

Stewardship Priorities

Why we engage

The CalSTRS Sustainable Investment and Stewardship Strategies unit uses our influence as a significant global investor to promote long-term sustainable business practices and public policies. We engage publicly traded companies to support long-term value creation as well as mitigate risk to our portfolio and the financial market as a whole.

Our priorities

We focus on three overarching priorities to achieve measurable outcomes.



Corporate and market accountability

Influence regulators, standard setters and policymakers to promote sustainable markets.

- Effective and diverse boards
- Sustainability disclosures
- Shareholder rights



Net zero transition

Engage the highest greenhouse gas emitting companies to reduce emissions in the global economy.

- Highest carbon emitters within the CalSTRS Investment Portfolio
- Methane mitigation



Workforce and communities

Influence portfolio companies to be good stewards in the communities they operate in and ensure a healthy and engaged workforce.

- Workforce culture and engagement
- Just transition in the utility sector
- Responsible firearms

Why we prioritize specific stewardship activities

Before we decide to engage on a particular issue, we consider three factors:

- The issue must be relevant to the long-term performance of our portfolio.
- We must have the capacity and the tools to influence meaningful change.
- We must be able to deliver measurable outcomes.

Determine the long-term relevance

To decide whether an issue will impact the long-term performance of the fund, we initially look to the International Sustainability Standards Board's standards. These standards help investors understand the most important environmental, social and governance risks. Our **Investment Policy for Mitigating Environmental, Social and Governance Risks** also guides our decisions. In addition, we look through systemic and idiosyncratic risk lenses to determine how an issue might affect the long-term performance of the fund.

Ability to influence change

We use tools ranging from proxy voting to activist stewardship when seeking to influence change. We consider how much time and resources an issue will require when deciding how to engage.



Ability to deliver outcomes

We focus on tracking outcomes related to:



Companies implementing changes to their disclosures, processes and practices.



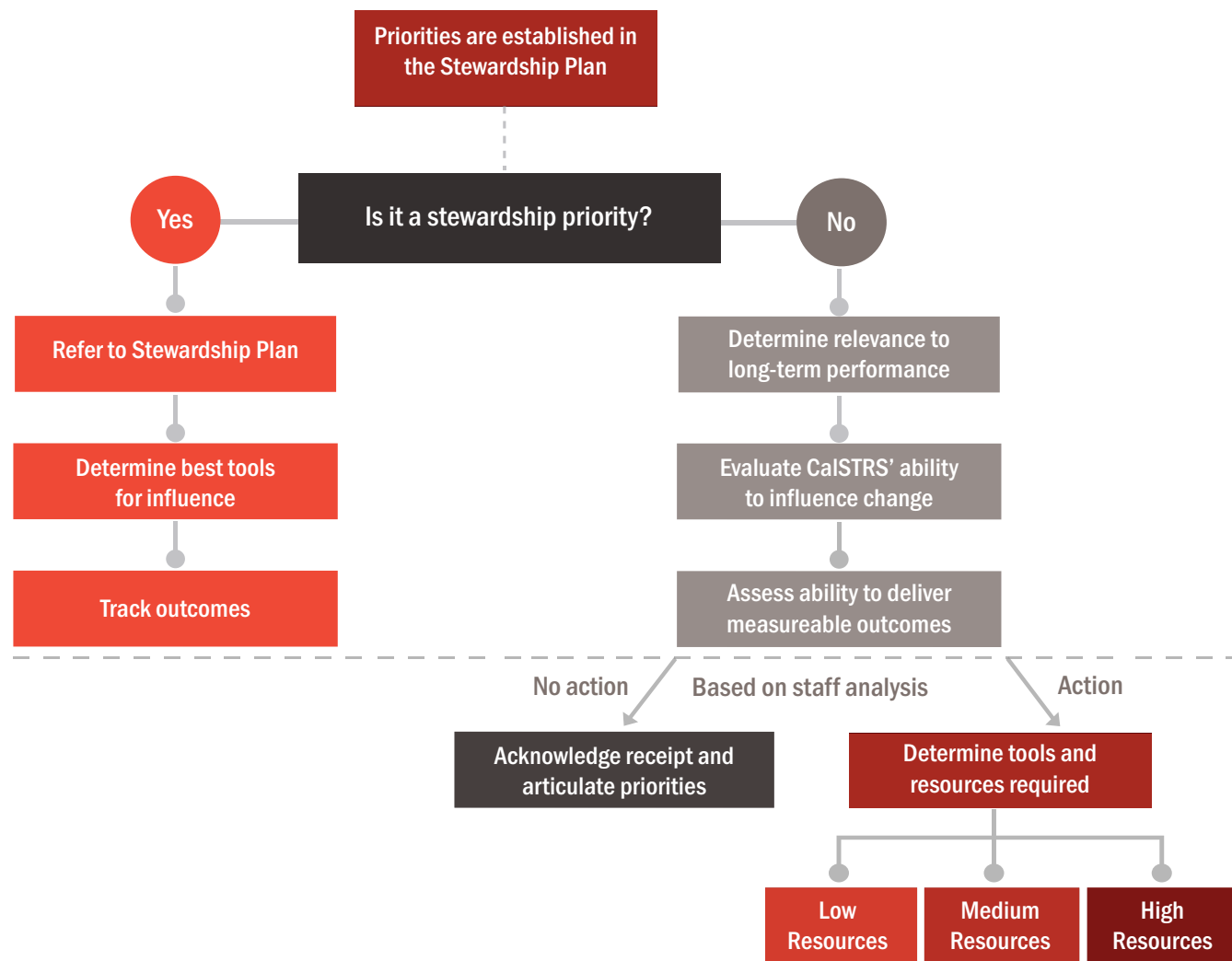
Market participants influenced by our thought leadership.



Regulators responding to our concerns.

Ad-hoc engagement requests

Teachers' Retirement Board members and CalSTRS staff receive requests from stakeholders, fellow investors and other interested parties to engage on issues that fall outside of the three priorities established in our Stewardship Plan. These ad-hoc requests are analyzed based on the framework below to evaluate whether it's in our best interest to take action on a particular request. In circumstances where we determine engagement should not be pursued, we'll notify the requesting party to acknowledge the inquiry and articulate our engagement priorities.



To learn more about our stewardship efforts, see these CalSTRS reports and guiding principles:



Addressing Climate-Related Financial Risk Report
CalSTRS.com/addressing-climate-related-financial-risk-report



Corporate Governance Principles
CalSTRS.com/corporate-governance-principles



Diversity in the Management of Investments Report
CalSTRS.com/report/diversity-management-investments



Firearms Principles
firearmsprinciples.com