

## BOARD GOVERNANCE MANUAL (Updated January 2021)

### D. Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information

#### 1. General Background and Application of Policy

The board is committed to the highest ethical standards and strictest adherence to federal, state and foreign securities laws and regulations regarding “insider trading” and disclosure or misuse of the California State Teachers’ Retirement system’s (CalSTRS) confidential investment information, including “front running.” To ensure that the board operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities, the board has adopted this board Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information. The prohibitions on insider trading, front running, and disclosure or misuse of confidential investment information continue to apply even after completion of board service until such time, if ever, that the information becomes generally available to the public other than through disclosure by or through the board member.

#### a. Definition of Terms

##### i. Insider Trading

“Insider trading” has been defined as buying or selling securities on the basis of material, nonpublic information relating to those securities. Any person who possesses material nonpublic information can be considered an “insider” as to that information. Insider trading violations may include “tipping” (i.e., disclosing) such information to the person “tipped” (the “tippee”), the trading of securities by the tippee or by people tipped by the tippee, and securities trading by those who have misappropriated such information. The law provides civil and criminal penalties for insider trading violations. The prohibition against insider trading may reach anyone, not just a corporate insider, who has access to material nonpublic information. Liability may attach to trading on material nonpublic information learned in the course of serving on the CalSTRS board or from a family member, friend, employer, or other person.

##### ii. Material Nonpublic Information

Company information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell, or refrain from any activity regarding the company’s securities. Material information may be either positive or negative and can relate to any aspect of a company’s business. Common examples of material information include, but are not limited to: unpublished financial results and projections, news of a merger or acquisition, stock splits, public or

private securities/debt offerings, changes in dividend policies or amounts, gain or loss of a major customer or supplier, major product announcements, significant changes in senior management, a change in accounting policies, major problems or successes of the business (such as the success or failure of a clinical trial by a drug company), and the filing by CalSTRS or other parties of securities litigation prior to public dissemination of information regarding the lawsuit.

Information is considered “nonpublic” if it is not available to the general public. Once it is released to the general public, it loses its status as “inside” information. However, for nonpublic information to become public, it must have been made generally available to the securities marketplace, and sufficient time must pass for the information to become available in the market. To show that material information is public, it is generally necessary to show some fact verifying that the information has become generally available, such as disclosure in company filings with the Securities Exchange Commission or company press releases to a national media outlet or other widely available new sources. Disclosure of information at an industry conference or at a meeting between the company and institutional investors may not be considered “public” for purposes of insider trading. Whether information is material and nonpublic is not always obvious and is usually fact specific. Therefore, no board member should make this determination with respect to company information gained through service on the CalSTRS board. As set out in Section 3(b) below, the board member should seek a determination from CalSTRS general counsel and/or delegates on whether information is “material” and/or “nonpublic.”

### iii. Front Running

Front running occurs when a person enters into a trade of securities with knowledge of pending orders from other investors that may influence the price of the underlying securities. It could occur, for example, when a board member trades for their own account or a related account (or tips a family member or other person else to trade) with the knowledge that a significant trade is pending on behalf of CalSTRS or of an account managed by one of CalSTRS external investment advisers. Furthermore, front running of CalSTRS trading information may constitute a misappropriation of CalSTRS proprietary information for private or personal gain. Like insider trading, “front running” may subject board members or CalSTRS staff to criminal and/or civil proceedings.

Investments contemplated or entered into by CalSTRS or its external advisers may generate Confidential Investment Information, including, for example, the sharing of market information under nondisclosure agreements; so-called “lock-up agreements” or “standstill agreements” restricting the trading of a public security under certain circumstances; or other discussions of trading strategies with a third-party investment

adviser whose contracts with CalSTRS or its course of conduct with CalSTRS preclude disclosure and/or use of such information.

iv. Confidential Investment Information

“Confidential Investment Information” is all nonpublic investment information relating to CalSTRS, including its trading strategies or plans to buy or sell its securities. By way of example only, “Confidential Investment Information” includes investment information provided (a) by an external investment adviser to CalSTRS under an express or implied duty to hold it in confidence, or (b) in connection with a contract or agreement that obliges CalSTRS not to trade on or disclose the information.

2. Policies Precluding Insider Trading, Front Running, and Misuse of Confidential Investment Information

a. Policy Precluding Insider Trading

It is the policy of CalSTRS that insider trading by board members or the communication (tipping) of material nonpublic information by board members is prohibited.

