

SISS Private Portfolio Strategy Snapshot

July 26, 2023

CALSTRS®

SISS private portfolio – purpose and thesis

Deliver positive risk-adjusted returns by taking advantage of material sustainability-related economic and financial shifts

1 Aligned

- Expand strategic partnerships and build direct/internal investing capabilities through a systematic platform aligned with the Collaborative Model and CalSTRS strategic priorities: net zero & DEI

3 Sustainable

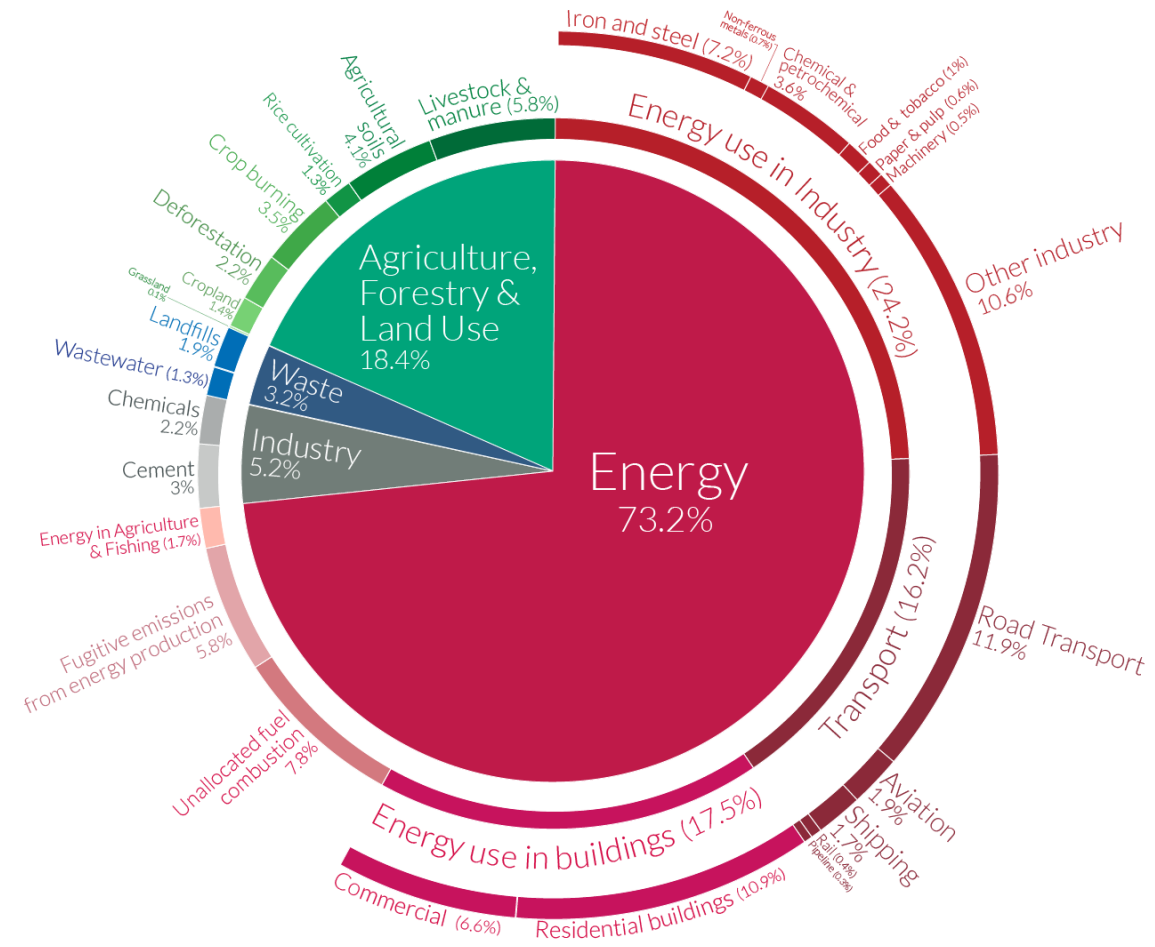
- Track and measure outcomes that demonstrate positive contributions to a more sustainable global economy

