



Overview of the SI 2030 Strategy (Board Education) July 15, 2024

SI 2030 Strategy | Objectives

- 1 Generate **outperformance** by investing in climate solutions and emerging and diverse managers
- 2 Increase **portfolio resilience** by fully integrating ESG analysis, including climate risk analysis
- 3 Implement a **path to Net Zero** through investments, engagement and advocacy
- 4 Promote greater **inclusion and representation** in the financial industry and the global economy
- 5 Build and promote **efficient and equitable** financial markets through advocacy and regulatory action

CalPERS' \$100 Billion Climate Action Plan

1

Increase investments in climate solutions with a 2030 target of \$100 billion, consistent with a more than 50% reduction in portfolio emissions' intensity.

2

Engage with our portfolio companies on their net zero plans. **Advocate** for actions that promote decarbonization.

3

Develop a process - subject to fiduciary duty and investment analysis - to potentially exit certain investments with companies that lack credible net zero plans.

4

Integrate climate risks into investment decisions to accelerate emissions reductions.

5

Enhance measurements and reporting of portfolio emissions.

Sustainable Investments Rationale & Positioning

- Why is this an important time in sustainable investing?
 - Midst of a climate revolution – 4th historically in the global economy and possibly largest. It will impact everything... Climate is one of 3 Megatrends. We must understand it, be proactive and capitalize on it. It will play out over the rest of the century...
- Why do we think we can generate outperformance?
 - Three reasons: 1. Unprecedented level of investment (\$1.7 tn in '23) plus new innovations (Driver: new \$), 2. Resource efficiency gainers and providers (Driver: prices), 3. **Climate risk** awareness and adaptation – physical and business risk (Driver: calamity, consumer behavior, regulation)
- Sustainable Investments Unit Role:
 - Equip the CalPERS Investment Office (Invo) with the tools and knowledge to profitably and prudently navigate the transition to a low carbon economy now and over the decades to come.
 - Add value and work seamlessly across Invo by setting the sustainability strategy, providing climate expertise, being a knowledge center and resource to allow us to generate alpha, build a more resilient portfolio and position our portfolio to navigate the transition to a low carbon economy – all in the pursuit of our fiduciary duty and service to members.

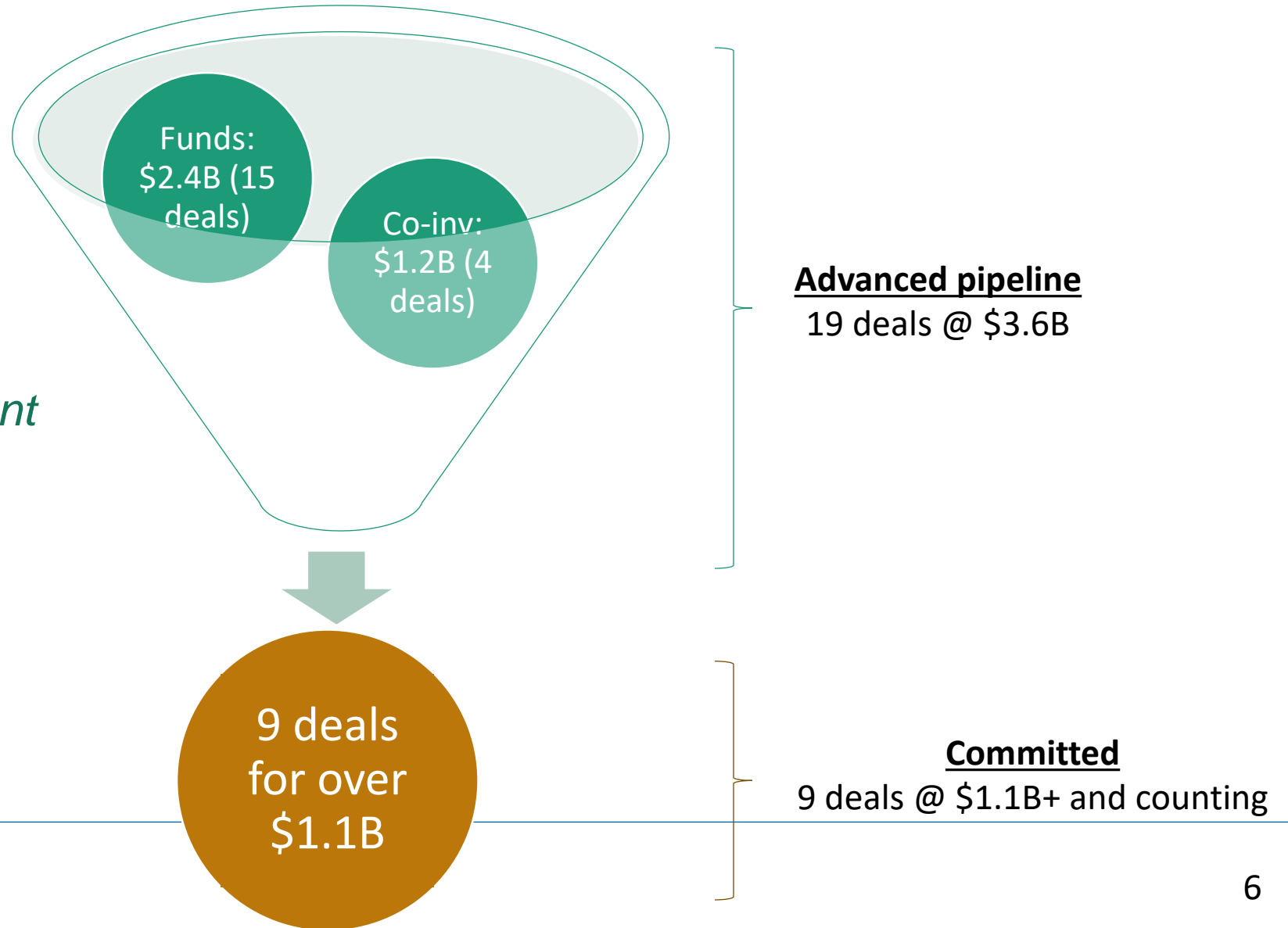
Sustainable Investments Update

Eventful and productive year for the Sustainable Investments (SI) front across Invo

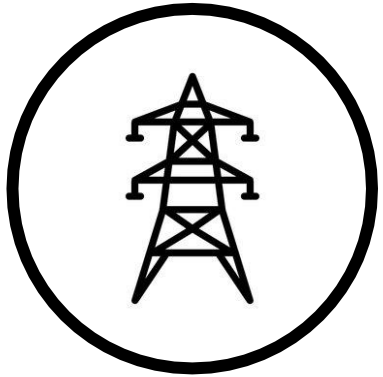
- Developed and launched the SI 2030 Strategy
- Major recruitment effort underway (+10 SI staff)
- Critically important advances on Human Capital: Labor Principles and Responsible Contractor Policy refresh
- ESG guideline & procedures update with Newport LLC - launch pending
- Emerging Manager program success and expansion
- Media and promotion of Invo SI success
- And of course – Investing towards \$100 billion – exciting progress to report

Investments Achievements to Date in Private Markets

In the first 6 months of the SI rollout, already significant investment progress



Investments to Date



Distribution



Energy company



Lithium-ion producer



Electric boats



Freight optimization platform



Wind turbines



Supply chain optimization



Logistics (fossil-free fleets)



Fund