Insider trading is buying or selling securities on the basis of material nonpublic information relating to those securities or communicating (tipping) material nonpublic information to another person

Board members may be provided or have access to confidential information, including material, nonpublic information. Any information not publicly available must be treated as confidential even if it is not designated as confidential. It is the duty of board members to maintain the confidentiality of information and to not disclose material nonpublic information to anyone, whether inside or outside CalSTRS. Board members who come into possession of material nonpublic information must not intentionally or inadvertently communicate it (or “tip” it) to any person, including family members and friends, or other CalSTRS personnel.

Board members in possession of material nonpublic information may not purchase or sell securities of the relevant company or other publicly traded securities to which the information pertains. Material nonpublic information may not be used by board members for personal gain or to share with family members, friends, or other persons or entities. Recommending purchases or sales of securities to which the material nonpublic information relates, even without disclosing the basis for the recommendation, is prohibited. Special care should be taken so that material nonpublic information is not disclosed inadvertently. Examples of inadvertent disclosure include, but are not limited to, discussing information in the cafeteria, elevators, or non-private locations, leaving confidential documents exposed on one’s desk or in a public area, or

keeping information on a computer or mobile device without adequate password protection.

Any disclosure of material nonpublic information by a board member to a family member, and any insider trading by a family member of a board member, will be imputed to the board member.

Without limiting the foregoing, no board member shall disclose to anyone at CalSTRS any actual or possible material nonpublic information obtained by a board member outside of their board service to CalSTRS, whether from their employer, a family member, a friend or another third party, or as a fiduciary or under a duty of trust or confidentiality (Third Party Information). The board members shall not discuss Third Party Information with other CalSTRS personnel under any circumstances, and in all cases board members shall comply strictly, with any duties they may owe to the issuer or the source of Third Party Information as provided under law, contract or otherwise. If Third Party Information is in possession of a board member, the board member shall abstain from any activity on behalf of CalSTRS with respect to any security to which such Third Party Information may relate, and shall not disclose the basis for or any facts pertaining to such abstention.

i. Tender Offers

The policy prohibiting insider trading also applies to board members in possession of material nonpublic information relating to a tender offer acquired directly or indirectly from the bidder or the company that is the target of the tender offer (a “target company”). No board member may trade in target company securities.

ii. Initial Public Offerings

Board members in possession of material nonpublic information may not purchase, directly or indirectly, any security in the initial public offering (IPO) of a security. New issue securities may only be purchased in the secondary trading market once a market has been established. Board members also may not encourage, facilitate, or arrange such a purchase by or on behalf of any other person. This policy does not apply to securities of a company held by a board member prior to the company’s IPO, which they may continue to hold (or sell) after the IPO has concluded.

iii. Reporting to CalSTRS General Counsel

Notwithstanding that this policy otherwise prohibits disclosure, board members may be required to disclose actual or potential material nonpublic information to the general counsel and/or delegates so that a determination can be made as to whether the information is material nonpublic information and, if so, to initiate procedures to shield CalSTRS

from potential violations of law. See “Duty to Disclose to General Counsel as Exception to ‘Policy Prohibiting Insider Trading’” under Section 3(b) below.

b. Policy Precluding Front Running

It is the policy of CalSTRS that front running is prohibited. Board members may not place an order for a personal securities transaction when they know that a CalSTRS securities transaction is pending in a security of the company that is the subject of the personal securities transaction. Likewise, board members may not knowingly delay, hinder, modify, or cancel any internal CalSTRS buy or sell recommendation, decision, or trading order intending to facilitate a personal securities transaction that, but for the action of the board member, would otherwise constitute front running or violations of state or federal laws. This policy also applies to any personal securities transaction by a board member with knowledge of a pending transaction in a security of the same issuer by a third-party investment adviser to CalSTRS or any other party to whom CalSTRS may owe a duty of trust or confidentiality or in connection with a contract or other agreement with confidentiality undertakings. “Personal securities transactions” by a CalSTRS board member include transactions by or on behalf of a family member or otherwise of direct or indirect benefit or pecuniary value to the board member.

c. Policy Precluding Personal Use or Disclosure of Confidential Investment Information

It is the policy of CalSTRS that all information gained by the board from or through their association with CalSTRS is included within Confidential Investment Information, is the sole property of CalSTRS and may not be used for personal benefit.

Accordingly, the board shall use Confidential Investment Information only for its intended and legitimate purposes on behalf of CalSTRS exclusively, and shall not disclose any such Information to either (i) any third party (including any family member, employer or friend) except to the extent required to discharge its duties to CalSTRS and procedures to be adopted by the general counsel and/or delegates in accordance with Section 3(c) or (ii) any CalSTRS personnel except for any member of CalSTRS Investment Branch who needs the information in order to perform their job functions. The board shall not use or disclose Confidential Investment Information for personal investment or for any other purpose not described in the immediately preceding sentence, including any transaction by or on behalf of a family member or otherwise of direct or indirect benefit or pecuniary value to a board member.

