

# California State Teachers' Retirement System Investment Reports

December 31, 2019

## Introduction

The California State Teachers' Retirement System (CalSTRS) is required to report to the Legislature on specific areas regarding the system's actions as they relate to specific investments and holdings. This report is submitted in compliance with the direction of the following statutes:

- Chapter 441, Statutes of 2011 (AB 1151-Feurer) - Iran.
- Chapter 671, Statutes of 2007 (AB 221-Anderson) - Iran.
- Chapter 442, Statutes of 2006 (AB 2941-Koretz) - Sudan.
- Chapter 341, Statutes of 1999 (SB 105-Burton) - Northern Ireland.

## Background

### CalSTRS

With over 100 years of experience and nearly \$247 billion of assets under management, CalSTRS is the oldest and largest educator-only pension system in the world. CalSTRS members include California public school employees, pre-kindergarten through community college, who teach, are involved in the selection and preparation of instructional materials, or are supervising persons engaged in those activities. CalSTRS members are employed by approximately 1,700 school districts, community college districts, county offices of education, regional occupational programs and charter schools. CalSTRS is administered by the 12-member Teachers' Retirement Board (board). The board sets the policies and is responsible for ensuring benefits are paid by the system in accordance with the law.

One of the board's core values is to ensure the strength of the retirement system by proactively addressing the risks of investing. This value permeates the investment portfolio, where the board has adopted the Investment Policy for Mitigating Environmental, Social, and Governance (ESG) Risks. The policy requires managers to consider multiple risk factors when investing for CalSTRS. A copy of the policy is included as [Attachment A](#).

### Legislative History

#### Iran

AB 221 (Anderson, Chapter 671, Statutes of 2007) enacted the California Public Divest from Iran Act, prohibiting CalSTRS and CalPERS from investing in companies with business operations in Iran, and requiring each pension system to sell or transfer any investments in a company with business operations in Iran. The bill also requires, when the U.S. repeals its sanctions against Iran,

the pension boards to notify the Secretary of State and repeal the prohibitions and requirements in this bill.

AB 1151 (Feuer, Chapter 441, Statutes of 2011) requires that any determination by CalSTRS that an action, as specified in the California Public Divest from Iran Act, fails to satisfy the fiduciary duty of the board, be made in a properly-noticed public hearing of the full board and that proposed findings be made public 72 hours before they are considered by the board.

### **Sudan**

AB 2941 (Koretz, Chapter 442, Statutes of 2006) prohibits CalSTRS and CalPERS from investing in companies with business operations in Sudan that are complicit in the Darfur genocide or have specified relationships with the Sudanese government or military and required the boards of both retirement systems to divest from such companies, consistent with their fiduciary obligations.

### **Northern Ireland**

SB 105 (Burton, Chapter 341 Statutes of 1999) mandates that CalSTRS report investments in companies operating in Northern Ireland and provide information on the corporations' efforts to achieve specific goals related to equal opportunity for employees. SB 105 requires CalSTRS, whenever feasible, to support shareholder resolutions designed to encourage corporations in which it has invested to pursue a policy of affirmative action in Northern Ireland.

## **Policy Review**

CalSTRS contracts with two external research firms, MSCI and IW Financial, to provide information relating to companies with operations in Iran and Sudan. Prior to 2017, CalSTRS contracted with MSCI for research on companies with operations in Northern Ireland. CalSTRS now performs this research internally.

In addition to the research firms, CalSTRS also receives information from governmental and non-governmental organizations (NGOs), such as the Conflict Risk Network, Amnesty International, Human Rights Watch, the American Israel Public Affairs Committee (AIPAC), United Against Nuclear Iran (UANI), the United States Government Accountability Office (GAO), the United States Department of the Treasury Office of Foreign Asset Control (OFAC), the United States Department of State, the California Department of General Services (DGS) and other public pension plans. The information from these sources is compiled, vetted and compared to the CalSTRS portfolio. After reviewing the information, staff determines which companies potentially meet the criteria of the statutes.

The companies identified are presented to the Committee on Responsible Investment (formerly the 21 Risk Factor Review Committee). The Committee on Responsible Investment consists of 13 senior staff members: the Chief Investment Officer, the Deputy Chief Investment Officer, the Chief Operating Investment Officer and other senior investment staff. In 2014, the committee adopted a charter, which is reviewed and revised annually, governing its operation and scope of duties ([Attachment B](#)). The committee reviews the companies identified to determine if they meet the requirements of the law. Companies that are determined to meet the requirements of the law and require divestment are placed on restricted or related securities lists, as noted in this report.

After placing the companies on the respective lists, the list of restricted securities is sent out to all of CalSTRS' managers and index providers.

Furthermore, CalSTRS engages with all the companies on the Sudan and Iran-related securities lists in which the system has holdings. When a company is identified as potentially meeting the requirements of an applicable law, CalSTRS sends a letter requesting information on the company's ties to the respective restricted area (Attachments C & D). In addition to the letter, CalSTRS makes every attempt to meet with senior executives of the company. All the companies are annually sent a letter requesting an update of the company's operations in those restricted areas specified in statute (Attachments E & F).

In addition to the companies in its portfolio, CalSTRS continually monitors its portfolio for the companies it does not hold that have been designated as possibly problematic. If securities of these companies enter the portfolio, the Committee on Responsible Investment is notified, and the engagement process is started. Furthermore, the Private Equity and Real Estate groups are updated with the lists of restricted securities and review their portfolios to monitor for possible related securities.

Lastly, CalSTRS continues to work with groups such as the Conflict Risk Network, Principles for Responsible Investment (PRI), and Global Compact to improve transparency and encourage corporations to act responsibly when operating or engaging within conflict-prone areas.

## **Planned Actions**

CalSTRS intends to maintain its relationships with independent research providers and to continue to review publicly-available information regarding investments with ties to the restricted areas. CalSTRS also plans to continue the research and engagement process indefinitely. If there are investments in the portfolio that fall within the terms of the statutes, and the board finds that it is consistent with its fiduciary duty, those investments will be eliminated.

## **Response to Iran Risk**

As directed by AB 221, CalSTRS identified and created a list of companies noted as having some level of or possible business ties to Iran, such as operations in the energy, nuclear or defense industries. These distinctions provide the assessment framework and support the qualitative aspect of CalSTRS' process. The initial CalSTRS list was divided into three sections of various levels of involvement and holding levels. The list was based on the information provided by independent research providers, NGOs and investment staff engagement work.

President Obama signed Executive Order 13590 and H.R. 1905 (The Iran Threat Reduction and Syrian Human Rights Act of 2012) on November 21, 2011, and August 10, 2012, respectively, which strengthened and expanded sanctions against Iran beyond those specified in California statute. In applying the CalSTRS Investment Policy for Mitigating ESG Risks, CalSTRS expanded its research to comply with federal sanctions, which increased the number of companies being reviewed and, in some cases, triggered the reevaluation of previously-reviewed companies.

On July 14, 2015, P5+1 (the five permanent members of the United Nations Security Council plus Germany), the European Union and Iran reached an agreement known as the Joint Comprehensive Plan of Action (JCPOA), which was designed to ensure Iran's nuclear program would be exclusively peaceful. The JCPOA became effective on October 18, 2015, and participants began preparations for implementation. On January 16, 2016, the JCPOA was implemented after the International Atomic Energy Agency (IAEA) verified that Iran had implemented key nuclear-related measures described in the JCPOA. While the JCPOA offered sanction relief, it only removed the sanctions imposed after the adoption of AB 221. Accordingly, it did not affect the status of any of the companies CalSTRS had divested or restricted.

In accordance with implementation of the JCPOA, OFAC issued general waivers for business in Iran. The issuance of the waivers led to news reports and speculation that several of the largest European companies were considering doing business in or with Iran. Additionally, sanctions relief made it possible for independent foreign subsidiaries of U.S. companies to do business with Iran. CalSTRS was concerned that these companies, which are not currently divested or restricted, may take advantage of OFAC waivers without fully evaluating the risks.

On October 13, 2017, President Trump announced that he would not certify Iran's compliance with the terms of the JCPOA. While not ending the deal, the decertification sent the deal back to Congress for a 60-day review period to reapply sanctions. Then on May 8, 2018, President Trump formally withdrew from the JCPOA and began the process to reinstate sanctions on Iran with the sanctions being fully restored on November 6, 2018.

On May 18, 2018, the European Union Commission initiated blocking statutes to preserve the interests of European companies investing in Iran and to enable the European Investment Bank (EIB) to finance activities in Iran, demonstrating the EU's commitment to the JCPOA. The blocking statutes were further updated on June 6, 2018 and took effect on August 7, 2018. Then on July 6, 2018, a meeting of the Joint Commission of the JCPOA convened in Vienna and all remaining parties to the deal reiterated their commitment to the full and continued implementation of the nuclear deal. They supported recent efforts to maintain the normalization of trade and economic relations with Iran.

Although the United States did not directly challenge the blocking statutes or policies it made clear that companies were deciding between doing business with Iran or doing business with the United States, as articulated in a August 7, 2018 tweet from President Trump. and a November 5, 2018 telephone briefing with Brian Hook, Senior Policy Advisor to the Secretary of State, and U.S. Special Representative for Iran.

November 5, 2018 President Trump granted waivers to eight jurisdictions to continue importing oil from Iran after U.S. sanctions were reimposed on the country. The waivers allowed the eight designated jurisdictions more gradually reduce their purchases of Iranian crude after than the standard 180 days granted when sanctions when the United states withdrew from the JCPOA in May.

May 5, 2019 President Trump, under a policy of "Maximum Pressure" and an effort to drive Iranian oil exports to zero, determined not to renew waiver permitting eight countries the ability to purchase Iranian crude oil.

## Investments Identified

An initial list comprised of 23 companies identified as having some level of business ties to Iran was presented to the board in June 2008 and included three companies that were already restricted under the Sudan Divestment law, 18 companies that were under review and two companies that were being monitored but were not held within CalSTRS' portfolio.

As of October 4, 2008, CalSTRS' had divested from PetroChina, Petronas, Sinopec (Kunlun Energy, formerly CNPC Hong Kong), and MISC Bhd, all of which were restricted under AB 2941, the Sudan divestment bill. In October 2012, the Committee on Responsible Investment added CNOOC (Chinese National Offshore Oil Company) to the list of restricted securities and CalSTRS divested its holdings accordingly. In June 2013, CalSTRS added China Blue Chemical Ltd. to the restricted list and divested holdings of the company. In December 2014, CalSTRS added China Oilfield Services to the restricted list and divested holdings in the company. In January 2015, the committee added Indian Oil and Oil India to the list of restricted securities. In November 2015, the committee determined to divest and restrict holdings of Doosan Corp as well as Doosan Infracore and Doosan Heavy Industries related companies. In November 2018, CalSTRS received a request from Daelim Industrial to review the company's "Divested and Restricted" designation. After receiving confirmation that Daelim Industrial has curtailed its ties to Iran and reviewing the company's internal controls for sanctions compliance CalSTRS removed the company from the list of Iran-related securities. In October 2019, following OFAC sanctions of a subsidiary CalSTRS added COSCO Shipping Energy Transportation to the restricted list and divested holdings in the company.

At this time, CalSTRS has identified 61 companies with ties or possible ties to Iran, as shown in Attachment G. Currently, 12 companies are subject to the most severe restrictions under the law and are listed on the "Divested and Restricted" tier. In addition, there are 14 companies listed in the second tier as "Under Review" to determine if the criteria for divestment under the legislation has been met. After the review is complete, these companies will be classified as "Divested and Restricted," "Being Monitored" or "Removed" from the list.

CalSTRS is monitoring 15 companies in its portfolio that have ties to Iran or concerns regarding Iran under our Investment Policy for Mitigating ESG Risks but do not meet the requirements of the law. CalSTRS maintains these companies in the third tier as "Being Monitored."

Lastly, over the past year, CalSTRS has removed 20 companies that were "Divested and Restricted," "Under Review" or "Being Monitored" categories for ties to Iran, including companies that were both identified and removed within the year. While these companies have been removed, they continue to be monitored by CalSTRS third-party research firms and will be subject to the law if new information is discovered. Moreover, CalSTRS continues to monitor the portfolio for both investments with new ties or companies with existing ties entering the portfolio. [Attachment G](#) lists the companies in all four categories.

All asset classes were reviewed for any investments that could have ties to Iran. Only the Global Equities and Fixed Income asset classes were found to have investments potentially affected by the law.

## **Actions Taken**

CalSTRS continues to monitor the situation with regards to Iran and engage companies identified as having ties to the country. Additionally, staff attends the annual U.S. Treasury OFAC symposium on sanctions compliance to better understand the state of sanctions and U.S. foreign policy.

