

CalSTRS Net Zero Portfolio Emissions Pledge

As approved at the September Investment Committee meeting, there are four important steps in our path toward portfolio net zero emissions by 2050 or sooner: 1) Pledge, 2) Plan, 3) Proceed, and 4) Publish. Below is the language that the Committee adopted:

PLEDGE: (Adopted):

CalSTRS recognizes the risks and opportunities presented by the foreseeable transition to a low-carbon economy, as well as the global acceleration towards alignment with the science-based emissions targets of the Paris Climate Agreement. In order to provide sustainable benefits to California’s educators, CalSTRS is committed to achieving a net zero investment portfolio by 2050 or sooner.

PLAN: (In Progress): Implement a commitment through a net zero action plan with three core components:

- **RISK measurement and management:** build on the transition readiness assessments already underway to estimate current portfolio emissions, to establish a baseline for interim emissions reduction goals to 2050.
- **RETURN opportunities:** expand investments in low-carbon solutions that benefit from the transition to net zero and meet CalSTRS risk-return objectives.
- **INFLUENCE:** continue stewardship activities to challenge and engage policy makers and companies, in collaboration with global investor peers, to take actions to achieve a net zero economy by 2050 or sooner.

PROCEED: (In Progress): Establish a set of actions for the next year focused on **five** key areas:

1. Internal governance structures
 - a. Adopt decision-making processes to ensure clarity for Investment staff leadership across asset classes.
 - b. Leverage, and as necessary re-purpose, the Green Initiative Task Force (or ‘Green Team’) to train and direct staff in operationalizing a path to net zero.
2. Methodologies and frameworks to support net zero commitments
 - a. Review all existing methodologies and frameworks to inform the most appropriate net zero strategies for different asset classes.
 - b. Determine any required external expertise, including identifying, procuring, and hiring expert external consultants as needed, to guide strategy.
3. Portfolio emissions measurement

- a. Estimate current portfolio emissions across asset classes, where possible within the year, to establish a baseline for initial interim goals.
4. Interim goals
 - a. Set interim goals, informed by baseline emissions estimates, that support the three components of the net zero action plan (Risk, Return and Influence) and align with CalSTRS investment policies and overall risk-return objectives.
 5. Communications
 - a. Create a communications plan to effectively educate and inform members, stakeholders, and the investment community about CalSTRS net zero path.

PUBLISH: (In Progress): Provide and encourage regular reporting on the progress toward net zero by:

- Leveraging existing reporting mechanisms to report on CalSTRS' progress implementing a net zero action plan.
- Continuing to advocate for improved corporate climate-related reporting and disclosure in alignment with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the metrics and targets of the Sustainability Accounting Standards Board (SASB), by the Securities and Exchange Commission (SEC) and other global regulators.