

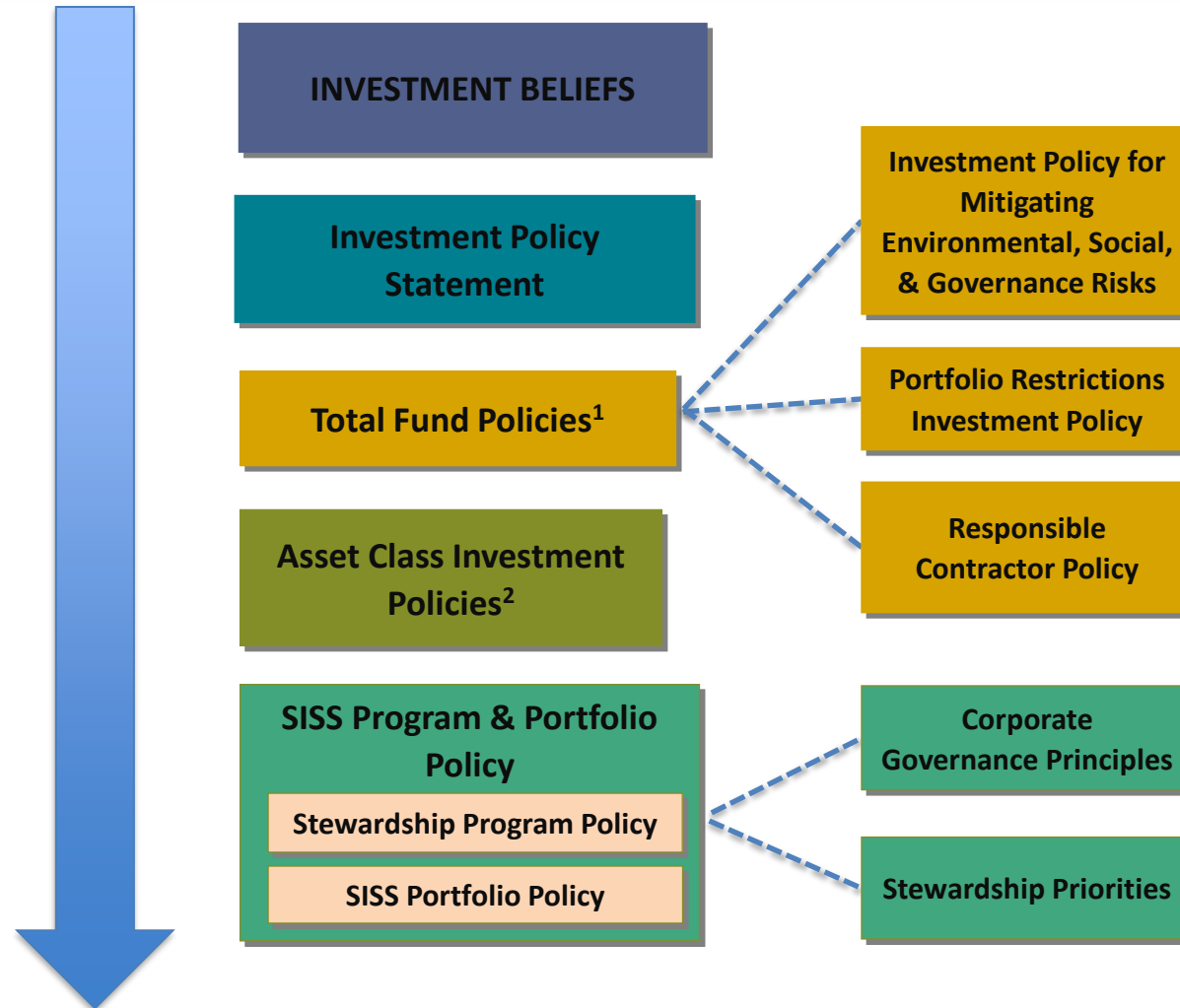


Sustainable Investment & Stewardship Strategies

Corporate Governance Principles
Stewardship Priorities

January 8, 2024

CalSTRS governance of investment-related sustainability risks & opportunities



¹Total Fund policies directly related to sustainability risks and opportunities.

² SISS Program and Portfolio Policy specifically called out due to cross asset class sustainability-focused responsibilities.