2 Flexible

- Invest opportunistically across asset classes and capitalize on cross-disciplinary insights/expertise relating to the low-carbon transition at the intersection of finance, economics, policy, technology and science

4 Catalytic

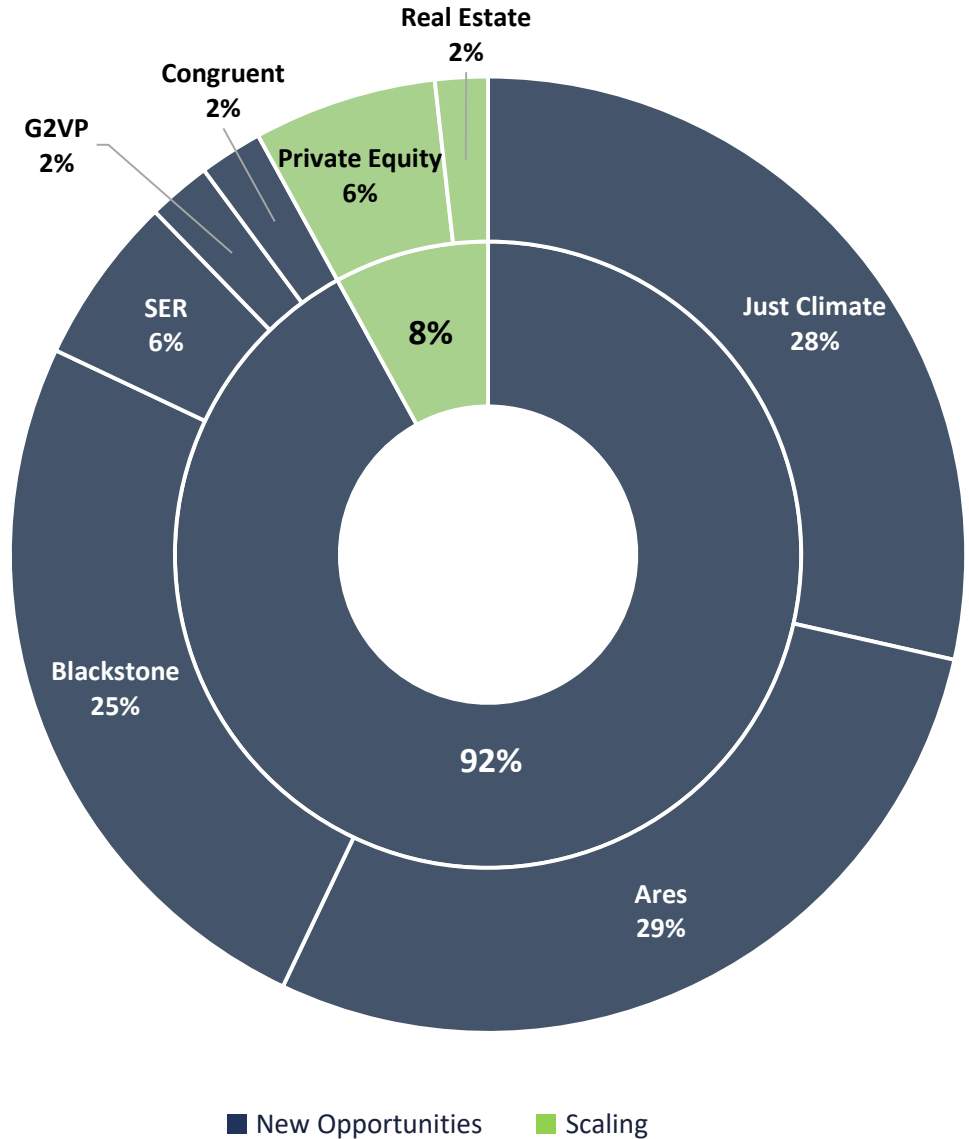
- Be a change agent within CalSTRS and externally with our partners to further CalSTRS' sustainable investment objectives



GLOBAL GREENHOUSE GAS EMISSIONS BY SECTOR
Source: Climate Watch & the World Resources Institute (2020)

SISS private portfolio – current composition

Commitments since inception (Q4:21): \$1.4 billion



SISS Private Portfolio has 2 components:

New Opportunities Portfolio:

- SISS-led investments into sustainable investment opportunities additive to Total Fund.
- SISS Private Portfolio team leads origination, diligence and investment decisions.

