

## Divestment at a Glance

Interested parties are calling on CalSTRS to divest from fossil fuels. We agree climate change poses urgent risks. At the September 2021 Teachers' Retirement Board Investment Committee, the board pledged to achieve net zero greenhouse gas emissions in the CalSTRS Investment Portfolio by 2050 or sooner. This pledge recognizes that climate change affects the whole economy and every asset class in our portfolio.

Our goal is to protect the Teachers' Retirement Fund from all risks to our portfolio, which includes the impacts of climate change, while also securing the financial future for California's public educators. Divestment from fossil fuels ignores the larger climate risks from different sectors that we're working to address and also diverts resources from our ongoing efforts to achieve net zero.

We consider the following factors when reviewing risk and return as they relate to our investments in fossil fuel companies:

### Diversification

- Diversification protects the fund in different market conditions brought on by economic, social and political events.
- Divestment from an entire sector fails to acknowledge and appreciate the significant differences in individual company strategies, even within the same sector and sub-sector.

### Climate change affects all sectors of the global economy

- A narrow focus on the fossil fuel industry only captures a portion of a much larger emissions reduction challenge.

### Global fossil fuel demand

- Population increases and economic progress in emerging economies are correlated with higher energy demand.
- Emerging economies continue to rely on fossil fuels to attain a basic level of services and a higher standard of living.
- The world will continue to rely on fossil fuels for several decades, despite significant increases in renewable energy.
- Immediately meeting the world's growing energy demand from renewable sources is not plausible.

## Scaling of emerging technologies

- New technologies must evolve so they are viable on a global scale and support the transition to a low-carbon future.
- Significant infrastructure improvements are required to enable and support these emerging technologies.
- Investors are engaging fossil fuel companies to use their technical expertise, existing infrastructure, capital and global reach to support the realization and adoption of essential new low-carbon technologies.

## Geopolitics and the role of state-owned oil and gas companies

- It's important to engage with publicly traded oil companies because their practices heavily influence state-owned oil companies that produce most of the world's oil.
- The world's response to climate change requires a transformation of the entire energy sector.

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## Final reflections

Our mission is to secure the financial future of California's public school educators. We began investing in climate solutions in 2004, never wavering in our belief that investing in climate-related strategies supports the retirement security of our members.

## Our climate-related activities

Since divesting from fossil fuel does not reduce greenhouse gas emissions and does not address the myriad factors that contribute to climate change, we focus on accelerating the shift to net zero through our comprehensive long-term strategy and short-term goals.

➤ Learn how we're supporting an orderly transition to a low-carbon economy.



### Path to net zero webpage

Scan to find out how we integrate net zero strategies across the CalSTRS Investment Portfolio.



### Net zero video

Scan to learn how important mitigating climate risks is to the long-term health of our pension system.



### Addressing climate change infographic

Scan to see some of our recent climate-related investments and stewardship activities.