## **Response to Sudan Risk**

Prior to the enactment AB 2941, CalSTRS identified a list of 24 companies with some level of business operations in Sudan. The legislation defined “active business operations” as a company engaged in oil-related business operations or business operations that provide revenue to the government of Sudan. Those distinctions provide an assessment framework and support the qualitative aspect of CalSTRS’ process. The initial list was divided into four sections of various levels of involvement and holding levels. The list is fluid and subject to change with market fluctuations. and at any time, a company may be under review or monitored. The initial list was based on the list contained in the University of California Regents’ April 2006 Investment Committee agenda item. The initial list has been updated based on data provided by CalSTRS’ independent research contractors, NGOs and engagement work.

On October 12, 2017, the United States formally removed most sanctions on Sudan. While most sanctions have been lifted, the country remains on the U.S. Department of State’s list of State Sponsors of Terrorism. The restrictions on military equipment and the sanctions related to the Darfur and South Sudan programs remain in place. However, these sanctions represent a small portion of the overall sanctioned entities.

As Sudan remains on the Department of State’s list of State Sponsors of Terrorism, CalSTRS does not believe the actions fulfill the requirements to sunset AB 2941. However, CalSTRS is closely monitoring the situation and evaluating the impact on how the changes relate to the implementation of AB 2941 in relation to the Federal Sudan Accountability and Divestment Act of 2007 (SADA) and the fund’s fiduciary duties.

## **Investments Identified**

At the June 2006 Teachers’ Retirement Board meeting, staff presented a list of 24 investments that could have ties to Sudan. Companies were placed on the Sudan-related securities list in one of four sections: “Companies targeted for liquidation,” “Companies to closely monitor & still under review,” “Companies still under evaluation” and “Companies to monitor.” The list critically focused on 10 companies that fell within the definition of the statute. Since that time, three companies have been removed from the list and two companies have been added.

Currently, 10 companies are subject to the most severe restrictions under the law and CalSTRS has divested its holdings accordingly. These companies are listed on the “Divested and Restricted” tier in Attachment H. As of October 4, 2008, the CalSTRS portfolio has been free of PetroChina, Petronas, Sinopec (Kunlun Energy, formerly CNPC Hong Kong) and MISC Bhd, all of which were restricted under the Sudan Divestment law. Additionally, the CalSTRS portfolio has no

holdings in Bharat Heavy Electricals, Dongfeng Motor Group, Oil and Natural Gas Company of India, PECD Berhad and Sudan Telecom. In 2016, CalSTRS added AviChina to the list of restricted companies and divested all related securities. The portfolio has been free of AviChina since March 9, 2016.

In addition to the 10 “Divested and Restricted” companies, CalSTRS has three companies in the second tier listed as “Under Review” to determine if the criteria for divestment under the legislation has been met. Lastly, CalSTRS has identified 9 companies in its portfolio that have ties to Sudan but do not meet the requirements for divestment. CalSTRS maintains these companies in the third tier as “Being Monitored.”

Over the past year, CalSTRS has removed nine companies that were in either the “Under Review” or “Being Monitored” categories for ties to Sudan, including companies that were both identified and removed within the year. These companies are listed in the “Removed” tier and while these companies have been moved into this tier, they continue to be monitored by CalSTRS’ third-party research firms and will be subject to the law if new information comes forward. Moreover, CalSTRS continues to monitor the portfolio for both investments with new ties or companies with existing ties entering the portfolio. [Attachment H](#) lists the companies in all four tiers.

All asset classes were reviewed for any investments that could have ties to Sudan. Only the Global Equity asset class was found to have investments potentially affected by the law.

## **Actions Taken**

CalSTRS continues to monitor and engage with the companies on the Sudan related securities list. CalSTRS is monitoring and evaluating changes to federal policy and sanctions relating to Sudan and their impact on CalSTRS efforts.

## **The Cost of Divestment**

In addition to research and monitoring, the Committee on Responsible Investment tracks the estimated fiscal impact of divestment programs on the fund. As of November 30, 2019, CalSTRS had divestment mandates for tobacco, Sudan, Iran, firearms, thermal coal, and private prisons. Since fully divesting tobacco in 2010, firearms in 2013, U.S. thermal coal in 2016, non-U.S. thermal coal in 2017, and private prisons in 2018 the CalSTRS Investment Portfolio, which is benchmarked against custom indexes (indexes that exclude tobacco, firearms, thermal coal, private prisons, and geopolitical restrictions), has underperformed standard indexes (indexes that include securities restricted by CalSTRS) by 0.95 percent, which represents roughly \$2.38 billion.

Between June 2000 and January 2010, CalSTRS divested of tobacco in the system’s passive portfolios by removing the sector from benchmarks. Staff estimates the total compounded cost of all divestments and the prior restricting of tobacco under the prior benchmark modification policy cost the system approximately \$6.08 billion.

## **CalSTRS Report on Northern Ireland Related Securities**

CalSTRS staff compiled information from Northern Ireland’s Equality Commission and Irish National Caucus to identify companies with operations in Northern Ireland. Furthermore, staff attempted to confirm that the identified companies have made efforts towards inclusiveness in Northern Ireland.

## Investments Identified

The following lists are comprised of companies that have been identified as having ties to Northern Ireland. CalSTRS determined that it holds \$10,002,286,148 worth of equity with exposure to Northern Ireland, which represents 8.08 percent of CalSTRS’ equity holdings. Additionally, CalSTRS holds \$1,088,322,843 worth of bonds with exposure to Northern Ireland, which represents 3.51 percent of its fixed-income portfolio. In total, CalSTRS holds \$11,090,608,991 worth of securities with exposure to Northern Ireland, which represents 4.49 percent of the total fund.

CalSTRS identified 270 holdings representing 204 companies that have exposure to Northern Ireland but have taken substantial action towards inclusiveness by adopting the MacBride Principles or adopting a global human rights policy that substantially reflect the values of the MacBride Principles. The MacBride Principles consist of nine fair employment and affirmative action principles and are used as a corporate code of conduct for companies doing business in Northern Ireland.

| Company Name                  | Security Type | Shares / Face Value | Market Value 11/30/18 |
|-------------------------------|---------------|---------------------|-----------------------|
| 3M                            | Bonds         | 9,440,000           | \$9,919,178           |
| 3M                            | Stock         | 1,103,237           | \$187,296,545         |
| ADECCO GROUP AG               | Stock         | 366,737             | \$22,686,428          |
| AECOM                         | Bonds         | 300,000             | \$321,825             |
| AECOM                         | Stock         | 317,491             | \$13,756,885          |
| Aegion Corporation            | Stock         | 47,588              | \$1,030,756           |
| AGF MANAGEMENT LTD CLASS B    | Stock         | 303,770             | \$1,507,490           |
| Alimentation Couche-Tard Inc. | Stock         | 1,714,214           | \$56,088,643          |
| Allergan plc                  | Bonds         | 26,570,000          | \$28,215,042          |
| Allergan plc                  | Stock         | 589,557             | \$109,032,672         |
| ALLIANZ SE                    | Stock         | 1,068,440           | \$256,051,824         |
| Allied Irish Banks            | Bonds         | 310,000             | \$353,674             |
| Allstate Corporation          | Bonds         | 9,000,000           | \$9,685,010           |
| Allstate Corporation          | Stock         | 1,323,952           | \$147,422,055         |
| AON PLC                       | Bonds         | 6,000,000           | \$6,430,334           |
| AON PLC                       | Stock         | 748,919             | \$152,487,398         |
| Aramark                       | Bonds         | 3,218,142           | \$3,421,433           |
| Aramark                       | Stock         | 405,129             | \$17,679,830          |
| ASSOCIATED BRITISH FOODS PLC  | Stock         | 853,145             | \$28,350,030          |
| Astec Industries, Inc.        | Stock         | 42,309              | \$1,584,895           |

|                                 |       |             |               |
|---------------------------------|-------|-------------|---------------|
| ASTRAZENECA PLC                 | ADR   | 546,956     | \$26,516,427  |
| ASTRAZENECA PLC                 | Bonds | 14,000,000  | \$15,258,570  |
| ASTRAZENECA PLC                 | Stock | 1,697,152   | \$163,723,000 |
| ATOS SE                         | Stock | 173,368     | \$14,734,274  |
| Aviva plc                       | Stock | 8,302,278   | \$43,364,082  |
| AXA SA                          | Stock | 4,419,566   | \$120,339,096 |
| Babcock International Group PLC | Stock | 303,345     | \$2,316,593   |
| Banco Santander S.A.            | ADR   | 1,097,712   | \$4,248,145   |
| Banco Santander S.A.            | Bonds | 15,400,000  | \$16,446,864  |
| Banco Santander S.A.            | Stock | 35,834,736  | \$139,751,784 |
| Bank of Ireland Group Plc       | Stock | 1,018,727   | \$5,122,626   |
| Barclays PLC                    | Bonds | 29,750,000  | \$32,253,773  |
| Barclays PLC                    | Stock | 34,137,619  | \$75,746,960  |
| Bavarian Nordic A/S             | Stock | 36,950      | \$934,601     |
| Bidvest Group Limited           | Stock | 1,177,113   | \$16,305,100  |
| BNP Paribas SA                  | Bonds | 27,840,000  | \$29,279,052  |
| BNP Paribas SA                  | Stock | 2,441,017   | \$137,184,021 |
| Bombardier Inc.                 | Bonds | 12,761,000  | \$13,379,459  |
| Bombardier Inc.                 | Stock | 3,514,163   | \$5,212,047   |
| BOUYGUES S.A.                   | Stock | 789,655     | \$32,284,585  |
| BRENNTAG AG                     | Stock | 438,618     | \$23,412,060  |
| BRITVIC PLC                     | Stock | 727,917     | \$9,123,726   |
| Brunswick Corporation           | Stock | 260,016     | \$15,281,140  |
| BT Group plc                    | Bonds | 15,418,916  | \$38,205,443  |
| BT Group plc                    | Stock | 15,418,916  | \$38,205,443  |
| BUNZL PLC                       | Stock | 577,562     | \$15,860,438  |
| C & C GROUP PLC                 | Stock | 376,154     | \$1,897,566   |
| CANON INC.                      | Stock | 2,173,898   | \$60,148,945  |
| Capita plc                      | Stock | 2,005,340   | \$4,108,750   |
| Cardtronics plc                 | Stock | 112,456     | \$4,747,892   |
| Caterpillar Inc.                | Bonds | 25,749,000  | \$26,774,733  |
| Caterpillar Inc.                | Stock | 988,566     | \$143,075,157 |
| CCL Industries Inc.             | Stock | 256,254     | \$10,960,128  |
| Cisco Systems, Inc.             | Bonds | 23,000,000  | \$23,488,190  |
| Cisco Systems, Inc.             | Stock | 10,573,134  | \$494,928,403 |
| Citigroup Inc.                  | Bonds | 230,540,965 | \$247,456,684 |
| Citigroup Inc.                  | Stock | 4,712,050   | \$353,969,196 |
| City Lodge Hotels Limited       | Stock | 73,873      | \$408,361     |
| CK HUTCHINSON HOLDINGS LIMITED  | Stock | 10,498,167  | \$95,355,584  |
| CLOSE BROTHERS GROUP PLC        | Stock | 325,164     | \$6,254,319   |
| CME Group Inc.                  | Bonds | 3,000,000   | \$3,592,650   |
| CME Group Inc.                  | Stock | 749,141     | \$151,873,355 |