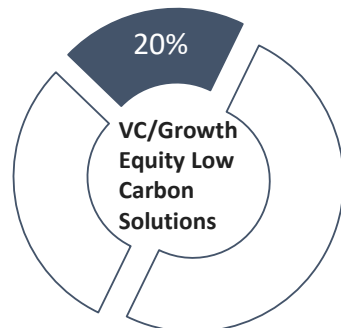
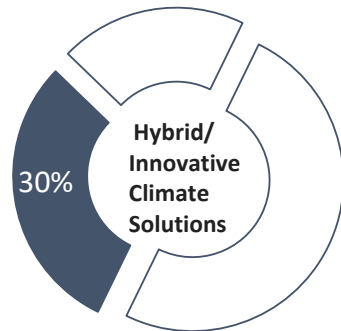
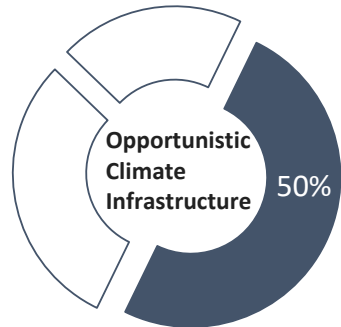
Scaling Portfolio:

- Investments originated alongside CalSTRS Private Equity, Real Estate, and Inflation Sensitive teams.
- Joint diligence between teams; allocations split between teams.

New Opportunities expected to comprise majority of SISS Private Portfolio, while **Scaling** investments will be invested on opportunistic basis.

SISS private portfolio – investment mandate & focus

Target profile of investments across three risk-return allocations



Description	Sector Exposure
Opportunistic Climate Infrastructure – Target IRR: 10-15%	
<ul style="list-style-type: none"> • Sustainability focused real-asset investments with structured downside protection and stable cashflows. • Primary focus on clean energy and decarbonization solution investments. • Sectors with existing commercial operating models but where capital is required to scale solutions. 	<ul style="list-style-type: none"> • Clean energy solutions <ul style="list-style-type: none"> ○ Renewables (Solar, Wind, Battery Storage) ○ Grid transmission and distribution • Decarbonization solutions <ul style="list-style-type: none"> ○ Carbon capture & storage ○ Biofuels (Renewable Natural Gas, Sustainable Aviation Fuel) ○ Hydrogen • Circular Economy
Hybrid/Innovative Climate Solutions – Target IRR: 15-20%	
<ul style="list-style-type: none"> • Unique structures and risk/return profiles that may not fit ‘neatly’ into other asset classes. • A blend of company investments and real-assets that intentionally decarbonize heavy emitting sectors. • Mix of growth equity and structured downside protection with some contracted cash flow. 	<ul style="list-style-type: none"> • Hard-to-abate emissions sectors <ul style="list-style-type: none"> ○ Energy ○ Industry ○ Mobility ○ Buildings • Nature-focused climate solutions to mitigate climate change: <ul style="list-style-type: none"> ○ Preservation ○ Mitigation ○ Restoration
VC/Growth Equity Low Carbon Solutions – Target IRR: 20%+	
<ul style="list-style-type: none"> • Technology-enabled low-carbon solutions focused on early-stage companies in large and growing Total Addressable Market (TAM). • Focus on solutions not contingent on binary policy outcomes or subsidies. • Sectors with large emission profiles where end-users seek cost-effective solutions to reduce emissions. 	<ul style="list-style-type: none"> • Mobility & urbanization • Energy transition (capital light) • Food & Agriculture <ul style="list-style-type: none"> ○ Restoration ○ Mitigation ○ Innovation • Sustainable production & consumption