and to actively seek bids from all qualified sources within an area. The bidding process shall include notification and invitation to bid and shall be distributed to a broad spectrum of potential bidders, including those identified as Responsible Contractors and MWVD Businesses. Review of the bids shall include, but is not limited to,

consideration of loyalty, prudence, competitive risk-adjusted returns, experience, reputation for honesty, integrity, timeliness, dependability, fees, MWVD status and the adherence to the Policy).

7. Policy Implementation

A. Notification: All current and prospective real assets investment managers shall be provided with a copy of this Policy (i.e., current and prospective managers of both Controlled Investments and Non-Controlled Investments).

B. Contracts and Contract Renewals: All contracts and contract renewals with Controlled Investments entered into after the effective date of this Policy shall incorporate expectations of adherence to all applicable provisions of this Policy.

C. Investment Manager Administration and Reporting: All investment managers of Controlled Investments are expected to communicate the terms and provisions of this Policy to property and asset managers and ensure effective practices are in place to implement them. Investment managers of Controlled Investments are further expected to collect, provide, and retain adequate data documenting their compliance with this Policy on no less than an annual basis in reporting to the External Investment Consultant and Treasurer in an agreed-upon format. Effective monitoring and enforcement by investment managers includes reasonable investigation of allegations of non-compliance with the terms and provisions of the Policy, as well as cooperative and timely communication with Treasurer and External Investment Consultant regarding the status of any such investigations.

Investment managers of Non-Controlled Investments are encouraged to report to External Investment Consultant and the Treasurer on the administration, monitoring, and compliance with the responsible contracting provisions and terms stated above and any responsible contracting policies or provisions of their own, as well as to be responsive to any inquiries from External Investment Consultant and the Treasurer related to the same.

D. Monitoring: The Treasurer and External Investment Consultant actively monitors all external investment managers, including those managing Controlled Investments and Non-Controlled Investments. All investment managers should demonstrate a compelling track record of adhering to responsible contracting practices. Any investment decisions to renew, increase, or decrease allocations may be informed, in part, by the investment managers' track record of adherence to responsible contracting practices.

E. Additional Responsibilities: Responsibilities of the investment managers, property or asset managers and contractors are more specifically defined as follows:

1. Investment Managers' responsibilities may include, but are not limited to the following:
 - a. Communicate the Policy to all property or asset managers.
 - b. Review a contract listing for each property or asset prepared by each property or asset manager.

- c. Maintain a simplified bid summary for each applicable contract. The summary shall identify the contract, the successful bidder, and the bidder's status as a Responsible Contractor.
 - d. Monitor and enforce the Policy, including the investigation of potential violations.
 - e. Select contractors, and encourage contractors to select subcontractors, in a manner consistent with this Policy.
2. Property or asset managers of Investments may have responsibilities that include, but are not limited to the following:
- a. Communicate in bid documents the Responsible Contractor Policy to contractors seeking to secure construction or building service contracts.
 - b. Communicate the Policy to any interested party.
 - c. Ensure there is a competitive bidding process, inclusive of potentially eligible Responsible Contractors. Provide managers with a simplified bid summary for each contract and maintain documentation for successful bidders.
 - d. Provide property or asset level annual report information to managers.
 - e. Invite input from trade unions/service unions in the development of Responsible Contractor lists.
 - f. Maintain a list of any interested Responsible Contractors (including names, addresses and telephone numbers).
3. Contractors' responsibilities may include, but are not limited to, the following:
- a. Communicate the Responsible Contractor Policy to subcontractors.
 - b. Provide the property or asset manager with Responsible Contractor documentation.
 - c. Select subcontractors in a manner consistent with this Policy.

8. Enforcement:

For Controlled Investments, if The Treasurer or External Investment Consultant becomes aware of non-compliance, the Treasurer in consultation with its external Investment Consultant will place a non-compliant investment advisor or property manager on a probation watch list. If the investment advisor or property manager does not modify this pattern of conduct even after discussions, the Treasurer and External Investment Consultant will consider this pattern of conduct along with other information when it reviews the investment advisor or property manager contract for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of this Policy.

9. Effective Date:

This Policy shall take effect on May 1,2023 and shall apply to investments entered into on or after that date.