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|--|-------|------------|---------------|
| COCA-COLA HBC AG                                   | Stock | 923,845    | \$30,818,893  |
| Comcast Corporation                                | Bonds | 96,105,000 | \$107,233,417 |
| Comcast Corporation                                | Stock | 9,666,780  | \$426,788,337 |
| COMPAGNIE DE SAINT-GOBAIN S.A.                     | Stock | 2,246,788  | \$91,041,107  |
| Compagnie Generale des Etablissements Michelin SCA | Stock | 384,004    | \$46,108,577  |
| Computershare Limited                              | Stock | 2,131,912  | \$25,567,111  |
| Conduent, Inc.                                     | Stock | 364,844    | \$2,469,994   |
| Constellation Software Inc.                        | Stock | 53,565     | \$57,265,451  |
| Crane Co.  | Stock | 85,755     | \$7,123,668   |
| Cranswick plc                                      | Stock | 62,199     | \$2,518,224   |
| CRH Plc  | ADR   | 121,277    | \$4,644,909   |
| CRH Plc  | Bonds | 3,000,000  | \$3,180,083   |
| CRH Plc  | Stock | 20,109     | \$767,325     |
| CRH Plc  | Stock | 1,568,987  | \$60,081,701  |
| Dai-ichi Life Holdings, Inc.                       | Stock | 3,137,826  | \$50,515,818  |
| Dalata Hotel Group Plc                             | Stock | 220,117    | \$1,315,440   |
| Danske Bank A/S                                    | Bonds | 9,750,000  | \$10,455,037  |
| Danske Bank A/S                                    | Stock | 1,625,798  | \$21,967,131  |
| DART GROUP PLC                                     | Stock | 203,453    | \$3,900,128   |
| DCC Plc  | Stock | 291,891    | \$24,949,240  |
| Deutsche Post AG                                   | Stock | 1,698,492  | \$63,374,121  |
| DEUTSCHE TELEKOM AG                                | Bonds | 6,000,000  | \$7,213,395   |
| DEUTSCHE TELEKOM AG                                | Stock | 6,955,516  | \$116,847,227 |
| DFDS A/S   | Stock | 42,584     | \$1,798,527   |
| Diageo plc   | ADR   | 31,200     | \$5,099,328   |
| Diageo plc   | Bonds | 2,680,000  | \$2,777,710   |
| Diageo plc   | Stock | 3,340,138  | \$136,742,872 |
| Dixons Carphone PLC                                | Stock | 1,500,506  | \$2,395,077   |
| DSV A/S  | Stock | 628,661    | \$68,502,934  |
| ELECTROLUX AB SER B                                | Stock | 267,050    | \$6,865,856   |
| Elior Group SA                                     | Stock | 120,409    | \$1,542,706   |
| Emerson Electric Co.                               | Stock | 1,144,970  | \$84,567,484  |
| ESSILORLUXOTTICA                                   | Stock | 450,909    | \$70,101,306  |
| Estee Lauder Companies Inc.                        | Stock | 559,019    | \$109,271,444 |
| FERGUSON PLC                                       | Stock | 1,468,687  | \$127,701,010 |
| FERROVIAL SA                                       | Stock | 280        | \$8,320       |
| FERROVIAL SA                                       | Stock | 571,156    | \$16,971,945  |
| First Derivatives plc                              | Stock | 21,953     | \$704,226     |
| Frasers Group                                      | Stock | 258,137    | \$1,125,912   |
| Fujitsu Limited                                    | Stock | 1,246,027  | \$113,224,497 |
| G4S plc  | Stock | 12,403,407 | \$33,547,611  |
| Genpact Limited                                    | Stock | 324,140    | \$13,192,498  |

|  |           |            |               |
|--|-----------|------------|---------------|
| GENTING SINGAPORE                            | Stock     | 10,971,915 | \$7,421,859   |
| GLANBIA PLC                                  | Preferred | 4,063      | \$47,083      |
| GLANBIA PLC                                  | Stock     | 818,925    | \$9,535,119   |
| GLAXOSMITHKLINE PLC                          | ADR       | 423,705    | \$19,270,103  |
| GLAXOSMITHKLINE PLC                          | Bonds     | 24,000,000 | \$25,204,548  |
| GLAXOSMITHKLINE PLC                          | Stock     | 9,621,069  | \$218,282,788 |
| Hain Celestial Group, Inc.                   | Stock     | 140,013    | \$3,461,121   |
| Halfords Group Plc                           | Stock     | 234,460    | \$487,058     |
| HARVEY NORMAN HOLDINGS LTD                   | Stock     | 1,433,099  | \$4,168,198   |
| Hays plc                                     | Stock     | 2,319,623  | \$5,001,722   |
| HCL TECHNOLOGIES LIMITED                     | Stock     | 4,116,581  | \$64,709,009  |
| HEINEKEN HOLDING N.V.                        | Stock     | 156,817    | \$15,042,862  |
| HEINEKEN N.V.                                | Stock     | 499,143    | \$51,755,403  |
| HENNES & MAURITZ AB                          | Stock     | 1,460,091  | \$28,194,629  |
| Hewlett Packard Enterprise Co.               | Stock     | 4,238,779  | \$67,099,872  |
| HSBC HOLDINGS PLC                            | ADR       | 96,026     | \$3,577,929   |
| HSBC HOLDINGS PLC                            | Bonds     | 92,733,000 | \$98,808,682  |
| HSBC HOLDINGS PLC                            | Stock     | 26,735,823 | \$199,300,666 |
| Huhtamaki Oyj                                | Stock     | 141,098    | \$6,199,651   |
| Hyster-Yale Materials Handling, Inc.         | Stock     | 22,566     | \$1,336,584   |
| INDUSTRIA DE DISEÑO TEXTIL SA                | Stock     | 1,671,278  | \$52,076,159  |
| International Consolidated Airlines Group SA | Bonds     | 2,202,639  | \$2,350,735   |
| International Consolidated Airlines Group SA | Stock     | 420,832    | \$3,015,679   |
| ISS A/S                                      | Stock     | 1,512,642  | \$34,744,514  |
| Itochu Corporation                           | Stock     | 2,653,133  | \$57,854,822  |
| ITV plc                                      | Stock     | 4,225,380  | \$7,930,485   |
| J D WETHERSPOON PLC                          | Stock     | 121,629    | \$2,518,808   |
| J Sainsbury plc                              | Stock     | 8,225,719  | \$22,801,458  |
| John Menzies plc                             | Stock     | 86,458     | \$506,606     |
| Johnson Controls International plc           | Bonds     | 6,000,000  | \$6,448,440   |
| Johnson Controls International plc           | Stock     | 1,596,813  | \$68,391,501  |
| Just Group plc                               | Stock     | 1,259,288  | \$1,079,139   |
| Kainos Group PLC                             | Stock     | 85,772     | \$656,801     |
| KAO CORPORATION                              | Stock     | 1,149,984  | \$90,436,145  |
| Kerry Group Plc                              | Stock     | 278,693    | \$35,768,204  |
| Kingfisher Plc                               | Stock     | 16,370,202 | \$44,446,038  |
| Kingspan Group Plc                           | Stock     | 202,462    | \$10,916,175  |
| Kingspan Group Plc                           | Stock     | 326,689    | \$17,621,345  |
| KLOECKNER & CO SE                            | Stock     | 88,282     | \$561,164     |
| Kone Oyj                                     | Stock     | 825,677    | \$51,728,455  |
| KONINKLIJKE PHILIPS N.V.                     | ADR       | 110,847    | \$5,152,169   |
| KONINKLIJKE PHILIPS N.V.                     | Stock     | 2,348,156  | \$109,116,668 |

|                                   |       |             |               |
|-----------------------------------|-------|-------------|---------------|
| KUEHNE + NAGEL INTERNATIONAL AG   | Stock | 60,255      | \$9,803,835   |
| Kyocera Corporation               | Stock | 1,329,292   | \$90,395,740  |
| LAFARGEHOLCIM LTD                 | Bonds | 600,000     | \$601,500     |
| LAFARGEHOLCIM LTD                 | Stock | 876,782     | \$45,236,284  |
| LAGARDERE SCA                     | Stock | 101,159     | \$2,211,797   |
| Lakeland Financial Corporation    | Stock | 111,254     | \$2,997,156   |
| LARSEN AND TOUBRO LIMITED         | GDR   | 25,110      | \$464,535     |
| LARSEN AND TOUBRO LIMITED         | Stock | 462,588     | \$8,579,843   |
| LEGAL & GENERAL GROUP PLC         | Stock | 12,636,711  | \$45,914,765  |
| Liberty Global Plc                | Bonds | 25,876,894  | \$27,313,038  |
| Liberty Global Plc                | Stock | 32,383      | \$730,237     |
| Liberty Global Plc                | Stock | 40,373      | \$868,020     |
| Linde plc                         | Stock | 1,159,205   | \$239,021,821 |
| Link Administration Holdings Ltd. | Stock | 643,547     | \$2,524,712   |
| LLOYDS BANKING GROUP PLC          | Bonds | 45,530,000  | \$49,000,776  |
| LLOYDS BANKING GROUP PLC          | Stock | 182,253,061 | \$144,157,707 |
| LondonMetric Property Plc         | Stock | 959,300     | \$2,886,229   |
| Lookers plc                       | Stock | 433,927     | \$301,971     |
| L'OREAL S.A.                      | Stock | 30,900      | \$8,813,999   |
| L'OREAL S.A.                      | Stock | 398,112     | \$113,558,537 |
| Macau Legend Development Ltd.     | Stock | 3,360       | \$2,658,281   |
| Magellan Aerospace Corporation    | Stock | 25,651      | \$304,935     |
| ManpowerGroup Inc.                | Stock | 169,617     | \$15,713,319  |
| Marks and Spencer Group plc       | Stock | 2,858,998   | \$7,187,287   |
| Marsh & McLennan Companies, Inc.  | Bonds | 15,000,000  | \$16,694,970  |
| Marsh & McLennan Companies, Inc.  | Stock | 1,404,681   | \$151,803,876 |
| McKesson Corporation              | Bonds | 6,000,000   | \$6,064,860   |
| McKesson Corporation              | Stock | 513,063     | \$74,209,432  |
| METSO OYJ                         | Stock | 249,413     | \$9,570,099   |
| Micro Focus International plc     | Bonds | 137,414     | \$137,543     |
| Micro Focus International plc     | Stock | 818,536     | \$11,993,822  |
| MITCHELLS & BUTLERS PLC           | Stock | 232,824     | \$1,352,199   |
| MITIE Group PLC                   | Stock | 436,219     | \$739,167     |
| Next plc                          | Stock | 255,607     | \$22,343,824  |
| NORTHGATE PLC                     | Stock | 159,129     | \$650,434     |
| ORANGE SA                         | Bonds | 3,000,000   | \$4,039,820   |
| ORANGE SA                         | Stock | 2,585,721   | \$42,765,250  |
| OXFORD INSTRUMENTS PLC            | Stock | 97,248      | \$7,237,196   |
| PANDORA A/S                       | Stock | 382,135     | \$15,395,026  |
| Pandox AB                         | Stock | 105,333     | \$2,294,357   |
| Park Hotels & Resorts, Inc.       | Stock | 1,513,753   | \$35,800,258  |
| PEARSON PLC                       | ADR   | 99,014      | \$827,757     |

|                                     |       |             |               |
|-------------------------------------|-------|-------------|---------------|
| PEARSON PLC                         | Stock | 933,141     | \$7,804,580   |
| Penske Automotive Group, Inc.       | Bonds | 140,000     | \$147,363     |
| Penske Automotive Group, Inc.       | Stock | 55,491      | \$2,801,741   |
| Pets At Home Group Plc              | Stock | 927,659     | \$3,023,817   |
| Polypipe Group PLC                  | Stock | 238,104     | \$1,510,987   |
| PREMIER FOODS PLC                   | Stock | 806,865     | \$417,472     |
| Provident Financial PLC             | Stock | 303,331     | \$1,683,612   |
| R P S GROUP PLC                     | Stock | 266,385     | \$571,985     |
| RANDSTAD HOLDING NV                 | Stock | 194,586     | \$11,341,143  |
| Rentokil Initial plc                | Stock | 3,182,043   | \$18,311,968  |
| Restaurant Group plc                | Stock | 593,087     | \$1,135,394   |
| REXEL S.A.                          | Stock | 3,081,916   | \$37,634,194  |
| ROLLS-ROYCE HOLDINGS PLC            | Bonds | 200,000     | \$200,272     |
| ROLLS-ROYCE HOLDINGS PLC            | Stock | 2,462,891   | \$22,669,801  |
| ROLLS-ROYCE HOLDINGS PLC            | Stock | 111,132,688 | \$143,750     |
| Royal Mail plc                      | Stock | 1,303,622   | \$3,515,801   |
| RPC Group Plc                       | Stock | 106,049     | \$409,349     |
| RSA Insurance Group plc             | Stock | 4,433,056   | \$31,618,157  |
| Ryobi Limited                       | Stock | 97,178      | \$1,859,968   |
| SANDVIK AKTIEBOLAG                  | Stock | 2,834,666   | \$51,572,226  |
| Schneider Electric SE               | Stock | 1,311,841   | \$126,707,814 |
| Seagate Technology PLC              | Bonds | 3,000,000   | \$3,190,956   |
| Seagate Technology PLC              | Stock | 109,311     | \$6,523,680   |
| Securitas AB                        | Stock | 481,958     | \$7,995,584   |
| Sensata Technologies Holding PLC    | Bonds | 1,562,000   | \$1,657,780   |
| Sensata Technologies Holding PLC    | Stock | 1,241,037   | \$63,900,995  |
| Serco Group plc                     | Stock | 1,472,589   | \$2,963,860   |
| SGS SA                              | Stock | 8,135       | \$21,181,038  |
| SHISEIDO COMPANY LTD                | Stock | 587,202     | \$42,387,287  |
| SIEMENS AG                          | Bonds | 5,000,000   | \$5,340,494   |
| SIEMENS AG                          | Stock | 1,596,085   | \$206,112,899 |
| SIG plc                             | Stock | 670,465     | \$1,083,191   |
| Signet Jewelers Limited             | Stock | 92,144      | \$1,692,685   |
| SMURFIT KAPPA GROUP PLC             | Stock | 237,396     | \$8,428,443   |
| SNC-Lavalin Group Inc.              | Stock | 305,253     | \$5,520,178   |
| SODEXO S.A.                         | Stock | 104,438     | \$12,183,226  |
| Spar Group Limited                  | Stock | 924,978     | \$12,998,804  |
| SSE plc                             | Stock | 5,092,854   | \$85,638,914  |
| Steinhoff International Holdings NV | Stock | 1,265,304   | \$85,488      |
| Stryker Corporation                 | Bonds | 10,000,000  | \$11,113,100  |
| Stryker Corporation                 | Stock | 739,855     | \$151,566,695 |
| SYNNEX Corporation                  | Stock | 165,057     | \$20,270,650  |