CALSTRS Stewardship activities





- I. Support standardized global sustainability disclosure standards
- II. Expanded Board of Directors' responsibilities, including for human capital management
- III. Inclusion of ESG metrics in executive compensation
- IV. Incorporation of ESG risks & opportunities

CALSTRS Proposed stewardship priorities



Corporate &
Market
Accountability



Promote sustainable
markets, effective &
diverse boards &
protect shareholder
rights

Net Zero
Transition



Engage highest
emitters to reduce
emissions in global
economy

Workforce &
Communities



Influence companies to
ensure a healthy &
engaged workforce



- Relevance to long-term performance of portfolio
- Capacity to influence meaningful change
- Ability to deliver measurable outcomes



Basic governance rights & well-functioning, efficient markets, including effective & diverse boards, are vital components for CalSTRS to effectively mitigate portfolio risks

Board
Effectiveness

Sustainability
Disclosures

Shareholder Rights

Board Diversity

International
Sustainability
Standards Board

*Protect shareholder
rights when
necessary*

Board Competency

Human capital
management
disclosure

Compensation



Climate change presents a material & significant risk to society, the economy & CalSTRS portfolio

Highest Emitters

Climate Action 100+

‘Priority 45’ Companies

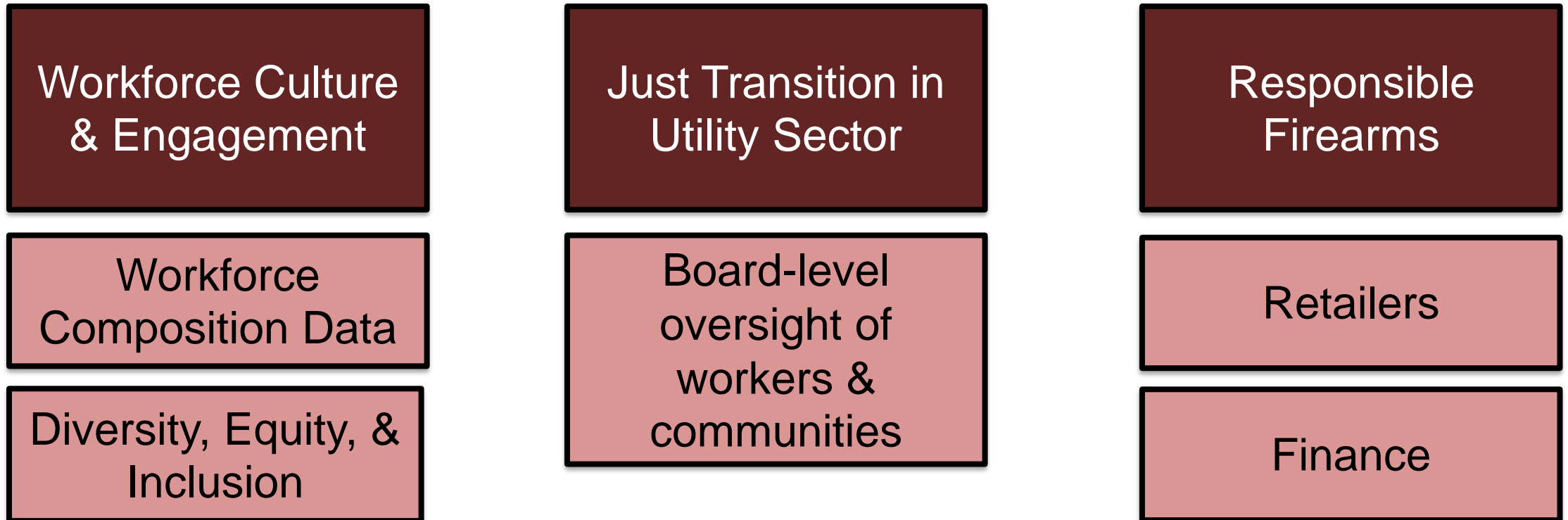
Methane Mitigation

Nature-based Solutions

Build knowledge on this complex, nascent topic



Corporate boards should play an active role in overseeing human capital management & ensuring investors have adequate disclosures to understand workforce-related risks & opportunities



