

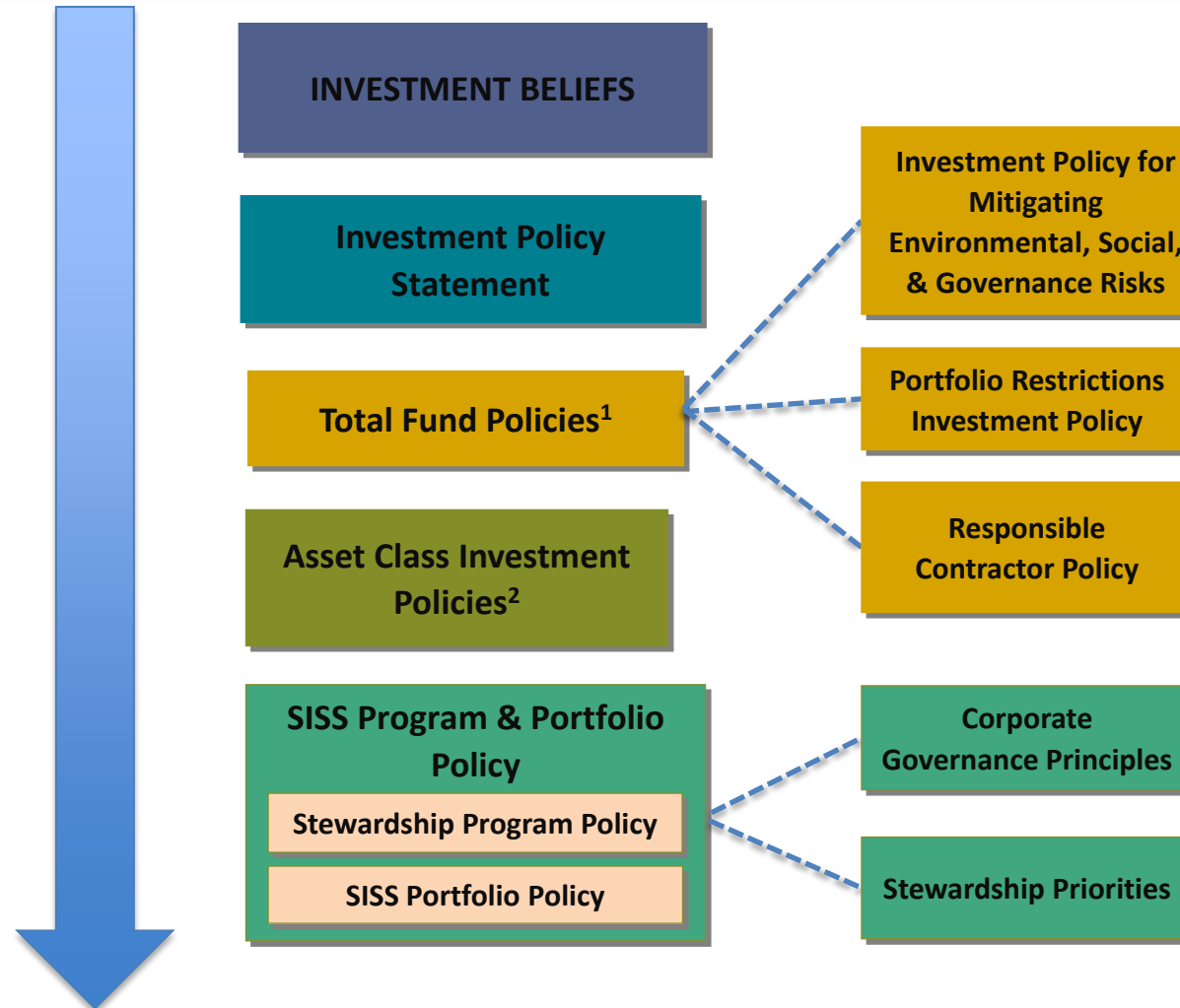


Sustainable Investment & Stewardship Strategies

Corporate Governance Principles
Stewardship Priorities

January 11, 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

Board Diversity

Board Competency

Compensation

Sustainability
Disclosures

International
Sustainability
Standards Board

Human capital
management
disclosure

Shareholder Rights

*Protect shareholder