### 3. Compliance Reporting and Enforcement

#### a. General

The board is committed to the highest ethical standards and strictest adherence to the laws and regulations regarding insider trading, front running, and use of confidential information. This policy is to be delivered to all new board members upon commencement of board service with CalSTRS. Each board member must read and comply with the policy. The certification in Attachment I must be completed by board members within 30 days of receipt of the policy and annually by April 1 of each year thereafter. The certifications shall be delivered to the CalSTRS general counsel and/or delegates. The general counsel and/or delegates may implement guidelines, monitoring tools, and procedures to further support this policy.

Statements of Economic Interests (Form 700) filed by board members may be reviewed by CalSTRS to ensure compliance with this policy. Board members should report any suspected violation of this policy to the CalSTRS general counsel and/or delegates. The general counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the general counsel concludes that the policy may have been violated, the general counsel shall take appropriate action.

#### b. Duty to Disclose to General Counsel as Exception to “Policy Precluding Insider Trading”

The duty of confidentiality and nonuse under the “Policy Precluding Insider Trading” (Section 2(a), above) shall not apply to the duty of board members under this policy to disclose actual or possible material nonpublic information to the general counsel and/or delegates in accordance with the following terms.

In the event that a board member believes they have possession of actual or possible material nonpublic information obtained through or in connection with CalSTRS, the person shall promptly disclose the information (including related facts and circumstances) solely to the general counsel and/or delegates pursuant to internal compliance procedures established by the general counsel from time to time. The general counsel and/or delegates will review the information, discuss it (as deemed appropriate) with members of senior management under terms of confidentiality to be set forth in such procedures, and, as appropriate, initiate restrictions on trading of the relevant security/ies to which the material nonpublic information relates, consistent with internal procedures.

If board members are uncertain whether information is material nonpublic information relating to CalSTRS, they shall consult with the general counsel and/or delegates before taking any other action based upon that information.

The duty of disclosure under this policy applies only to actual or possible material nonpublic information obtained from CalSTRS or from activities on behalf of CalSTRS. The duty does not apply, on the other hand, to Third Party Information. (See Section 2(a), above.)

c. Confidential Investment Information

No board member shall disclose any Confidential Investment Information except (i) to any member of CalSTRS Investment Branch who needs the information in order to perform their job functions or (ii) as permitted by the general counsel or delegates.

d. Violations

Violation of this policy will be reported to the general counsel for further action. Violation of this policy may also result in civil or criminal liability under federal and state securities laws.

4. Training

In addition to the requirements set forth in the “Compliance Reporting and Enforcement” section of this policy, training on the Policy Prohibiting Insider Trading, Front Running, and Misuse of Confidential Investment Information shall be available to all board members annually and as part of the Board Member Onboarding. In no event shall the failure to provide training or the failure to attend training excuse noncompliance with this policy.

History: Amended May 5, 1999; Amended September 7, 2006; Amended November 6, 2008; Amended February 10, 2011; Amended June 6, 2013; Amended January 31, 2020 [to reflect gender-neutral language and remove references to CalSTRS staff]; Amended January 28, 2021 [to update and make policy current with SEC guidance].



## 2022 Form 600C - CalSTRS Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information Acknowledgement

Name: \_\_\_\_\_

I hereby acknowledge that I have read and understand the [Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information](#) and agree to adhere strictly to the Policy. I further acknowledge and understand that any violation of the terms of the Policy Prohibiting Insider Trading, Front Running, and Disclosure or Misuse of Confidential Investment Information will result in consequences, up to and including discipline or termination from employment or contract with CalSTRS.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

### REQUIREMENT

New employees are required to read and sign the CalSTRS Form 600-C when they start work with CalSTRS and file it with the Office of the General Counsel within 7 (seven) business days of being granted access to any CalSTRS systems or engaging in any work involving confidential, sensitive, or personal information.

### WHERE TO FILE

Route or mail completed forms to:

**CalSTRS Office of the General Counsel- Office of Legal Ethics & Accountability (OLEA)**  
P.O Box 15275, MS-03  
Sacramento, CA 95851-0275

### ASSISTANCE

Contact the OLEA at (916) 414-1724 (or) [Compliance@CalSTRS.com](mailto:Compliance@CalSTRS.com) if you have questions or need assistance completing the form.