|                                      |        |            |               |
|--------------------------------------|--------|------------|---------------|
| Sysco Corporation                    | Bonds  | 8,000,000  | \$9,119,930   |
| Sysco Corporation                    | Stock  | 1,087,238  | \$87,577,021  |
| TATA STEEL LIMITED                   | Rights | 39,761     | \$236,945     |
| TATA STEEL LIMITED                   | Stock  | 21,577     | \$13,174      |
| TELEFONICA SA                        | ADR    | 922,618    | \$7,030,349   |
| TELEFONICA SA                        | Bonds  | 11,820,000 | \$13,422,598  |
| TELEFONICA SA                        | Stock  | 5,889,713  | \$45,146,282  |
| Teleperformance SE                   | Stock  | 73,968     | \$17,534,784  |
| Terex Corporation                    | Bonds  | 447,000    | \$452,722     |
| Terex Corporation                    | Stock  | 153,217    | \$4,300,801   |
| Terumo Corporation                   | Stock  | 1,067,130  | \$37,428,968  |
| Tesco PLC                            | Stock  | 45,301,724 | \$134,423,351 |
| Thales SA                            | Stock  | 147,184    | \$14,430,393  |
| THE RESTAURANT GROUP PLC             | Stock  | 593,087    | \$1,135,394   |
| THE ROYAL BANK OF SCOTLAND GROUP PLC | Bonds  | 35,076,000 | \$38,364,378  |
| THE ROYAL BANK OF SCOTLAND GROUP PLC | Stock  | 10,423,650 | \$30,498,536  |
| THOMAS COOK GROUP PLC                | Stock  | 1,632,576  | \$72,876      |
| THYSSENKRUPP AG                      | Bonds  | 184,000    | \$213,363     |
| THYSSENKRUPP AG                      | Stock  | 426,203    | \$5,347,821   |
| TRAVIS PERKINS PLC                   | Stock  | 2,451,077  | \$48,809,372  |
| TRIGANO S.A.                         | Stock  | 10,463     | \$1,107,505   |
| TTEC Holdings, Inc.                  | Stock  | 21,735     | \$998,289     |
| TUI AG                               | Stock  | 463,360    | \$6,374,155   |
| UDG HEALTHCARE PLC                   | Stock  | 298,400    | \$3,186,269   |
| United Technologies Corporation      | Bonds  | 46,346,000 | \$57,489,823  |
| United Technologies Corporation      | Stock  | 1,577,688  | \$234,034,238 |
| VEOLIA ENVIRONNEMENT S.A.            | Stock  | 608,864    | \$15,601,793  |
| Vodafone Group Plc                   | ADR    | 736,900    | \$14,605,358  |
| Vodafone Group Plc                   | Bonds  | 26,050,000 | \$29,507,337  |
| Vodafone Group Plc                   | Stock  | 51,276,659 | \$101,718,136 |
| Walgreens Boots Alliance Inc         | Bonds  | 11,560,000 | \$11,714,019  |
| Walgreens Boots Alliance Inc         | Stock  | 1,586,203  | \$94,537,699  |
| Walmart Inc.                         | Bonds  | 30,470,000 | \$34,382,240  |
| Walmart Inc.                         | Stock  | 2,934,422  | \$349,460,316 |
| WH Smith PLC                         | Stock  | 405,590    | \$12,842,963  |
| Whitbread PLC                        | Stock  | 330,873    | \$19,691,561  |
| William Hill PLC                     | Stock  | 2,054,014  | \$4,747,823   |
| WILLIS TOWERS WATSON PLC             | Stock  | 312,010    | \$61,291,244  |
| WPP PLC                              | Stock  | 4,670,410  | \$60,441,979  |
| ZURICH INSURANCE GROUP AG            | Stock  | 318,601    | \$125,068,467 |

ADR \$90,972,474  
Bonds \$1,088,322,843

|           |                  |
|-----------|------------------|
| GDR       | \$464,535        |
| Preferred | \$47,083         |
| Rights    | \$236,945        |
| Stock     | \$9,910,565,111  |
| Total     | \$11,090,608,991 |

CalSTRS did not identify any holdings it believes have not made substantial action toward the goals of inclusiveness in Northern Ireland.

## **Actions Taken**

In 2019, there were no shareholder proposals requesting implementation of the MacBride Principles. In accordance with the law and CalSTRS’ fiduciary duty, CalSTRS generally votes for such proposals when placed on the ballot. CalSTRS will continue to support shareholder proposals related to operations in Northern Ireland when they are in line with CalSTRS’ fiduciary duties.

## **Conclusion**

As noted in this report, CalSTRS will continue to invest its funds in a responsible and prudent manner. CalSTRS will continue to adhere to California statutes referenced in this report and to the board’s Investment Policy for Mitigating ESG Risks.

CalSTRS continues to secure a strong retirement fund for the teachers of California while remaining consistent with its ethical responsibilities and fiduciary obligations. Thus, the philosophy of identifying and addressing risks is interwoven in CalSTRS’ business goals. CalSTRS’ investment goals are to:

- a) Achieve a rate of return on the total assets of the fund that exceeds the actuarial discount rate used to value the liabilities of the State Teachers’ Retirement Plan for funding purposes, so as to ensure that sufficient assets are available to meet liabilities in the long run.
- b) Maximize the long-term investment return on assets at a level of risk that is acceptable to the board.
- c) Maintain a certain level of stability in pension contributions, so as not to adversely impact the long-term viability of CalSTRS and its ability to continue to meet pension obligations.
- d) Manage the investments of the fund in a prudent manner, so as to maintain confidence of members, employers and the public in CalSTRS.

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**Investment Policy for Mitigating  
Environmental, Social, and  
Governance Risks (ESG)**

Investment Branch May 2018

# **Attachment A: Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG)**

## **POLICY**

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in a manner that is in the sole and exclusive interest of the participants and beneficiaries and will assure the prompt delivery of benefits and related services.

CalSTRS invests a multi-billion dollar fund in a unique and complex social-economic milieu and recognizes it can neither operate nor invest in a vacuum. As a significant investor with a very long-term investment horizon, the success of CalSTRS is linked to global economic growth and prosperity. The System's investments impact other facets of the global economy and actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund.

Consistent with its fiduciary responsibilities to CalSTRS members, the Board has an obligation to ensure that the corporations and entities in which CalSTRS invests strive for long-term sustainability in their operations. Managers of our investments who do not strive for sustainability jeopardize achieving the long-term expected rate of return we expect. Therefore, CalSTRS incorporates ESG considerations into its analysis of the riskiness of its investment decisions and its ownership policies and practices, to the extent that ESG factors are material to the long-term success of an investment.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for many decades, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund. Conversely, unsustainable practices that hurt long-term profits are risks to the System.

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our decision to invest in corporations and other entities predominately reflects a judgment that the ownership will produce a sustainable rate of return which will make it an attractive investment and help CalSTRS meet its long-term obligations. It is important to note that CalSTRS ownership of a security in a company does not signify that CalSTRS approves of all of the company's practices or its products or that CalSTRS believes a particular company is an attractive investment since the security may be owned due to its membership in a particular index. CalSTRS utilizes "index" investing due to its low cost and efficient structure. These "index" investments are broadly diversified and composed of thousands of individual companies.

Since 1978, CalSTRS has used a written policy, the Statement of Investment Responsibility, SIR, to navigate the complex landscape of ESG issues. The long history of this document is testimony to the national leadership of CalSTRS among pension funds in addressing ESG matters through a written policy. The SIR will continue to guide CalSTRS proxy voting; however this ESG Policy is CalSTRS's preeminent policy on ESG matters and will guide active investment decisions and passive index strategy engagements.

## **PROCEDURES**

To help manage the risk of investing a global portfolio in a complex governance environment, CalSTRS has developed a series of procedures to follow when faced with any major environmental, social or governance issue as identified by the ESG risk factors.

When faced with a decision or other activity that potentially violates CalSTRS ESG Policy; the Investment Staff, CIO and Investment Committee will undertake the following actions:

- A. The CIO will assess the potential ESG policy violation both as an ESG risk and as an impact to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the size of the investment, and 2) the gravity of the violation of CalSTRS ESG Policies.
- B. At the CIO's direction, the Investment Staff will directly engage corporate management or other appropriate parties to seek information and understanding concerning the ESG policy violation and its ramifications on the System.
- C. The CIO and investment staff will provide a report to the Investment Committee of the findings associated with an ESG policy violation engagement and recommend any further action of engagement or need to commit further System resources. The Investment Committee can marshal further resources given the gravity of the situation.

To assist CalSTRS Staff and external investment managers in their investment analysis and decision-making, CalSTRS has developed a list of ESG risk factors that should be considered as part of the financial analysis of any active investment decision. For passive index strategies, CalSTRS uses the ESG risk factors to guide engagement activities. This ESG list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction or engagement; however, they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for any CalSTRS investment or engagement in any asset class .

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an active investment. The manager needs to balance the rate of return with all the risks including consideration of the specific investments exposure to each factor in each country in which that investment or company operates.

## ***CALSTRS ESG RISK FACTORS***

### **Monetary Transparency**

The investment's long-term profitability by whether or not a country or company has free and open monetary and financial data, and its observance of applicable laws.

### **Data Dissemination**

The investment's long-term profitability by whether or not a country is a member of the IMF (or similar organization) and satisfies the conditions for access, integrity, and quality for most data categories.

### **Accounting**

The investment's long-term profitability by whether or not the accounting standards are formulated in accordance with International Accounting Standards or the U.S. Generally Accepted Accounting Principles.

### **Payment System: Central Bank**

The investment's long-term profitability by whether the activities of a country's central bank encompass implementing and ensuring compliance with principles and standards which are established to promote safe, sound, and efficient payment and settlement systems.

### **Securities Regulation**

The investment's long-term profitability by exposure to operations in countries that have not complied with IOSCO objectives, which provide investor protection against manipulation and fraudulent practices.

### **Auditing**

The investment's long-term profitability by whether or not the country uses International Standards on Auditing in setting national standards.

### **Fiscal Transparency**

The investment's long-term profitability by its exposure or business operations in countries that do not have some level of fiscal transparency such as publication of financial statistics, sound standards for budgeting, accounting, and reporting.

### **Corporate Governance**

The investment's long-term profitability by whether or not the government recognizes and supports good corporate governance practices and whether it generally adheres to OECD principles.

### **Banking Supervision**

The investment's long-term profitability from its exposure to countries that have not endorsed/complied with the Basel Core Principles. An endorsement includes an agreement to review supervisory arrangements against the principles and bring legislation in line with the principles where necessary.

|  |
|--|
| <p><b>Payment System: Principles</b></p> <p>The investment's long-term profitability by whether a country complies with the 10 Core Principles for Systemically Important Payment Systems, which includes operational reliability, efficiency, real time settlement, final settlement in central bank money; and whether rules and procedures are clear and permit participants to understand the financial risks resulting from participation in the system.</p>  |
| <p><b>Insolvency Framework</b></p> <p>The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.</p>   |
| <p><b>Money Laundering</b></p> <p>The investment's long-term profitability from exposure and whether or not a country has implemented an anti-money laundering regime in line with international standards; consideration should be given to compliance with the 40 recommendations in the Financial Action Task Force, FATF, on Money Laundering; and whether it is a member of FATF.</p>   |
| <p><b>Insurance Supervision</b></p> <p>The investment's long-term profitability from whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors, IAIS, Principles.</p>  |
| <p><b>Respect for Human Rights</b></p> <p>The investment's long-term profitability from its business operations and activities in countries that lack or have a weak judicial System. Assess the risk to an investment's long-term profitability from its business operations and activities in a country that engages in or facilitates the following: arbitrary or unlawful deprivation of life, disappearance, torture and other cruel, inhuman, or degrading treatment or punishment, arbitrary arrest, detention, or exile, arbitrary interference with privacy, family, home, or correspondence, use of excessive force and violations of humanitarian law in internal conflicts. Consideration should be given to governmental attitude regarding international and non-governmental investigation of alleged violations of human rights.</p> |
| <p><b>Respect for Civil Liberties</b></p> <p>The investment's long-term profitability from operations, activities, and business practices in countries or regions that do not allow freedom of speech and press, freedom of peaceful assembly and association, freedom of religion, freedom of movement within the country, allowance for foreign travel, emigration, and repatriation.</p>  |
| <p><b>Respect for Cultural and Ethnic Identities</b></p> <p>The investment's long-term profitability from operations, activities and business practices that do not adequately respect cultural values and ethnic identities.</p>  |
| <p><b>Respect for Property Rights</b></p> <p>The investment's long-term profitability from operations, activities and business practices that dispossesses or degrades peoples' lands, territories or resources, or does not adequately respect established property rights.</p>   |

**Respect for Political Rights**

The investment's long-term profitability from business practices and activities in countries that do not allow their citizens the right to advocate for change to their government.

