



California State Teachers'
Retirement System
Sustainable Investment & Stewardship Strategies
100 Waterfront Place, MS 4
West Sacramento, CA 95605

July 29, 2022

Emmanuel Faber, ISSB Chair
Sue Lloyd, ISSB Vice-Chair
International Sustainability Standards Board
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf, London E14 4HD
United Kingdom

RE: Exposure Drafts on General Requirements for Disclosure of Sustainability-related
Financial Disclosures and Climate-related Disclosures

Dear Chair Faber and Vice-Chair Lloyd:

California State Teachers' Retirement System (CalSTRS) provides a secure retirement to more than 980,000 members and beneficiaries whose CalSTRS-covered service is not eligible for Social Security participation. Established in 1913, CalSTRS is the largest educator-only pension fund in the world with \$314.8 billion in assets as of May 31, 2022.

CalSTRS strongly supports the IFRS Foundation International Sustainability Standards Board (ISSB) to establish international sustainability-related financial disclosures and climate-related disclosures (Exposure Drafts). We have been calling for such disclosures for many years as a means of enhancing our ability to meet our mission to protect the retirement futures of California's educators. Given the complementary nature of both consultations, we are submitting one letter expressing support for both Exposure Drafts. As a global, universal owner of nearly 10,000 public securities, we welcome the creation of global standards for company disclosure of environmental, social and governance performance through an international standard-setting body. The Exposure Drafts respond directly to our requests, as investors, for more reliable, consistent, and comparable information to assess the risk to our portfolio companies, so that we can act to protect the plan assets for the benefit of California's teachers.¹

¹ <https://calstrs-pensionx-web.specialdistrict.org/files/023f94553/secletteronclimatechangedisclosure.pdf>

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As you will be aware, the U.S. Securities and Exchange Commission (the Commission) recently issued a proposed rulemaking on climate-related disclosures. As part of that rulemaking, we respectfully asked the Commission to use the ISSB's Climate Standard as the basis for the Commission's rulemaking². We favor the 'building block' approach which would allow jurisdictions to add their specific disclosure requirements to those of the ISSB. Building a global baseline will increase the quantity of decision-useful information for global investors, like CalSTRS, and reduce the reporting burden on companies registered in multiple jurisdictions. CalSTRS also believes that companies should be disclosing all significant sustainability-related risks and opportunities regardless of whether the risk is codified in the standards. Lack of an existing standard is not a valid reason to forgo disclosure. We therefore encourage the ISSB to be very clear and explicit in its General Requirements Standards that rules apply to all sustainability-related issues, and not only those pertaining to climate.

Similar to the Commission's proposed rule, we welcome the ISSB Climate-related Disclosures Standard exposure draft being built on the Task Force on Climate-related Financial Disclosures (TCFD) Framework. Using the TCFD framework as the basis for guiding issuers would help investors like CalSTRS more easily compare companies on their treatment of the framework's core parts, in a timelier fashion, through a common channel and format, and with the same degree of detail. We appreciate and agree with expanding the TCFD framework to be applied to a broad range of sustainability issues, as described in the draft General Sustainability-related Disclosure Standards. A framework focusing on governance, strategy, risk management, targets and metrics is a prudent and logical approach applicable to a wide array of sustainability issues. The Exposure Drafts also focus on issues which may impact an issuer's enterprise value which we support. As fiduciaries to our beneficiaries, we are required to focus our investment analysis on those issues that may impact investment results.

In addition, the exposure draft proposes that companies disclose how their emissions reduction targets compare to the latest international agreement on climate change. We support this disclosure, because without consistent information scaled across all our holdings, we have had to create an internal framework to assess companies individually. This is not scalable given the fundamental assessments required to analyze nearly 10,000 companies in our portfolio. Comparable and complete information about company climate targets and plans to reduce emissions will support our work to meet the Teachers' Retirement Board's pledge to achieve a net zero portfolio by 2050 or sooner while meeting our risk-return objectives.³

We strongly support the ISSB's exposure draft to incorporate industry-specific climate and sustainability reporting requirements developed by the Sustainability Accounting Standards Board (SASB). To this point, we would encourage the ISSB to strengthen its standards to require companies to report all relevant SASB industry-based standards. As currently written, we believe the draft standards imply that SASB standards only need to be considered, but not

²<https://www.calstrs.com/files/1a625d9da/SECCommentLetterOnClimateDisclosureRule.pdf>

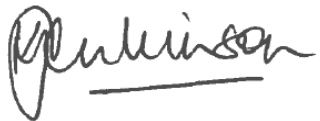
³ See <https://www.calstrs.com/calstrs-board-commits-to-net-zero-investment-portfolio> and <https://www.calstrs.com/files/6a7a9dcad/GreenInitiativeTaskForce2021.pdf>

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necessarily reported. Industry-based climate reporting is essential to complement principles-based reporting because while climate presents a systemic risk to all companies, climate risk manifests in meaningfully different ways for companies in different industries. This is true for other environmental, social and governance risks. We believe the industry-specific standards developed by SASB are generally accepted by market participants and would provide investors with the necessary information to manage long-term risks.

In conclusion, we wish to thank the ISSB for addressing the issue of insufficient, irregular, and unreliable sustainability data. For years, CalSTRS has recognized that climate change and sustainability-related issues present real financial risks to the value of our plan assets. Available methods to size and forecast that risk have been stunted by a lack of reliable, company generated climate data. We appreciate the ISSB's mission to set a global standard for all sustainability-related disclosures, including climate risk, which we expect will greatly enhance our ability to account for sustainability risk when selecting partners, indexes, funds, securities, companies for investment, engagement, and proxy action.

Sincerely,



Kirsty Jenkinson
Investment Director



Aisha Mastagni
Portfolio Manager