rights when
necessary*



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

Highest Emitters

Climate Action 100+

'Priority 45' Companies

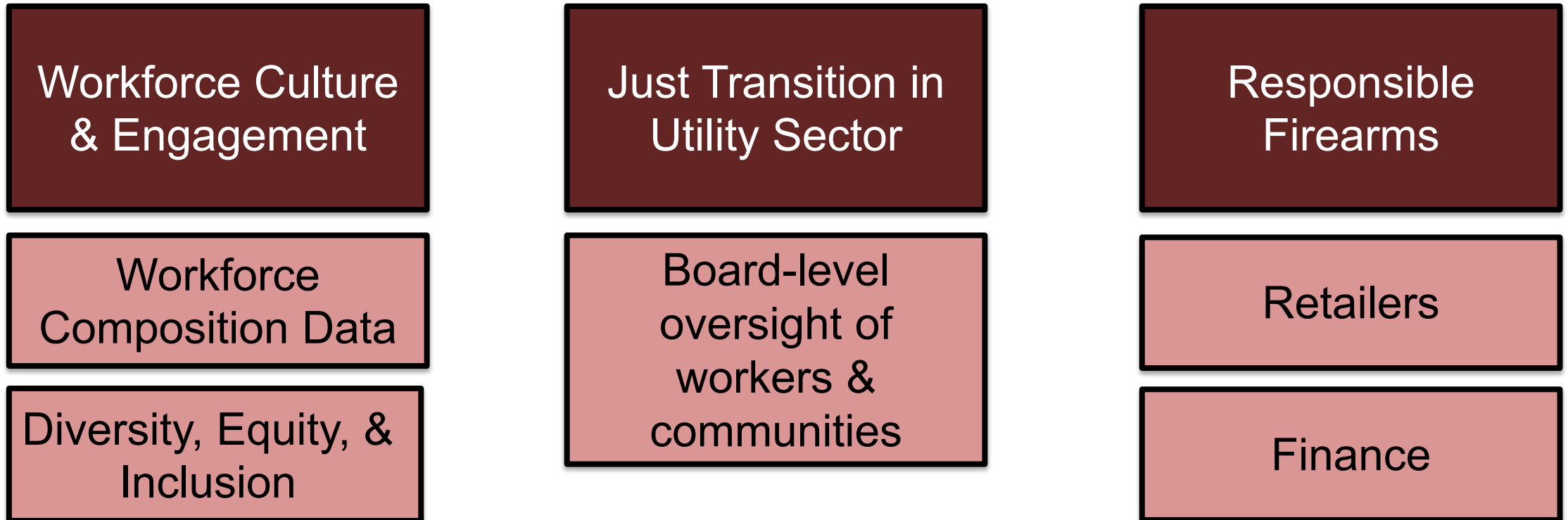
Methane Mitigation

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**



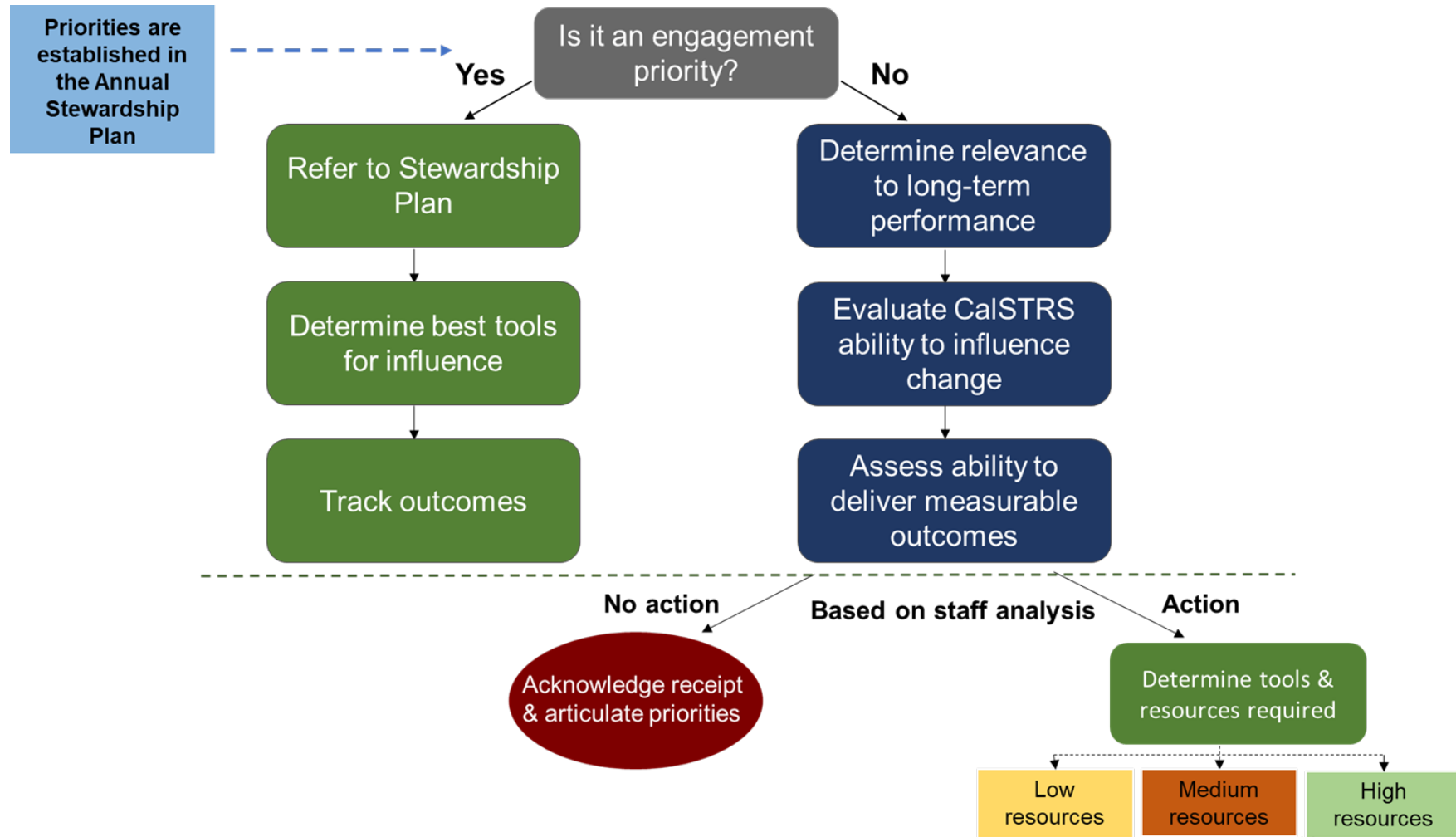
Companies
implement changes
to disclosures,
processes &
practices



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?