**Discrimination Based on Race, Sex, Disability, Language, or Social Status**

The investment's long-term profitability from business practices and activities on discrimination, such as discrimination against women, children, and persons with disabilities, national/racial/ethnic minorities, or indigenous people.

**Worker Rights**

The investment's long-term profitability from management and practices globally in the area of worker's rights; specifically the right of association, the right to organize and bargain collectively, prohibition of forced or bonded labor, status of child labor practices and minimum age for employment, acceptable work conditions, or human trafficking.

**Environmental**

The investment's long-term profitability from activities and exposure to environmental matters such as; depleting or reducing air quality, water quality, land protection and usage, without regard for remediation.

**Climate Change**

The investment's long-term profitability from inadequate attention to the impacts of climate change, including attention to relevant climate policy considerations and emerging climate risk mitigating technologies.

**Resource Efficiency**

The investment's long-term profitability from inadequately managing resource usage in a resource-constrained environment amid growing resource demand.

**War/Conflicts/Acts of Terrorism**

The investment's long-term profitability from business exposure to a country or region that has an internal or external conflict, war, acts of terrorism or involvement in acts of terrorism, and whether the country is a party to international conventions and protocols.

**Human Health**

The investment's long-term profitability from business exposure to an industry or company that makes a product which is highly detrimental to human health so that it draws significant product liability lawsuits, government regulation, United Nations sanctions and focus, and avoidance by other institutional investors.

# Charter of the CalSTRS Committee on Responsible Investment

## Purpose

The Committee on Responsible Investment (“the Committee”) is established by the Chief Investment Officer of California State Teachers’ Retirement System (“CalSTRS” or “the fund”) CalSTRS to discuss geopolitical and Environmental Social and Governance (“ESG”) risks to the fund and to take actions to address ESG risks faced by the fund.

## Membership and Structure

### Membership

The Committee on Responsible Investment shall consist of at least the Chief Investment Officer, Deputy Chief Investment Officer and Director of Corporate Governance as well as one representative of each asset class determined by each asset class’ director. From time to time, the committee may seek input from other CalSTRS Departments and groups such as the Green Team, Legal, or Legislative Affairs.

### Meetings

Committee meetings will be open to all members of the Investment Office.

Meetings are led by the Chair, which shall be determined by Chief Investment Officer.

The Committee will meet at least quarterly and on ad hoc basis as circumstances dictate. Occasionally the committee may act through written consent to act on pressing issues and with a more in depth review of the issue at the next scheduled meeting.

### Reporting

The Chair of the Committee or Chief Investment Officer shall report on the Committee’s activities of the CalSTRS board as circumstances demand.

The Chair of the committee shall draft annual report to the CalSTRS board and legislatively required reports to the Legislature for approval of the Chief Investment Officer and CalSTRS Board.

## Responsibilities

The responsibilities of the Committee on Responsible Investment are:

- Evaluate ESG issues to determine if they violate CalSTRS’ ESG Policy

## Attachment B

- Carry out CalSTRS Board's directives relating to the CalSTRS ESG and Divestment policies
- Assist the investment office in addressing ESG Issues
- Assist asset classes on engagement of ESG issues
- Insure all asset classes are aware of ESG issues affecting the fund
- Determine if such issues should be elevated to the full board. Refer issues to the Teachers' Retirement Board for review.
- Prepare annual reports to the board and legislature on ESG issues related to investments



California State Teachers'  
Retirement System  
Investments  
100 Waterfront Place, MS-04  
West Sacramento, CA 95605  
(916) 414-7400 FAX (916) 414-7533

November 20, 2019

Flemming Ole Nielsen  
Executive Vice President, Investor Relations  
DSV Panalpina AS  
Hovedgaden 630  
2640 Hedehusene  
Denmark

Dear Mr. Neilsen,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). As you may be aware, CalSTRS is a public pension fund established for the benefit of California's public school teachers over 100 years ago. CalSTRS serves the investment and retirement interests of over 949,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$240 billion invested across both domestic and international markets. Currently, CalSTRS owns 728,769 shares of DSV Panalpina AS.

The long-term nature of CalSTRS' liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in governance and geopolitical issues. As a long-term investor, we are concerned with risks posed by companies in our portfolio that are operating in sensitive areas such as Sudan. To address these risks from an investor perspective the CalSTRS Board has adopted an ESG Risk policy, which is available in the board policy manual at our website [www.calstrs.com](http://www.calstrs.com).

Our independent research providers have identified DSV Panalpina AS as having business in, or with Sudan. Sudan is not only designated as a terrorist sponsoring country by the United States government, but is also embroiled in domestic conflicts in which the Sudanese government has been charged with arming militia that have engaged in genocide which has been documented by the United Nations Commission of Inquiry on Darfur. As shareowners, we are concerned that companies that do business in Sudan may be perceived as furthering or condoning the egregious human rights violations currently occurring there. We believe that any association with the atrocities taking place in Sudan by your company poses a serious risk to your ability to create sustainable and responsible long-term value creation.

In several states, legislation has been enacted or is being publicly discussed to address investments in companies doing business in or with Sudan. In California, Chapter 442 of the 2006 Statutes require the California Public Employees' Retirement System and the California State Teachers' Retirement System to encourage companies in which they invest in to act

responsibly and not take actions that promote or otherwise enable human rights violations in the Sudan. Additionally, the legislation requires that we periodically follow up with identified companies to ensure they are acting responsibly with regards to Sudan.

CalSTRS would like to engage in an open dialogue with you regarding your company's ties to Sudan. We are requesting full disclosure of your direct or indirect business activities with Sudan including purchases from and sales to Sudan as well as any risk controls DSV Panalpina AS has undertaken to prevent US sanctions. Our goal is to have a complete and accurate understanding of your involvement with Sudan so that we, as fiduciaries, can accurately assess the risk associated with your activities there and make informed investment decisions.

Furthermore, to better understand your exposure to Sudan and your company's actions around the issue we would like to meet with you or representatives of your company in person. We believe a meeting in person will help us better understand and be more comfortable with your involvement with Sudan. If you are planning to have the appropriate people in the United States in the near future, we would appreciate the opportunity to meet with them. We can easily arrange to meet in anywhere in the United States, however, Sacramento, San Francisco, Los Angeles, New York, Chicago, or Washington D.C. are the most convenient for us.

If there are no plans for the appropriate people to be in the United States we often have staff travel abroad to London, Zurich, or Tokyo are the most convenient for us. Lastly, if necessary, we can arrange to have staff meet at your headquarters in Hedehusene.

If you have any questions, please feel free to contact Daniel Bain of the Sustainable Investments and Stewardship Strategies staff at:

Daniel Bain  
Investments – Sustainable Investments and Stewardship Strategies  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605-2807  
(916)414-7415  
dbain@calstrs.com

Sincerely,



Christopher Ailman, Chief Investment Officer  
California State Teachers' Retirement System



California State Teachers'  
Retirement System  
Investments  
100 Waterfront Place, MS-04  
West Sacramento, CA 95605  
(916) 414-7400 FAX (916) 414-7533

November 20, 2019

Mathieu Coutier  
Chief Executive Officer  
Akwel  
975, route des Burgondes  
01410 Champfromier  
France

Dear Mr. Coutier,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). As you may be aware, CalSTRS is a public pension fund established for the benefit of California's public school teachers over 100 years ago. CalSTRS serves the investment and retirement interests of over 949,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$240 billion invested across both domestic and international markets. Currently, CalSTRS owns 11,046 shares of Akwel.

The long-term nature of CalSTRS' liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in governance and geopolitical issues. As a long-term investor, we are concerned with risks posed by companies in our portfolio that are operating in sensitive areas such as Iran. To address these risks from an investor perspective the CalSTRS Board has adopted an ESG Risk policy, which is available in the board policy manual at our website [www.calstrs.com](http://www.calstrs.com).

In several states, legislation has been enacted or is being publicly discussed to address investments in companies doing business in or with Iran. In California, Chapter 441 of the 2011 Statutes require the California Public Employees' Retirement System and the California State Teachers' Retirement System to encourage companies in which they invest in to act responsibly and to not take actions that promote terrorism or that otherwise enable the Iranian pursuit of nuclear weapons. Additionally, the legislation requires that we periodically follow up with identified companies to ensure they are acting responsibly with regards to Iran.

Our independent research providers have identified Akwel as having business in, or with Iran. CalSTRS would like to engage in an open dialogue with you regarding your company's ties to Iran. We are requesting full disclosure of your direct or indirect business activities with Iran including purchases from and sales to Iran as well as any risk controls Akwel has undertaken to prevent US sanctions. Our goal is to have a complete and accurate understanding of your

involvement with Iran so that we, as fiduciaries, can accurately assess the risk associated with your activities there and make informed investment decisions.

Furthermore, to better understand your exposure to Iran and your company's actions around the issue we would like to meet with you or representatives of your company in person. We believe a meeting in person will help us better understand and be more comfortable with your involvement with Iran. If you are planning to have the appropriate people in the United States in the near future, we would appreciate the opportunity to meet with them. We can easily arrange to meet in anywhere in the United States, however, Sacramento, San Francisco, Los Angeles, New York, Chicago, or Washington D.C. are the most convenient for us.

If there are no plans for the appropriate people to be in the United States we often have staff travel abroad and London, Zurich, or Tokyo are the most convenient for us. Lastly, if necessary, we can arrange to have staff meet at your headquarters in Champfromier.

If you have any questions, please feel free to contact Philip Larrieu of the Corporate Governance staff at:

Daniel Bain  
Investments – Sustainable Investments and Stewardship Strategies  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605-2807  
(916)414-7415

Sincerely,



Christopher Ailman, Chief Investment Officer  
California State Teachers' Retirement System



California State Teachers'  
Retirement System  
Investments  
100 Waterfront Place, MS-04  
West Sacramento, CA 95605  
(916) 414-7400 FAX (916) 414-7533

November 20, 2019

Chang Jin Li  
Chairman  
China Railway Group Limited  
No.69, Fuxing Road  
Block A, China Railway Square  
Beijing, Beijing 100039  
China

Dear Chang Jin Li,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). As you may be aware, CalSTRS is a public pension fund established for the benefit of California's public school teachers over 100 years ago. CalSTRS serves the investment and retirement interests of nearly 949,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$240 billion invested across both domestic and international markets. Currently, CalSTRS owns 2,497,451 shares of China Railway Group Limited.

The long-term nature of CalSTRS' liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in governance and geopolitical issues. As a long-term investor, we are concerned with risks posed by companies in our portfolio that are operating in sensitive areas such as Sudan. To address these risks from an investor prospective the CalSTRS Board has adopted an ESG Risk policy, which is available in the board policy manual at our website [www.calstrs.com](http://www.calstrs.com).

In several states, legislation has been enacted or is being publicly discussed to address investments in companies doing business in or with Sudan. In California, Chapter 442 of the 2006 Statutes require the California Public Employees' Retirement System and the California State Teachers' Retirement System to encourage companies in which they invest in to act responsibly and to not take actions that promote or otherwise enable human rights violations in Sudan. Additionally, the legislation requires that we periodically follow up with identified companies to ensure they are acting responsibly with regards to Sudan.

Sudan is not only designated as a terrorist sponsoring country by the United States government, but is also been embroiled in domestic conflicts in which the Sudanese government has been charged with arming militia that have engaged in genocide which has been documented by the

United Nations Commission of Inquiry on Darfur. While there has been improvement in the United States diplomatic relations and easing of sanctions, as shareowners, we remain concerned that companies that do business in Sudan may be perceived as furthering or condoning the egregious human rights violations currently occurring there. We believe that any association with the atrocities taking place in Sudan by your company poses a serious risk to your ability to create sustainable and responsible long-term value creation.

