



KESTREL
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California State Teachers' Retirement System
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Update on the California Infrastructure and Economic Development Bank Lease Revenue Bonds (California State Teachers' Retirement System Headquarters Expansion), Series 2022 (Green Bonds – Climate Bond Certified)

November 21, 2022

To the California State Teachers' Retirement System,

In November 2022, the California State Teachers' Retirement System ("CalSTRS") engaged Kestrel Verifiers ("Kestrel") to provide an independent update on the California Infrastructure and Economic Development Bank Lease Revenue Bonds (California State Teachers' Retirement System Headquarters Expansion) ("2022 Bonds") that provide additional financing for the Headquarters Expansion Project ("Project"). The Project was initially financed by Series 2019 Bonds* that received Climate Bond Certification under the Climate Bonds Standard (Version 3.0) and Certification Scheme ("Climate Bonds Standard"), and the *Low Carbon Buildings* Criteria in September 2019. The Series 2019 Bonds received Post-Issuance Certification in January 2021.

Because the 2022 Bonds provide additional financing for the same Headquarters Expansion Project, the Climate Bonds Standard Board has extended the certification of the Series 2019 Bonds to now include the 2022 Bonds.

This Update Letter is intended to provide information on bond-financed activities and confirm that no material changes have affected the eligibility of the 2022 Bonds for certification as Climate Bonds. Kestrel Verifiers is a Climate Bonds Initiative Approved Verifier. The Kestrel Verification Team included environmental scientists and financial professionals.

Project Overview

Use of Proceeds

The Series 2022 Bond proceeds provide additional financing for construction of the Headquarters Expansion Project, a 510,000-square-foot energy efficient new building in West Sacramento, California. The Project includes state-of-the-art infrastructure with 260,000 square feet of new employee offices, parking, and public amenities that meet a Zero Net Energy design. The Project is anticipated to meet LEED Platinum, WELL Building standard version 2, the Living Building Challenge Petal Certification, and includes an on-site 6.7-MW solar array. The solar array and efficient building design reduce greenhouse gas emissions by 56% and electricity use by 81% compared to a baseline building. As of October 2022, approximately 74% of proceeds from the Series 2019 Bonds have been spent.

Project Status

Construction is approximately 76% complete with an estimated completion date of March 2023. As of October 2022, the foundations of the parking and building structures are complete with 85% completion of curtain walls and roofing. Major mechanical equipment has been installed, as well as supporting utilities.

*California Infrastructure and Economic Development Bank Lease Revenue Bonds (California State Teachers' Retirement System Headquarters Expansion), Series 2019 (Green Bonds-Climate Bond Certified) ("Series 2019 Bonds")

The remaining construction is dedicated to completing the building interior, testing mechanical and electrical systems, and installation of perforated metal garage panels.

Construction delays were attributed to the COVID-19 pandemic and delays in receiving permits due to unanticipated requirements of the permitting process by the State Fire Marshal. The Project is currently on track for completion in March 2023.

Conclusion

The Headquarters Expansion Project is impactful, net zero aligned, and continues to be aligned with the Climate Bonds Standard and Certification Scheme.

Sincerely,



April Strid
Lead Analyst
Kestrel Verifiers

Disclaimer

This Letter aims to update how the discussed financing is eligible to extend certification for the CBI Climate Bonds Standard based on the information that was provided by CalSTRS or made publicly available by CalSTRS and relied upon by Kestrel only during the time of this engagement (November 2022), and only for purposes of providing this Letter.

We have relied on information obtained from sources believed to be reliable, and assumed the information to be accurate and complete. However, Kestrel Verifiers can make no warranty, express or implied, nor can we guarantee the accuracy, comprehensive nature, merchantability, or fitness for a particular purpose of the information we were provided or obtained.

By providing this Letter, Kestrel Verifiers is neither addressing nor certifying the credit risk, liquidity risk, market value risk or price volatility of the projects financed by the Climate Bonds. It was beyond Kestrel Verifiers' scope of work to review for regulatory compliance, and no surveys or site visits were conducted by us. Furthermore, we are not responsible for surveillance, monitoring, or implementation of the project, or use of proceeds.

The Letter delivered by Kestrel Verifiers is for informational purposes only, is current as of the date of issuance, and does not address financial performance of the Climate Bonds or the effectiveness of allocation of its proceeds. This Letter does not make any assessment of the creditworthiness of the CalSTRS, nor its ability to pay principal and interest when due. This Letter does not address the suitability of a Bond as an investment, and contains no offer, solicitation, endorsement of the Bonds nor any recommendation to buy, sell or hold the Bonds. Kestrel Verifiers accepts no liability for direct, indirect, special, punitive, consequential or any other damages (including lost profits), for any consequences when third parties use this Letter either to make investment decisions or to undertake any other business transactions.

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Independence and Quality Control

Kestrel Verifiers provides green, social and sustainability bonds advisory services for corporate and public finance issuers. The Kestrel Verification Team is committed to providing robust, transparent, and accurate verifications. For over 20 years Kestrel has been a trusted advisor to state and local governments, nonprofits, and corporations. Kestrel certifies that there is no affiliation, involvement, financial or non-financial interest in the issuer or the projects discussed. Accredited as an Approved Verifier by the Climate Bonds Initiative, Kestrel is qualified to evaluate bonds against the Climate Bonds Initiative Standards and Criteria.