Attachment 4 Investment Committee – Item 4b January 11, 2024

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## **CalSTRS Governance of Investment-Related Sustainability Risks and Opportunities**

INVESTMENT BELIEFS		<ul> <li>Investment Belief 7: Management of environmental, social and governance (ESG) factors can benefit long-term investors like CalSTRS.</li> <li>Investment Belief 9: Investment risks associated with climate change materially impact the value of the investment portfolio.</li> </ul>
Investment Policy Statement		Contains dedicated sections relating to Sustainability (2.3) and Human Capital Management (2.4).
Total Fund Policies <sup>1</sup>	Investment Policy for Mitigating Environmental, Social, and Governance Risks	Details 25 Risk Factors for partners and investment managers of CalSTRS to align on ESG risks, including climate change and worker rights. CalSTRS requires all investment managers, both internal and external, to assess the risk of each investment against these factors on an annual basis.
	Portfolio Restrictions Investment Policy	Provides a prudent process to restrict, exclude, or exit holdings subject to the fiduciary duty of the Investment Committee.
Asset Class Investment Policies <sup>2</sup>	Responsible Contractor Policy	Expresses CalSTRS focus on the condition of workers employed by CalSTRS and its advisors. CalSTRS supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors in Real Estate and Infrastructure investments.
SISS Program and Portfolio Policy	Corporate Governance Principles	Provides guiding principles to inform CalSTRS proxy voting and corporate engagement activities at publicly traded companies.
Stewardship Program Policy SISS Portfolio Policy	Stewardship Priorities	<ul> <li>Explains a set of priorities, established by the Investment Committee, to focus and optimize resources towards engagement with publicly traded companies.</li> <li>(<i>Pending Investment Committee approval in January 2024</i>):</li> <li>Corporate and Market Accountability</li> </ul>
		<ul> <li>Net Zero Transition</li> <li>Workforce and Communities</li> </ul>

<sup>1</sup>Total Fund policies directly related to sustainability risks and opportunities.

<sup>2</sup> SISS Program and Portfolio Policy specifically called out due to cross asset class sustainability-focused responsibilities.