Currently, CalSTRS has China Railway Group Limited in a Monitor status based on information from our independent service providers and our past communications. We are requesting an updated disclosure of your direct or indirect business activities with Sudan including purchases from and sales to Sudan as well as any risk controls China Railway Group Limited has undertaken to prevent US sanctions. Our goal is to maintain a complete and accurate understanding of your involvement with Sudan so that we, as fiduciaries, can accurately assess the risk associated with your activities there and make informed investment decisions.

If you have any questions, please feel free to contact Daniel Bain of the Sustainable Investments and Stewardship Strategies staff at:

Daniel Bain  
Investments – Sustainable Investments and Stewardship Strategies  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605-2807  
(916)414-7415  
dbain@calstrs.com

Sincerely,



Christopher Ailman, Chief Investment Officer  
California State Teachers' Retirement System



California State Teachers'  
Retirement System  
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100 Waterfront Place, MS-04  
West Sacramento, CA 95605  
(916) 414-7400 FAX (916) 414-7533

November 20, 2019

Chang Jin Li  
Chairman  
China Railway Group Limited  
No.69, Fuxing Road  
Block A, China Railway Square  
Beijing, Beijing 100039  
China

Dear Mr. Li,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). As you may be aware, CalSTRS is a public pension fund established for the benefit of California's public school teachers over 100 years ago. CalSTRS serves the investment and retirement interests of nearly 949,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$240 billion invested across both domestic and international markets. Currently, CalSTRS owns 2,497,451 shares of China Railway Group.

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Currently, CalSTRS has China Railway Group in a Monitor status based on information from our independent service providers and our past communications. We are requesting an updated disclosure of your direct or indirect business activities with Iran including purchases from and sales to Iran as well as any risk controls China Railway Group has undertaken to prevent US sanctions. Our goal is to maintain a complete and accurate understanding of your involvement

with Iran so that we, as fiduciaries, can accurately assess the risk associated with your activities there and make informed investment decisions.

If you have any questions, please feel free to contact Daniel Bain of the Sustainable Investments and Stewardship Strategies staff at:

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100 Waterfront Place, MS-4  
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(916)414-7415  
dbain@calstrs.com

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Ailman', written in a cursive style.

Christopher Ailman, Chief Investment Officer  
California State Teachers' Retirement System

## Attachment G: CalSTRS Portfolio Companies Identified as Possibly Having Ties to Iran

| Companies Divested and Restricted |   |  |   |   |   |
|-----------------------------------|---|--|---|---|---|
|                                   | Company Name<br>(Domicile)                    | Summary of Ties to Iran  | Summary of Status   | Shares Held by<br>CalSTRS<br>11/30/2019 | Market Value (\$) of<br>Shares Held by<br>CalSTRS<br>11/30/2019 |
| 1                                 | China Blue Chemical<br>Ltd.<br>(China)        | China Blue Chemical Ltd. is a majority owned subsidiary of CNOOC, a restricted company.  | In 2013, one of CalSTRS' external managers purchased shares of China Blue Chemical Ltd. CalSTRS initiated a review of the company and designated it as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.   | 0                                       | \$0   |
| 2                                 | China Oilfield Services<br>Limited<br>(China) | China Oilfield Services Limited is a majority owned subsidiary of CNOOC, a restricted company.<br><br>In 2014, China Oilfield Services Limited was identified as being involved in the development of oilfields in Iran. | In 2014, CalSTRS designated China Oilfield Services Limited as "Under Review" for potentially having ties to Iran. The company's activities in Iran were confirmed in CNOOC's 20-F Filing, which stated, "China Oilfield Services Limited (COSL), one of our non-controlled affiliates, continued to provide certain drilling and other related services in Iran in relation to subcontracting agreements entered into in 2009, as it did in 2012."<br><br>In 2014, CalSTRS designated China Oilfield Services Limited as "Divested and Restricted" and maintained the "Divested and Restricted" designation in 2019. | 0                                       | \$0   |

|   | <b>Company Name<br/>(Domicile)</b>           | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|--|---|---|--|---|
| 3 | COSCO Shipping Energy Transportation (China) | On September 25, 2019, OFAC added COSCO Shipping Tanker (DALIAN) Co., Ltd. to the list of Specially Designated Nationals ("SDN") relating to Iran. COSCO Shipping Tanker (DALIAN) Co., Ltd. is a wholly owned subsidiary of COSCO Shipping Energy Transportation.   | In 2019, CalSTRS designated COSCO Shipping Energy Transportation as "Divested and Restricted" after OFAC added one of its subsidiaries to the list of Specially Designated Nationals.   | 0  | \$0   |
| 4 | CNOOC (China)                                | According to CNOOC 20-F filings, the company cites in its risk section the potential for U.S. sanctions related to its affiliates' operations in Iran and Sudan. In particular, one of the company's non-controlled affiliates continued to provide certain drilling and other related services in Iran.<br><br>In 2011, CalSTRS staff met with executives of the company in its offices in Beijing. The company confirmed its parent may have ties to Iran, but it does not, and will not, seek business in Iran as the company has and is looking to purchase more assets in the United States. | In 2009, CalSTRS designated CNOOC as "Under Review." CNOOC was being considered for divestment because of the lack of clarity between it and its parent when it was announced CNOOC was buying 33 percent of Chesapeake Energy's stake in the Eagle Ford Shale project in south Texas. CalSTRS viewed this purchase as significant because it gives CNOOC U.S.-based assets that could be subject to sanctions. In 2011, CalSTRS designated the company as "Being Monitored."<br><br>While CNOOC does not appear to have direct ties to Iran, CalSTRS is uncomfortable with its parent company's relations to the country. In 2012, CalSTRS divested holdings of CNOOC and determined to maintain the "Restricted" designation in 2019. | 0  | \$0   |
| 5 | Doosan Corp. (South Korea)                   | In 2014, Doosan Corp. was identified by CalSTRS service providers as being a supplier of automotive products to companies in Iran.  | In 2014, CalSTRS designated Doosan Corp. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated Doosan Corp. and related entities as "Divested and Restricted" after the company failed to respond to requests for information and maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |

|   | <b>Company Name<br/>(Domicile)</b>                         | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|--|---|---|--|---|
| 6 | Indian Oil Corp.<br>(India)                                | Indian Oil Corp. has been identified as having a majority stake in a company in Iran. One of the minority partners in the company has ties to the Iranian Revolutionary Guard Corps, an entity restricted by U.S. sanctions. The U.S. Government Accountability Office (GAO) has identified Indian Oil Corp. as having commercial activity in Iran's energy sector. | Since 2012, CalSTRS has initiated the review process of Indian Oil Corp. as the security was purchased by CalSTRS external managers. However, the security was always sold before the review process could be completed. In 2015, CalSTRS designated the company as "Divested and Restricted" because of the troubling nature of its ties to Iran and believed it would be more efficient than continually initiating the review process. CalSTRS has maintained the "Divested and Restricted" designation in 2019. | 0  | \$0   |
| 7 | Kunlun Energy Co. and Sinopec, a linked company<br>(China) | Kunlun Energy Co.'s parent, Sinopec, is linked to Iran through oil exploration contracts and interests, refining and commercialization of gas processing products.  | In 2009, CalSTRS designated Sinopec and its related companies, including CNPC Hong Kong, as "Divested and Restricted." In February 2010, CNPC Hong Kong changed its name to Kunlun Energy Co. Sinopec, and all its subsidiaries, including Kunlun Energy Co., remain "Divested and Restricted" in 2019.   | 0  | \$0   |
| 8 | MISC Bhd.<br>(Malaysia)                                    | MISC Bhd. is a Malaysian shipping company that is linked to Iran through its parent company, Petronas, a "Restricted" company.  | In 2009, CalSTRS designated MISC Bhd. as "Divested and Restricted" and maintained that designation in 2019.   | 0  | \$0   |
| 9 | Oil and Natural Gas Company of India<br>(India)            | Oil and Natural Gas Company of India (ONGC) holds stakes in at least one Iranian gas field and is reportedly considering others. In 2013, it was reported that the company was no longer involved in the development of oilfields in Iran. However, through a subsidiary, it remains a large purchaser of Iranian crude.  | ONGC was not on CalSTRS' 2009 Iran list but had already been designated as "Divested and Restricted" for ties to Sudan. In early 2010, CalSTRS also designated the company as "Divested and Restricted" for ties to Iran and maintained that designation in 2019.   | 0  | \$0   |

|    | <b>Company Name<br/>(Domicile)</b>   | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|--|--|---|--|---|
| 10 | Oil India<br>(India)   | Oil India has been identified as having a participating interest in an offshore block in Iran. The GAO has identified Oil India as having commercial activity in Iran's energy sector.   | Since 2012, CalSTRS has initiated the review process of Oil India as the security was purchased by CalSTRS external managers. However, the security was always sold before the review process could be completed. In 2015, CalSTRS designated the company as "Divested and Restricted" because it would be more efficient than continually initiating the review process. CalSTRS has maintained the "Divested and Restricted" designation in 2019. | 0  | \$0   |
| 11 | PetroChina and CNPC<br>- as connected<br>corporations to the<br>Chinese National Oil<br>Company<br>(China) | PetroChina is linked to Iran through its parent, China National Petroleum Corp. (CNPC), which has interests in several Iranian oil and gas projects. Additionally, PetroChina is reportedly continuing work to develop the Azadegan Field in Iran.   | In 2009, CalSTRS designated PetroChina as "Divested and Restricted" and maintained that designation in 2019.  | 0  | \$0   |
| 12 | Petronas<br>(Malaysia)   | Petronas has interest in multiple gas fields in Iran that are in the production phase. Additionally, in 2010 the company reportedly ceased supplying refined products to Iran. However, the company stated it is due to Iran's lack of demand and has not pledged to cease activities in the country. In 2013, Petronas withdrew from South Pars Phase 11 and is in the cost recovery phase of Phases 2 and 3. | In 2009, CalSTRS designated Petronas as "Divested and Restricted." While the company's apparent withdrawal from Iran is promising, Petronas remains "Divested and Restricted" under Sudan sanctions. CalSTRS has maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |

| Companies Under Review |  |  |  |  |  |  |
|------------------------|--|--|--|--|--|--|
|                        | Company Name<br>(Domicile)                       | Summary of Ties to Iran  | Summary Status   | Shares Held by<br>CaSTRS<br>11/30/2019 | Market Value (\$) of<br>Shares Held by<br>CaSTRS<br>11/30/2019 |  |
| 1                      | Aiphone Co. Ltd.<br>(Japan)                      | Aiphone, Co. Ltd. reportedly supplies its communications and security equipment in Iran.   | In 2019, CaSTRS identified Aiphone Co. Ltd. as potentially having ties to Iran and began the review process.   | 3,200                                  | \$55,345   |  |
| 2                      | Akwel SA<br>(France)                             | Akwel SA reportedly distributes automobile parts and provides consultancy services in Iran   | In 2019, CaSTRS identified Akwel SA as potentially having ties to Iran and began the review process.   | 11,046                                 | \$249,676  |  |
| 3                      | Anton Oilfield Services<br>(Finland)             | Anton Oilfield Services was identified as potentially providing oil and gas oilfield equipment to Iran.  | In 2018, CaSTRS identified Anton Oilfield Services as potentially having ties to Iran and began the review process. In 2019, CaSTRS removed Anton Oilfield Services as it no longer held any of the company's securities and subsequently restarted the review after shares were acquired. | 2,312,000                              | \$221,520  |  |
| 4                      | DSV A/S<br>(Denmark)                             | DSV A/S merged with Panalpina Welttransport Holding AG, which had previously been identified as possibly providing shipping services to Iran.    | In 2019, CaSTRS identified DSV A/S as potentially having ties to Iran with the merger with Panalpina Welttransport Holding AG and began the review process.  | 628,661                                | \$68,502,934   |  |
| 5                      | Eizo Corporation<br>(Japan)                      | Eizo Corporation reportedly sells monitors for various industries, including air traffic control, in Iran.                                       | In 2019, CaSTRS identified Eizo Corporation as potentially having ties to Iran and began the review process.   | 19,090                                 | \$715,592  |  |
| 6                      | Geely Automobile Holdings Limited<br>(Hong Kong) | Geely Automobile Holdings Limited reportedly sells its products in Iran.   | In 2019, CaSTRS identified Geely Automobile Holdings Limited as potentially having ties to Iran and began the review process.  | 11,788,8444                            | \$22,0489,312  |  |
| 7                      | Hyosung Corporation<br>(South Korea)             | Hyosung Corporation reportedly has an agreement with Iran's state-run National Petrochemical Company to establish a polypropylene plant in Iran. | In 2019, CaSTRS identified Hyosung Corporation as potentially having ties to Iran and began the review process.  | 37,323                                 | \$2,508,950  |  |

