CALSTRS
INVESTMENTS

INVESTMENT COMMITTEE
SEMI-ANNUAL ACTIVITY REPORT

Sustainable Investment and Stewardship Strategies

As of June 30, 2026

SISS Portfolio

Portfolio Description

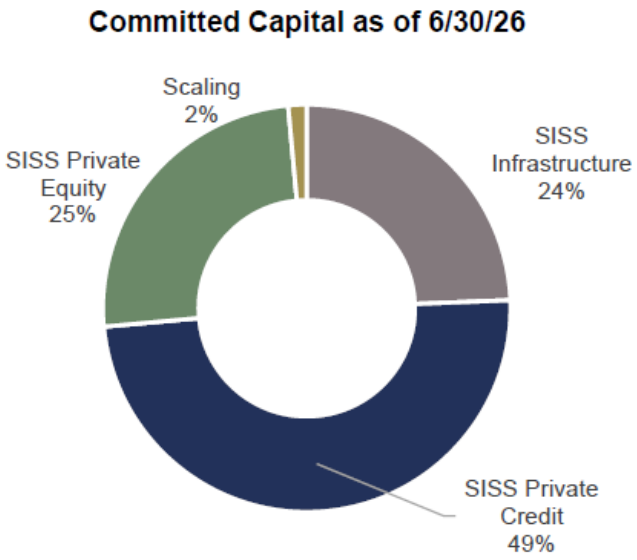
The Sustainable Investment and Stewardship Strategies Portfolio is one component of the overall Sustainable Investment and Stewardship Strategies division. The portfolio serves as a source of long-term capital appreciation and opportunistically increases exposure to climate solutions that are additive to the total fund and demonstrate positive contributions to a more sustainable global economy. The portfolio is currently part of the Collaborative Strategies Portfolio and seeks to:

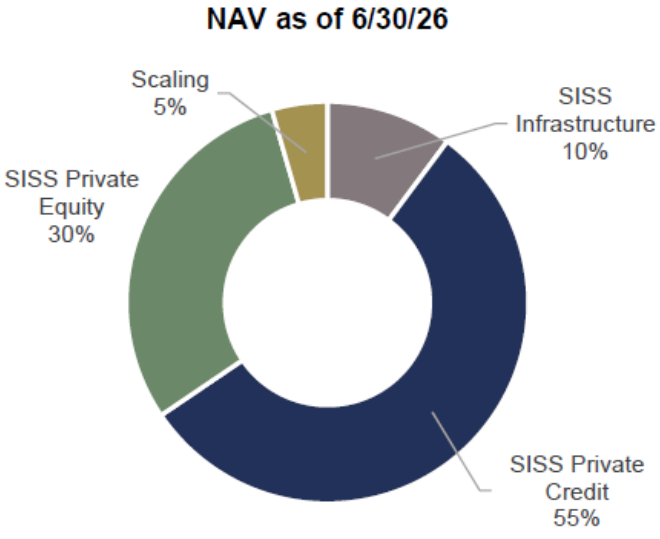
- Explore and incubate new sustainability-focused partnerships that take advantage of unique alpha opportunities that may not fit neatly in other asset classes. Investments broadly fall into private credit, private equity, and infrastructure strategies.
- Leverage existing partnerships with other asset classes to advance the goals of the Collaborative Model and the One Fund Approach and increase sustainability-focused co-investment and joint venture opportunities.

Given the SISS Portfolio's recent inception[1], many investments are early in their investment clycle and thus performance is still emerging. As of June 30, 2026, 21 of the 33 active SISS investments were held at or above cost, representing 72.3% of total capital deployed.

The SISS Portfolio balances defensive, yield-generating positions in private credit and infrastructure investments with higher-growth private equity opportunities. Diversification by geography, sector, vintage, and maturity reduces exposure to any single market or policy environment. As of June 30, 2026, the SISS Portfolio had a $3.45 billion NAV and $10.2 billion in committed capital across each of the three risk and return profiles.

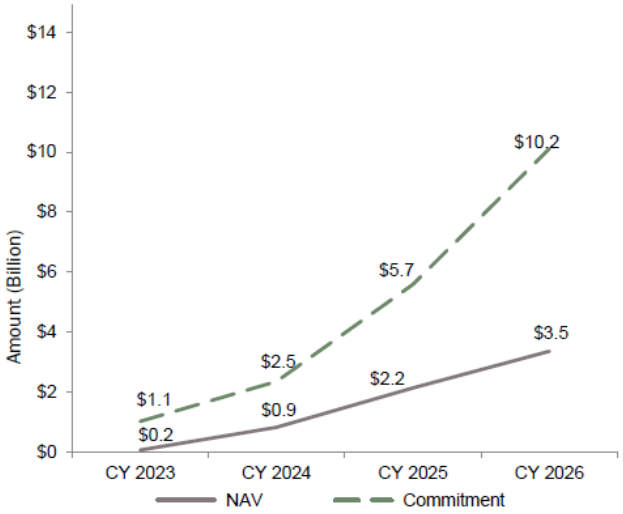
Portfolio Metrics and Activity





[1] Inception date of the Portfolio's initial investment was October 2021

Portfolio NAV, Commitment, & Cashflows (as of June 30, 2026)



