



RESPONSIBLE CONTRACTOR POLICY

Adopted:

March 21, 2008

Amended:

May 21, 2020

I. PURPOSE

This Responsible Contractor Policy (the “Policy”) of the Illinois State Board of Investment (“ISBI”) is designed to guide, in a manner consistent with ISBI’s statutory standards of fiduciary responsibility and prudence in managing its investments; ISBI’s selection of independent contractors and their subcontractors (collectively the “contractors”) who provide building operations services, hotel management services, construction, renovation, maintenance and any other services (each individually a “Service”) to properties in which ISBI directly invests.

II. INTRODUCTION

ISBI supports a healthy and profitable business environment through market competition, small business development and control of operating costs. ISBI also supports and encourages fair compensation and fair benefits for workers employed by its contractors, subject to the duties of a fiduciary to discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries as stated in the Illinois Pension Code¹ and ISBI’s Investment Policy.

In keeping with that concern, ISBI has adopted the Responsible Contractor Policy described herein in order to support and promote the engagement of contractors who can be expected to provide high quality Services to ISBI properties and investments, utilizing properly-trained and fairly compensated employees, subject to the above-cited fiduciary principles of loyalty, care, skill, prudence and diligence.

III. DEFINITION OF A RESPONSIBLE CONTRACTOR

A Responsible Contractor, as used in this Policy, is a contractor who provides high quality Services and pays workers a fair wage and fair benefits as evidenced by payroll and employee records. The term does not include a contractor who is debarred by a municipal, state or federal government. “Fair benefits” are defined as including, but are not limited to, employer-paid family health care coverage, retirement benefits and training and/or apprenticeship programs. What constitutes a “fair wage” and “fair benefits” depends on the wages and benefits paid on comparable real estate or other investment projects, based upon local market factors, that 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.

IV. INITIAL REQUIREMENTS OF THE RESPONSIBLE CONTRACTOR POLICY

- A. Duty of Loyalty: Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of the participants and the beneficiaries of ISBI. ISBI and its investment managers’ duties to the participants and their beneficiaries shall take precedence over any other duty.

¹ 40 ILCS 5/1-101.2

- B. Prudence: ISBI, its staff and investment managers are charged with the fiduciary duty to exercise 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. Best Practices: Contractors for Services shall be selected through a process that includes consideration of loyalty, prudence, competitive risk-adjusted returns and factors such as, but not limited to, experience, reputations for honesty, integrity, timeliness, dependability, fees, safety record and the adherence to the Responsible Contractor Policy. Within the bounds of fiduciary duty, reasonable efforts will be used to ensure that there is a selection process that is inclusive of potentially eligible Responsible Contractors.
- E. Local, State and National Laws: All investment managers, property managers, contractors, and their subcontractors shall observe, where applicable, all local, state (including Illinois' prevailing wage scale for ISBI-owned properties within the State of Illinois) and national laws, but not limited to, those pertaining to insurance, withholding taxes, minimum wage, labor relations, health and occupational safety.

V. TRANSITION, ENFORCEMENT, MONITORING AND ADMINISTRATION

A. Applicable Investments and Phasing: The Policy shall apply to all future real estate and infrastructure investment managers, joint ventures, and partnerships where ISBI owns 50% or greater ownership interest and their contractors who provide services to ISBI owned properties.

However, when the Policy is not applicable by its terms as set out in the previous sentence, only Articles I-IV shall apply and ISBI will encourage voluntary compliance with the Policy consistent with their fiduciary duty. With the preceding paragraph in mind, this Policy excludes all other types of investments, including but not limited to mezzanine debt, hybrid debt, international investments, secondary funds, indirect, specialty, and mortgage investments that lack equity features and their respective advisors.

Furthermore, ISBI also encourages its investment managers to voluntarily comply to its Diversity Policy and the use of qualified contractors who are minorities, women, and persons with a disability as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act²; as well as the Illinois Pension Code³.

² 30 ILCS 575/2

³ 40 ILCS 5/1 and 5/22A

B. Notification: ISBI shall provide all applicable current real estate and infrastructure investment managers with a copy of this Policy

C. Solicitation Documents: All requests for proposal and invitations to bid covered by this Policy may include the terms of this Policy. Responses by bidders shall include information to assist ISBI staff and investment managers in evaluating a bid.