|    | <b>Company Name<br/>(Domicile)</b>     | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>  | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>                           |
|----|--|--|--|---|---|
| 8  | Mitsui & Co., Ltd.<br>(Japan)          | Mitsui & Co., Ltd. reportedly purchases oil from Iran.   | In 2019, CalSTRS identified Mitsui & Co., Ltd. as potentially having ties to Iran and began the review process.  | 4,112,845   | \$72,841,411  |
| 9  | Mitsui Chemicals<br>(Japan)            | Mitsui Chemicals reportedly has licensed technology for a petrochemical project in Iran.               | In 2019, CalSTRS identified Mitsui Chemicals as potentially having ties to Iran and began the review process.    | 289,751   | \$6,940,160   |
| 10 | Suzuki Motor Corp.<br>(Japan)          | Suzuki Motor reportedly licenses its products to an Iranian state-owned automobile manufacturing firm. | In 2019, CalSTRS identified Suzuki Motor Corp. as potentially having ties to Iran and began the review process.  | 1,079,937   | \$47,887,627  |
| 11 | United Bank Limited<br>(Pakistan)      | United Bank Limited reportedly provides banking services in Iran.                                      | In 2019, CalSTRS identified United Bank Limited as potentially having ties to Iran and began the review process. | 1,075,600   | \$1,132,7245  |
| 12 | Vodafone Group Plc<br>(United Kingdom) | Vodafone Group Plc reportedly provides telecommunications services in Iran.                            | In 2019, CalSTRS identified Vodafone Group Plc as potentially having ties to Iran and began the review process.  | <u>Stock</u><br>51,276,659<br><br><u>ADR</u><br>736,900<br><br><u>Bonds</u><br>\$26,050,000 | <u>Stock</u><br>\$101,718,136<br><br><u>ADR</u><br>\$14,605,358<br><br><u>Bonds</u><br>\$29,171,391 |
| 13 | Wacker Chemie AG<br>(Germany)          | Wacker Chemie AG reportedly provides products in Iran.   | In 2019, CalSTRS identified Wacker Chemie AG as potentially having ties to Iran and began the review process.    | 73,172  | \$5,050,535   |
| 14 | Wan Hai Lines<br>(Taiwan)              | Wan Hai Lines reportedly provides shipping services to Iran.   | In 2019, CalSTRS identified Wan Hai Lines as potentially having ties to Iran and began the review process.       | 339,000   | 201,663   |

| <b>Companies Being Monitored</b> |   |  |  |  |   |
|----------------------------------|---|--|--|--|---|
|                                  | <b>Company Name<br/>(Domicile)</b>              | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
| 1                                | Aker Solutions<br>(Norway)                      | Aker Solutions reportedly has a subsidiary with business agreements in Iran which may include the transfer of petroleum research technology to Iran.   | Aker Solutions had previously been removed from the CalSTRS Iran-related securities list. However, in 2016, CalSTRS reinitiated the review process due to potentially new involvement. In 2017, CalSTRS designated Aker Solutions as "Being Monitored" and maintained that designation in 2019.                      | 176,070  | \$420,025   |
| 2                                | Bharat Petroleum<br>Corporation Ltd.<br>(India) | Bharat Petroleum Corporation Ltd. was identified as potentially purchasing Iranian crude.  | In 2017, CalSTRS designated Bharat Petroleum Corporation Ltd. as "Under Review" for potentially having ties to Iran. In 2018, CalSTRS changed the designation to "Being Monitored" because India is one of eight countries receiving a sanction waiver. CalSTRS has maintained the "Being Monitored" status in 2019. | 3,390,771  | \$24,179,110  |
| 3                                | China Railway Group<br>(China)                  | In 2016, news reports indicated China Railway Group signed a \$2 billion investment agreement, including the construction of a 350,000 ton smelter, a 500 megawatt power station and an anode project. | In 2016, CalSTRS designated China Railway Group as "Under Review" for potentially having ties to Iran. In 2017, CalSTRS designated China Railway Group as "Being Monitored" and maintained that designation in 2019.   | 1,255,100  | \$1,483,745   |
| 4                                | DMG Mori AG<br>(Germany)                        | DMG Mori AG has been identified as selling automation and production machinery in Iran.  | In 2017, CalSTRS designated DMG Mori AG as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS designated DMG Mori AG as "Being Monitored".  | 261,292  | \$4,132,570   |

|   | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|------------------------------------|---|---|--|---|
| 5 | JGC Corporation<br>(Japan)         | JGC Corporation reportedly provides engineering services for power plants and gas processing plants in Iran.  | In 2017, CalSTRS designated JGC Corporation as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS designated JGC Corporation as "Being Monitored". | 340,995  | \$4,954,096   |
| 6 | Kamigumi Co. Ltd.<br>(Japan)       | In 2014, Kamigumi Co. Ltd. was identified by CalSTRS service providers as being a supplier of logistic services in Iran including agreements with state-owned Islamic Republic of Iran Shipping Lines.                              | In 2014, CalSTRS designated Kamigumi Co. Ltd. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated Kamigumi Co. Ltd. as "Being Monitored" and maintained that designation in 2019.                | 476,012  | \$10,545,202  |
| 7 | Kanematsu Corp.<br>(Japan)         | Kanematsu Corp. has been identified as potentially providing motor vehicles and electronic parts in Iran through their distribution service.  | In 2017, CalSTRS designated Kanematsu Corp. as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS designated Kanematsu Corp. as "Being Monitored". | 266,987  | \$3,408,345   |
| 8 | Larsen & Toubro Ltd.<br>(India)    | In 2014, Larsen & Toubro Ltd. was identified by CalSTRS service providers as providing products to Iran. Additionally, Larsen & Toubro Ltd. holds a stake in an Iran-based joint venture, in Iran Engineering Projects and Systems. | In 2014, CalSTRS designated Larsen & Toubro Ltd. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated Larsen & Toubro Ltd. as "Being Monitored" and maintained that designation in 2019.          | Stock<br>462,588<br><br>GDR<br>25,110            | Stock<br>\$8,579,843<br><br>GDR<br>\$464,535                              |

|   | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>           | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|------------------------------------|--|---|--|---|
| 9 | Lukoil OAO<br>(Russia)             | In 2009, Lukoil OAO confirmed to CalSTRS that it did not have any business in Iran. However, the company does have a 10 percent stake in the Shah Deniz Field operated by BP, which has Iran as a partner. The Shah Deniz Field operates under exemptions to the Iran sanctions. In 2016, Lukoil OAO reportedly signed an agreement for hydrocarbon exploration in Iran. | In 2014, CalSTRS determined to re-evaluate Lukoil OAO and its sanction controls and relations with the National Iranian Oil Company (NIOC) relating to the Shah Deniz Field. In 2015, CalSTRS designated Lukoil OAO as "Being Monitored" due to media speculation that Russian firms were seeking business in Iran. In 2018, Lukoil OAO put its Iranian based projects on hold due US sanctions on Iran. CalSTRS maintained a "Being Monitored" designation due to sensitivity around Russian based investments and to further review how the hold status affects the investment. In 2019, CalSTRS determined to maintain Lukoil OAO as "Being Monitored" as the company continues to take actions that demonstrate a potential to revive business in Iran. | <u>ADR</u><br>1,634,877<br><br><u>Bonds</u><br>\$2,910,000 | <u>ADR</u><br>\$155,814,707<br><br><u>Bonds</u><br>\$3,092,486            |

|    | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|------------------------------------|---|--|--|---|
| 10 | OAO Gazprom<br>(Russia)            | <p>In July 2008, OAO Gazprom signed an MOU with the NIOC, which expired in July 2010. Additionally, Gazprom Neft, a subsidiary of OAO Gazprom, signed an MOU with the NIOC providing for joint exploration of oilfields in Iran. In 2014, the company reported that Iran had suspended cost recovery payments related to South Pars 2 and 3. In December 2017, the company signed an MOU relating to the development of Iranian gas fields.</p> | <p>In 2009, CalSTRS designated OAO Gazprom as "Under Review." In 2010, CalSTRS designated OAO Gazprom as "Being Monitored" after confirming the company has no current investments in Iran. In 2011, CalSTRS maintained OAO Gazprom as "Being Monitored" as the GAO stated it had insufficient information on the company's activities and the Russian government's reported interest in developing a deal with Iran. In 2014, due to U.S. sanctions on Gazprom Bank, an OAO Gazprom subsidiary, CalSTRS determined to minimize its exposure to the company by restricting managers from making new purchases in OAO Gazprom securities. For risk control purposes, in 2016, CalSTRS revised the restriction on purchasing shares of OAO Gazprom to allow managers underweighted in OAO Gazprom (versus their benchmark) to purchase up to benchmark weight. CalSTRS maintained the restriction on purchasing OAO Gazprom in 2017. In 2018, CalSTRS maintained the "Being Monitored" designation and removed the benchmark weighting restriction on OAO Gazprom but require managers holding the security to make quarterly updates on their investment rationale. In 2019, CalSTRS maintained Gazprom as "Being Monitored".</p> | <p>ADR<br/>9,878,919</p>                         | <p>ADR<br/>\$78,409,536</p>   |

|    | <b>Company Name<br/>(Domicile)</b>                                | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|---|---|--|--|---|
| 11 | OMV<br>(Austria)  | OMV signed an MOU with Dana Energy and NIOC to develop the Band Karkheh oilfield.   | In 2017, CalSTRS designated OMV as "Being Monitored" for potentially having new ties to Iran and subsequently maintained the "Being Monitored" designation after reviewing the company's business and internal controls and determined to monitor their interest in the Band Karkheh oilfield. In 2018, the company announced it will pull out of Iran when seismic studies are completed. CalSTRS is maintaining a "Being Monitored" designation in 2019 until the pull out is completed. | 159,490  | \$9,098,671   |
| 12 | PJSC Tatneft<br>(Russia)  | PJSC Tatneft has reportedly signed an agreement to develop the Deloran oilfield in Iran and performed studies on the development of the Shadeghan oilfield. | In 2017, CalSTRS designated PJSC Tatneft as "Under Review" for potentially having ties to Iran. In 2018, CalSTRS designated PJSC Tatneft as "Being Monitored" due to potentially ongoing operations in Iran and maintained that designation in 2019.   | <u>ADR</u><br>104,533                            | <u>ADR</u><br>\$7,256,970   |
| 13 | Polskie Górnictwo<br>Naftowe i Gazownictwo<br>(PGNiG)<br>(Poland) | PGNiG has an MOU with NIOC to work on the Lavan Island and Soumar oilfields.  | CalSTRS has initiated the review process multiple times since 2012 but liquidated the security before completing the engagement. In 2015, CalSTRS designated PGNiG as "Being Monitored" and maintained that designation in 2019.   | 1,721,406  | \$2,033,443   |

|    | <b>Company Name<br/>(Domicile)</b>  | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|-------------------------------------|--|--|--|---|
| 14 | Reliance Industries Ltd.<br>(India) | Reliance Industries Ltd. has reportedly started purchasing Iranian crude after a six-year hiatus.  | Reliance Industries Ltd. had previously been removed from the Iran-related securities list. In 2017, CalSTRS designated Reliance Industries Ltd. as "Under Review" for potentially having new ties to Iran. In 2018, CalSTRS designated Reliance Industries as "Being Monitored". While the company has announced they plan to halt purchases of Iranian crude, India was one of eight countries receiving a sanction waiver. CalSTRS has maintained the "Being Monitored" status in 2019. | 3,930,557  | \$84,988,792  |
| 15 | Woori Bank<br>(South Korea)         | In 2014, Woori Finance Holdings Co. was identified as providing import-export financing services to facilitate trade with Iran. In late 2014, Woori Finance Holdings Co. merged with its subsidiary Woori Bank and changed its name to Woori Bank. | In 2014, CalSTRS designated Woori Finance Holdings Co. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS determined to classify Woori Bank as "Being Monitored" and maintained that designation in 2018. In 2019, CalSTRS removed Woori Bank as it no longer held any of the company's securities but subsequently reinstated the "Being Monitored" status after shares were acquired.   | 74,855   | \$741,484   |