SISS Portfolio Metrics[1]	
Commitment	$10.2B
NAV	$3.45B
Contributions	$3.6B
Distributions	$150M
Internal Rate of Return (IRR)	NM[2]
Total Value-to-Paid In (TVPI)	NM[2]
SISS allocation as % of Total Fund	0.8%

[1] Since inception to June 30, 2026
[2] Not Material

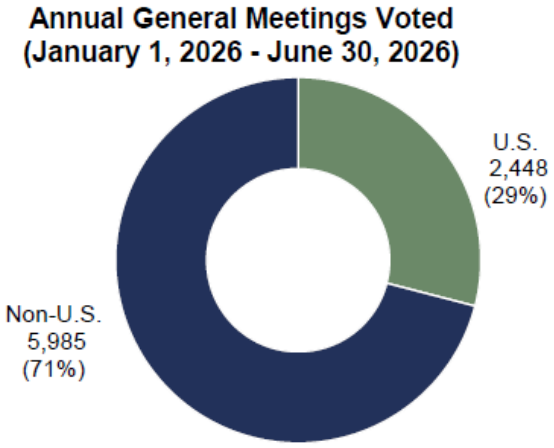
Co-Investments Made Six Months Ending June 30, 2026 (In Millions):

Co-Investment Name	Partner	SISS Sector	Geography	Size ($M)
SISS GEN COINVEST	Generate	Energy	North America	$25
KKR KSAC CFV	KKR	Energy	North America	$100

Stewardship

Proxy Voting

We treat shareholder proxy votes as plan assets. The execution of proxies serves our core mission of seeking to enhance shareholder returns and improve the functioning of the financial markets for all investors. When voting proxies, we use analysis and judgment in conjunction with CalSTRS Corporate Governance Principles. We post our proxy votes at CalSTRS.com prior to a company's annual general meeting.



In the U.S., staff voted on a variety of issues, in alignment with the CalSTRS Corporate Governance Principles, including:

15,570 director votes
2,297 auditor ratification votes
2,083 executive compensation plans
116 mergers/acquisitions
398 shareholder proposals

Engagement Highlights

Sustainable Investment and Stewardship Strategies engagements seek to influence companies, regulatory agencies, and legislative bodies driving and protecting value for investors. Adopted by the board every three years, our three core Stewardship Priorities are: corporate and market accountability, net zero transition, and workforce and communities.

During the period, staff held 169 **direct engagements** with companies. Engagement activity and outcomes aligned with CalSTRS Stewardship Priorities are regularly reported in the quarterly Engagements in Action. Some highlights include:

Engaging the Securities and Exchange Commission on multiple regulations

During 2026, the SEC published a series of rulemaking that could ultimately result in a less robust and transparent disclosure framework.

- The SEC launched an open-ended consultation on potential changes to Regulation S-K. This rule governs qualitative disclosure requirements of companies on a broad array of topics such as human capital management, executive compensation, ongoing legal proceedings and corporate governance practices. While the consultation did not indicate any specific changes being considered, the announcement by the SEC alluded to a desire to reduce disclosures it characterized as immaterial to a reasonable investor.

- The SEC also proposed a rule to consolidate the number of filing statuses available to companies from five to two. Filing statuses determine what information companies have to disclose and how quickly they need to disclose it. While the SEC characterizes the change as simplifying filing statuses and allowing reporting flexibility to small and mid-size companies, it will relax important company internal controls and provide investors with less disclosure to inform their decisions. For example, under the proposed rules, far fewer companies will be required to obtain auditor attestation of the effectiveness of internal control over financial reporting. This could reduce the reliability of company financial statements. Additionally, many more companies would no longer be required to disclose information related to the pay-versus-performance of company executives, which CalSTRS uses to determine if executives are appropriately compensated.

CalSTRS responded to the proposed rules stating these changes greatly decrease company disclosures which may ultimately harm investors due to less efficiently functioning markets and reduced flow of material information. In addition, the SEC does not offer data-driven evidence showing how these new rules would be of value to investors, which is not aligned with the SEC's mission. CalSTRS will continue to monitor corporate disclosure practices and engage companies to press for robust disclosure through this period of regulatory uncertainty.

Southern Company and the status of nuclear power in the U.S.

CalSTRS staff recently attended a meeting with Southern Company – one of the largest energy companies in the U.S. – to continue a dialogue that has been taking place over the past six years. CalSTRS leads engagement with Southern Company through Climate Action 100+, a global investor initiative to address climate-related financial risk at the world's largest greenhouse gas emitters. The meeting focused on the implications of expanded development of nuclear power in the U.S.

Southern Nuclear, a subsidiary of Southern Company, operates three major nuclear power plants in the Southeast, comprising six active reactors in Georgia and Alabama. These include Plant Vogtle and Plant Hatch in Georgia and Plant Farley in Alabama. Plant Vogtle units 3 and 4 are the first newly constructed nuclear units to enter commercial operation in the U.S. in more than 30 years and Vogtle is now the largest nuclear power plant and generator of clean energy in the country.

One of the key barriers to providing clean, reliable and affordable nuclear power to businesses and communities across the U.S. is establishing a reliable supply chain that can produce consistent, positive financial results. To be successful, this effort will require significant regulatory support and capital investment over the next decade. Engaging a large utility like Southern Company is key to identifying risks and opportunities for CalSTRS future investments in this sector and increase our understanding of U.S. power market dynamics.