D. Contracts and Renewals: All contracts entered into after the effective date of this Policy that pertain to applicable real estate and infrastructure investments and are covered by the Policy, including renewals of such contracts, shall include the terms of this Policy.

E. Responsibilities: Subject to Section V.A., the responsibilities of ISBI Staff, Strategic Partners, investment managers, property managers, contractors, and unions are defined as follows:

1. Staff & Strategic Partners: ISBI Staff & Strategic Partners shall have the following responsibilities:
 - a. consult with investment managers regarding compliance with the Policy;
 - b. develop and maintain contact information for investment managers and/or managers;
 - c. furnish reports to the Board, if requested, on manager compliance with this Policy, and make recommendations as needed for action to correct any pattern of non-compliance.

2. Investment Managers: Investment managers will have responsibility for the following:
 - a. communicate the Policy to all property managers;
 - b. develop and maintain contact lists for all ISBI Properties (owned either directly or through an investment vehicle) and provide a copy to ISBI staff;
 - c. maintain a simplified summary for each applicable contract, which should include identifying the contract, successful contractor and contractor's status as a Responsible Contractor;
 - d. maintain an annual report, describing their own efforts, as well as those by property managers and their contractors and subcontractors, in furtherance of the Policy;

- e. monitor and enforce the Policy, including investigation of potential violations.
3. Property Managers: Property managers will have responsibility for the following:
- a. communicate the Policy to contractors seeking to secure Service contracts;
 - b. ensure there is a selection process that is inclusive to potentially eligible Responsible Contractors;
 - c. require contractors seeking to secure Service contracts to provide to the property manager information as is necessary to assist in defining them as a Responsible Contractor;
 - d. prepare and send to investment managers a listing of applicable Service contracts for each property under management; to which the building trades, service trades and other potential contractors seeking to secure Service contracts will have prompt access that may include electronic notification;
 - e. provide investment managers with a simplified summary of contractor proposals or bids, if applicable, for each contract;
 - f. maintain documentation for contractors that have secured Service contracts;
 - g. seek from trade unions/service unions input in the development of Responsible Contractor lists, which may be available on industry websites;
 - h. maintain a list of any interested Responsible Contractors (names, addresses and telephone numbers).
4. Contractors: Contractors will have the responsibility for the following:
- a. communicate to subcontractors the Policy; and
 - b. provide to property managers any Responsible Contractor documentation that includes a good faith attestation to its status.
5. Unions: Trade unions/service unions shall be asked to perform the following tasks:

- a. deliver to the property manager or investment managers lists of names and phone numbers of Responsible Contractors and/or websites containing such information;
- b. refer interest and qualified Responsible Contractors to the property manager;
- c. continually monitor the local labor markets to update the lists.

F. Minimum Contract Size: The Policy shall apply to all Service contracts of a minimum size of \$100,000, individually or annually as applicable. Minimum contract size refers to the total project value of the Services being 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.

G. Selection Process: Given the time and expense required to solicit and evaluate potential contractors, it is not essential that investment managers, property managers and contractors solicit all potential contractors. The property manager must use reasonable efforts to ensure that there is a selection process that is inclusive of potentially eligible Responsible Contractors. If the competitive bidding process is not utilized, the manager shall define the alternative process and explain the rationale for the resulting selection.

H. Neutrality: ISBI recognizes the rights of employees to representation. All parties associated with any ISBI Property shall adopt a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers performing Services at any ISBI Property.

Resolution of any inter-jurisdictional trade disputes 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 investment managers, property managers, or contractors in inter-jurisdictional trade disputes.

I. Enforcement: If an investment manager becomes aware of non-compliance with this Policy by a property manager, contractor or subcontractor at an ISBI owned property, and the non-complying party does not modify its conduct after discussions with the investment manager or contractor, then the investment manager or contractor shall consider all available remedies and recommend to ISBI Staff or a Strategic Partner any appropriate actions that they believe will address the violation; subject always to the fiduciary principles of loyalty and prudence. If ISBI Staff or a Strategic Partner becomes aware of non-compliance by an investment manager, ISBI may place the non-complying investment manager on a probation watch list. If the investment manager does not modify its pattern of conduct even after discussions with ISBI Staff, the Fund will consider this pattern of conduct along with other information when it reviews the investment manager's contract for possible renewal.