CALSTRS Stewardship tools & tactics



**Proxy
Voting**

**Direct
Company
Engagement**

**Shareholder
Proposals**

**Collaborative
Engagements**

**Policy
Advocacy**

Litigation

**Activist
Stewardship**



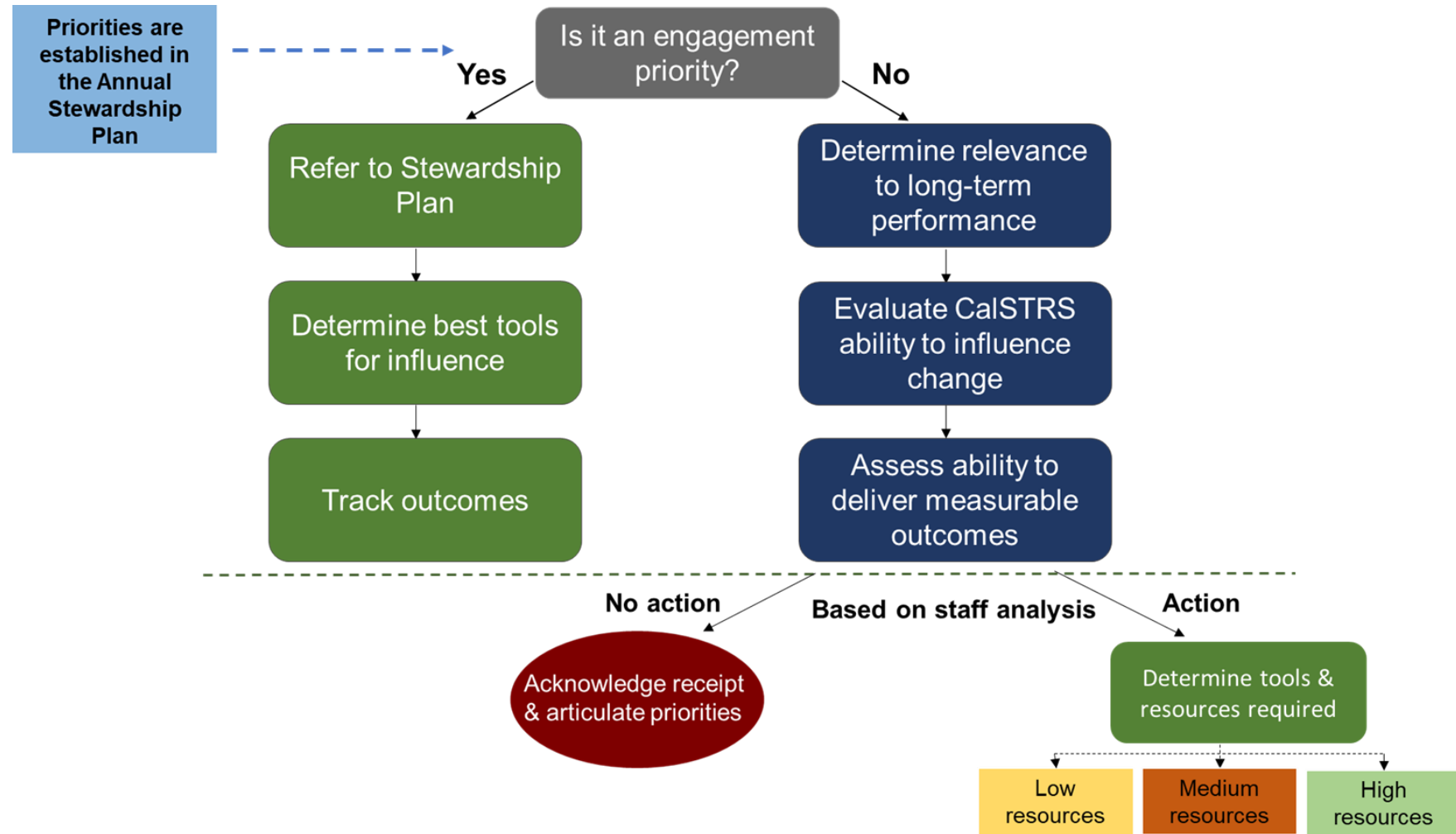
Companies
implement changes
to disclosures,
processes &
practices



Market participants
change practices
because of our
influence



Regulators respond
to our concerns





- ✓ Quarterly Engagements in Action
- ✓ Annual Highlights
- ✓ Timely updates on significant & high-profile engagements

CALSTRS 2024 stewardship priorities



Recommendation:

Approve the Corporate Governance Principles

Approve the 2024 Stewardship Priorities

Questions?