

## 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 in order to support long-term value creation as well as mitigate risk to our portfolio and the financial market as a whole.



### Stewardship priorities

Our four over-arching priorities focus on achieving measurable outcomes through influencing corporate and market accountability, supporting effective corporate boards, transitioning to a low-carbon economy and addressing firearm safety and responsibility.



#### CORPORATE AND MARKET ACCOUNTABILITY

Encourage regulators, standard-setters and policy makers to promote sustainable markets.



Shareholder rights



Audit integrity



ESG disclosure



#### BOARD EFFECTIVENESS

Influence good governance with effective boards overseeing long-term strategies.



Shareholder rights



Executive compensation



Human capital management and diversity



#### NET ZERO TRANSITION

Focus on supportive public policies and influencing companies on the path to a net zero economy.



Influence public policies



Engage portfolio companies



#### RESPONSIBLE FIREARMS

Address gun safety issues and aim to reduce investment risk.



Manufacturers



Retailers



Technology

## Why do 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 to influence meaningful change and we must be able to deliver measurable outcomes.

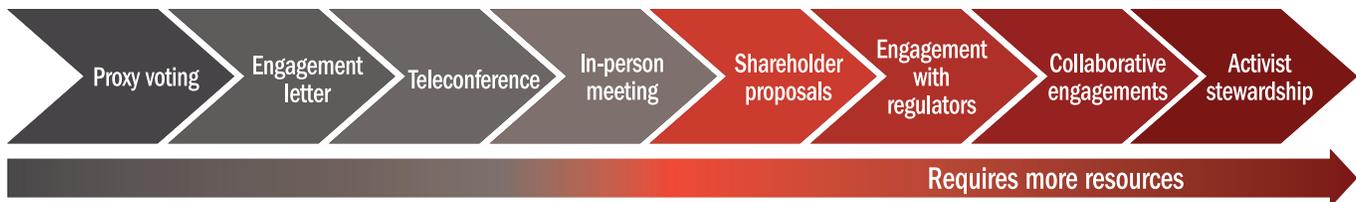
### Determine long-range relevance



In order to decide whether an issue will impact the long-term performance of the fund, we initially look to the Sustainable Accounting Standards Board's set of standards which assist investors in understanding the issues most important across the environmental, social and governance spectrum. Our ESG Risk Factor Policy also guides our decisions and 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 such as proxy voting and activist stewardship when seeking to influence change. We consider how much time and resources an issue will require when deciding whether to engage.



### Ability to deliver outcomes

We focus on tracking outcomes related to:



Companies implementing changes to their disclosures, processes and practices.



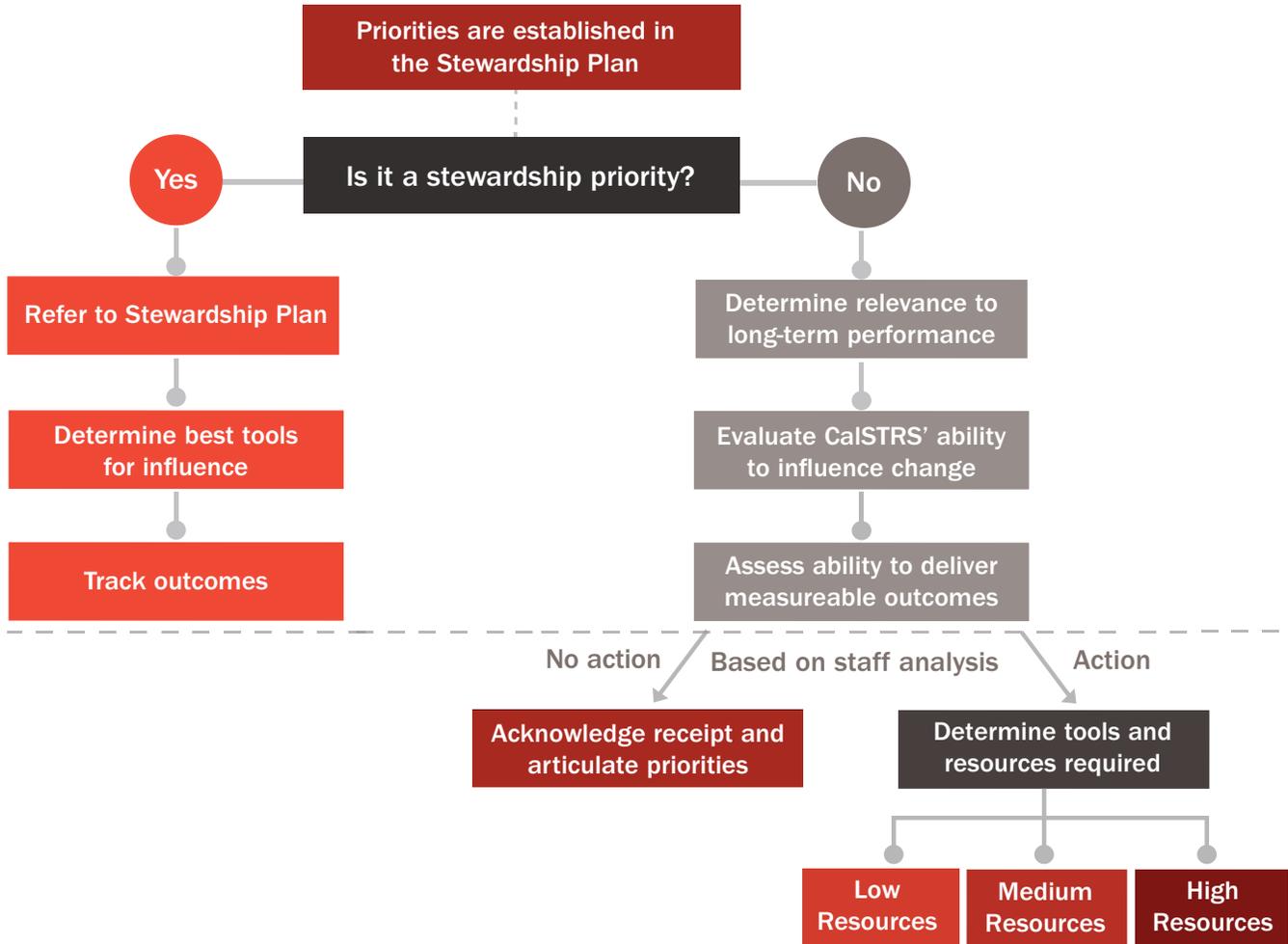
Market participants influenced by our thought leadership.



Regulators responding to our concerns.

## Ad-hoc requests

In addition, Teachers' Retirement Board members and staff receive requests from stakeholders, fellow investors and other interested parties to engage on particular issues that fall outside of the four main 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 it's determined that engagement should not be pursued, we will notify the requesting party to acknowledge the inquiry and articulate CalSTRS engagement priorities.



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



**Green Initiative Task Force Report**  
[CalSTRS.com/report/green-initiative-task-force](https://CalSTRS.com/report/green-initiative-task-force)



**Corporate Governance Principles**  
[CalSTRS.com/corporate-governance-principles](https://CalSTRS.com/corporate-governance-principles)



**Diversity in the Management of Investments Report**  
[CalSTRS.com/report/diversity-management-investments](https://CalSTRS.com/report/diversity-management-investments)



**Firearms Principles**  
[firearmsprinciples.com](https://firearmsprinciples.com)