

Sustainability at CalSTRS

CalSTRS defines sustainability as the framework that governs our organizational business culture. Objectives derived from this framework are fully integrated into our everyday business practices at every level of our business operations. Additionally, CalSTRS recognizes that environmental, social and governance issues can impact a company's ability to generate returns and therefore must be fully integrated with rigorous fundamental equity analysis to achieve optimal, long-term investment results. Environmental, social and governance issues being considered encompass but are not limited to climate change, human rights, board diversity, water scarcity and energy efficiency.

Integration of ESG Factors into the Investment Process

More than 20 years ago, CalSTRS developed a Statement of Investment Responsibility to help define the role of sustainable investment decisions. Ten years ago, at the direction of the CalSTRS Teachers' Retirement Board, the CalSTRS Environmental Program was formalized through the development of a four-pronged plan that included structuring an environmentally focused equity program, targeting private investment in clean technologies, auditing the real estate portfolio efficiency to increase long-term value, and demanding environmental accountability and disclosure from portfolio investments.

- In 2005, CalSTRS formalized an Environmental Program.
- In 2006, CalSTRS' Corporate Governance Unit was tasked with making climate risk management one of its principal focuses.
- First adopted in 2006 by the Teachers' Retirement Board, CalSTRS developed a formal divestment policy to facilitate appropriate response to divestment initiatives presented to the fund.
- In 2008, CalSTRS became one of the first North American pension funds to formally integrate environmental, social and governance considerations into its investment policies when it adopted the Investment Policy for Mitigating ESG Risks.

CalSTRS Commitment to Sustainable Policy

- CalSTRS is a member of the Investor Network on Climate Risk – a leading network of 100 U.S. institutional investors, representing more than \$10 trillion, addressing a policy agenda that calls on governments and regulators to introduce carbon pricing and disclosure, so that risks can be addressed effectively. This is part of a global effort among investors worth \$24 trillion that have signed and supported the United Nations Statement on Climate Change.
- CalSTRS is a signatory of the United Nations-supported Principles for Responsible Investing (PRI) and helped craft its six tenets that serve as a guide for investors to better understand the implications of sustainability and how to incorporate these issues into their investment decision making and ownership practices.
- CalSTRS is also part of the CERES-led Carbon Asset Risk Initiative that draws together 70 global investors managing more than \$3 trillion of collective assets. The initiative asks 45 large oil and gas, coal and electric power companies to assess the financial risks that climate change poses to corporate business plans – companies on the list include ExxonMobil, Royal Dutch Shell, BHP Billiton, Rio Tinto and Vale.