| Companies Removed |                                       |   |  |  |   |
|-------------------|---------------------------------------|---|--|--|---|
|                   | Company Name<br>(Domicile)            | Summary of Ties to Iran   | Summary Status   | Shares Held by<br>CalSTRS<br>11/30/2019  | Market Value (\$) of<br>Shares Held by<br>CalSTRS<br>11/30/2019                                 |
| 1                 | Andritz Hydro AG<br>(Austria)         | Andritz Hydro AG was identified as potentially providing hydropower equipment in Iran.            | In 2017, CalSTRS designated Andritz Hydro AG as "Under Review" for potentially having ties to Iran and maintained that designation in 2018. In 2019, CalSTRS removed Andritz Hydro AG after reviewing the company's internal controls to prevent sanction violations.              | 79,625   | \$3,107,927   |
| 2                 | Aramex PJSC<br>(United Arab Emirates) | Aramex PJSC reportedly provides logistical services to Iran.                                      | In 2019, CalSTRS identified Aramex PJSC as potentially having ties to Iran. CalSTRS subsequently removed Aramex after reviewing the company's internal controls to prevent sanction violations.  | 43,509   | \$44,182  |
| 3                 | ArcelorMittal<br>(Luxembourg)         | ArcelorMittal has reported selling steel to Iran.   | In 2017, CalSTRS designated ArcelorMittal as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS removed ArcelorMittal after reviewing the company's internal controls to prevent sanction violations. | <u>Stock</u><br>2,264,849<br><br><u>ADR</u><br>172,500<br><br><u>Bonds</u><br>\$10,710,000 | <u>Stock</u><br>\$38,776,880<br><br><u>ADR</u><br>2,951,475<br><br><u>Bonds</u><br>\$11,231,962 |
| 4                 | Bayer AG<br>(Germany)                 | Bayer AG reportedly sells polymer and chemical products in Iran.                                  | In 2019, CalSTRS identified Bayer AG as potentially having ties to Iran. CalSTRS subsequently removed Bayer AG after reviewing the company's internal controls to prevent sanction violations.   | <u>Stock</u><br>1,733,441<br><br><u>Bonds</u><br>\$11,000,000                              | <u>Stock</u><br>\$131,305,795<br><br><u>Bonds</u><br>\$11,521,945                               |
| 5                 | Evergreen Marine<br>(Taiwan)          | Evergreen Marine was identified as potentially providing shipping and logistics services to Iran. | In 2019, CalSTRS identified Evergreen Marine as potentially having ties to Iran and subsequently removed the company as CalSTRS no longer holds the company's securities.  | 0  | \$0   |

|    | <b>Company Name<br/>(Domicile)</b>     | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CaSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CaSTRS<br/>11/30/2019</b> |
|----|--|---|--|---|--|
| 6  | FLSmith & Co. A/S<br>(Denmark)         | FLSmith & Co. A/S has reportedly opened a new office in Iran to service mineral and cement customers.   | In 2017, CaSTRS designated FLSmith & Co. A/S as "Under Review" for potentially having ties to Iran. CaSTRS maintained the "Under Review" designation in 2018. In 2019, CaSTRS removed FLSmith & Co A/S after reviewing the company's internal controls to prevent sanction violations.   | 49,035  | \$1,802,523  |
| 7  | Hapag Lloyd<br>(Germany)               | Hapag Lloyd was identified as potentially providing shipping services to Iran.  | In 2019, CaSTRS identified Hapag Lloyd as potentially having ties to Iran and subsequently removed the company as CaSTRS no longer holds the company's securities.   | 0   | \$0  |
| 8  | Japan Drilling Co. Ltd.<br>(Japan)     | In 2015, Japan Drilling Co. Ltd. was identified as possibly operating offshore drilling services in Iran with clients including the Iranian government. | In 2015, CaSTRS designated Japan Drilling Co. Ltd. as "Under Review" for potentially having ties to Iran. In 2016, CaSTRS stopped and restarted the review process based on changes in CaSTRS' holdings in the company's securities. In 2017, CaSTRS designated Japan Drilling Co. Ltd. as "Being Monitored" and maintained that designation in 2018. In 2019, CaSTRS removed Japan Drilling Co. Ltd. as it no longer holds any of the company's securities. | 0   | \$0  |
| 9  | Logo Yazim Sanayi Ve Ticar<br>(Turkey) | Logo Yazim Sanayi Ve Ticar was identified as potentially providing its software in Iran.  | In 2019, CaSTRS identified Logo Yazim Sanayi Ve Ticar as potentially having ties to Iran. CaSTRS subsequently removed the company after confirming the winddown of their Iranian involvement and reviewing the company's internal controls.  | 2,395,762                                       | \$2,395,762  |
| 10 | Nokia Corp.<br>(Finland)               | Nokia Corp. was identified as possibly providing telecommunications equipment and services in Iran.   | In 2018, CaSTRS identified Nokia Corp. as potentially having ties to Iran and began the review process. In 2019, CaSTRS removed Nokia Corp. after reviewing the company's internal controls to prevent sanction violations.  | Stock<br>7,068,490<br><br>Bonds<br>\$896,000    | Stock<br>\$25,029,528<br><br>Bonds<br>\$1,005,680                        |

|    | <b>Company Name<br/>(Domicile)</b>            | <b>Summary of Ties to Iran</b>   | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>  | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>   |
|----|---|--|--|---|---|
| 11 | Odjfell Drilling<br>(Norway)                  | Odjfell Drilling reportedly provides well drilling services and products in Iran.            | In 2019, CalSTRS identified Odjfell Drilling as potentially having ties to Iran. CalSTRS subsequently removed Odjfell drilling after confirming the winddown of their Iranian involvement and reviewing the company's internal controls.   | 113,784   | \$314,310   |
| 12 | Renault SA<br>(France)                        | Renault SA reportedly sold parts, vehicles, and related products and services in Iran.       | In 2019, CalSTRS identified Renault SA as potentially having ties to Iran. CalSTRS subsequently removed Renault SA after reviewing the company's internal controls to prevent sanction violations.   | 392,181   | \$18,790,762  |
| 13 | Royal Bank of<br>Scotland<br>(United Kingdom) | Royal Bank of Scotland reportedly provides banking services in Iran.                         | In 2019, CalSTRS identified Royal Bank of Scotland as potentially having ties to Iran. CalSTRS subsequently removed Royal Bank of Scotland after reviewing the company's internal controls to prevent sanction violations.   | <u>Stock</u><br>10,423,650<br><u>Bonds</u><br>\$31,725,838  | <u>Stock</u><br>\$30,498,536<br><u>Bonds</u><br>\$32,533,386  |
| 14 | Royal Dutch Shell<br>(Netherlands)            | Royal Dutch Shell has reportedly signed preliminary agreements to develop oilfields in Iran. | Royal Dutch Shell had previously been removed from the Iran-related securities list. In 2017, CalSTRS designated Royal Dutch Shell as "Under Review" for potentially having new ties to Iran. In 2018, CalSTRS designated Royal Dutch Shell as "Being Monitored." In 2019 CalSTRS removed Royal Dutch Shell after reviewing the company's curtailment of business with Iran. | <u>Stock (A Shares)</u><br>11,310,760<br><u>Stock (B Shares)</u><br>4,351,858<br><u>ADR (A Shares)</u><br>204,100<br><u>ADR (B Shares)</u><br>114,010<br><u>Bonds</u><br>56,640,000 | <u>Stock (A Shares)</u><br>\$323,705,153<br><u>Stock (B Shares)</u><br>\$123,249,804<br><u>ADR (A Shares)</u><br>\$11,733,709<br><u>ADR (B Shares)</u><br>\$6,568,116<br><u>Bonds</u><br>\$62,008,716 |

|    | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>       | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|------------------------------------|---|--|--|---|
| 15 | SKF AB<br>(Sweden)                 | SKF AB reportedly provides bearing and lubrication products to Iran.  | In 2017, CalSTRS designated SKF AB as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS removed SKF AB after reviewing the company's internal controls to prevent sanction violations.             | <u>Stock</u><br>963,736                                | <u>Stock</u><br>\$18,414,600  |
| 16 | Tata Steel<br>(India)              | Tata Steel has a subsidiary that reportedly provides steel to Iran.   | In 2017, CalSTRS designated Tata Steel as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS removed Tata Steel after reviewing the company's internal controls to prevent sanction violations.     | <u>Stock</u><br>39,761<br><u>Partly Paid</u><br>21,577 | <u>Stock</u><br>\$236,945<br><u>Partly Paid</u><br>\$13,174               |
| 17 | TechnipFMC<br>(United Kingdom)     | TechnipFMC was identified as providing engineering and design services for the construction of an ethylene plant in Iran. | In 2019, CalSTRS identified TechnipFMC as potentially having ties to Iran. TechnipFMC was subsequently removed after the company confirmed the winddown of all business in Iran, with the exception of seeking to collect outstanding receivables for work previously completed. | 1,012,705  | \$19,079,362  |
| 18 | Telenor ASA<br>(Norway)            | Telenor ASA reportedly has roaming and service agreements with the Iranian state-owned Mobile Company of Iran.            | In 2017, CalSTRS designated Telenor ASA as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS removed Telenor ASA after reviewing the company's internal controls to prevent sanction violations.   | 3,236,141  | \$59,103,426  |
| 19 | Toyo Engineering<br>(Japan)        | Toyo Engineering reportedly signed an agreement to develop the Salman oil and gas field in Iran.                          | In 2017, CalSTRS designated Toyo Engineering as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" designation in 2018. In 2019, CalSTRS removed Toyo Engineering as it no longer holds any of the company's securities.                  | 0  | \$0   |

|    | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Iran</b>  | <b>Summary Status</b>   | <b>Shares Held by<br/>CaSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CaSTRS<br/>11/30/2019</b> |
|----|------------------------------------|---|---|---|--|
| 20 | Toyota Tsusho Corp.<br>(Japan)     | Toyota Tsusho Corp. reportedly has an operational trade business in Iran which helps coordinate various types of businesses between Japanese and Iranian companies. | In 2017, CaSTRS designated Toyota Tsusho Corp. as "Under Review" for potentially having ties to Iran and maintained that designation in 2018. In 2019, CaSTRS removed Toyota Tsusho Corp. after reviewing the company's internal controls to prevent sanction violations. | 633,933   | \$22,142,213   |

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**Attachment H: CalSTRS Portfolio Companies Identified as Possibly Having Ties to Sudan**

| Companies Divested and Restricted |   |   |   |  |   |
|-----------------------------------|---|---|---|--|---|
|                                   | <b>Company Name (Domicile)</b>  | <b>Summary of Ties to Sudan</b>   | <b>Summary of Status</b>  | <b>Shares Held by CalSTRS 11/30/2019</b> | <b>Market Value (\$) of Shares Held by CalSTRS 11/30/2019</b> |
| 1                                 | AviChina Industry and Technology Limited (China)                                    | AviChina was identified as possibly providing military equipment and maintenance services to Sudan.   | In 2016, CalSTRS designated AviChina as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |
| 2                                 | Bharat Heavy Electricals (India)  | Bharat Heavy Electricals has contracts to build power plants in Sudan.  | In 2009, Bharat Heavy Electricals was designated as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |
| 3                                 | Dongfeng Motor Group and Dongfeng Automobile Company Ltd., a linked company (China) | Dongfeng Motor Group and Dongfeng Automobile Co. Ltd. have reportedly supplied military vehicles to the Sudanese government. The companies did not reply to CalSTRS requests for information. | In 2009, Dongfeng Motor Group and Dongfeng Automobile Company Ltd. were designated as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |
| 4                                 | Kunlun Energy Co. and Sinopec, a linked company (China)                             | While Kunlun Energy Co. has no activity in Sudan, its parent, CNPC, is the largest partner of several oil consortiums that have active oil exploration and production operations in Sudan.    | In 2009, Sinopec and its related companies, including CNPC Hong Kong, were designated as "Divested and Restricted." In February 2010, CNPC Hong Kong changed its name to Kunlun Energy Co. Sinopec and all of its subsidiaries, including Kunlun Energy Co., have remained "Divested and Restricted" in 2019. | 0  | \$0   |
| 5                                 | MISC Bhd. (Malaysia)  | MISC Bhd. is a Malaysian shipping company that is linked to Sudan through its parent company, Petronas, also a "Restricted" company.  | In 2009, MISC Bhd. was designated as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.   | 0  | \$0   |
| 6                                 | Oil and Natural Gas Company of India (India)  | Oil and Natural Gas Company of India (ONGC) has interests in multiple Sudanese oil blocks.  | In 2009, ONGC was designated as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.  | 0  | \$0   |

|    | <b>Company Name<br/>(Domicile)</b>   | <b>Summary of Ties to Sudan</b>  | <b>Summary Status</b>   | <b>Shares Held<br/>by CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|----|--|--|---|--|---|
| 7  | PECD Berhad<br>(Malaysia)  | PECD Berhad has an ongoing contract to build an oil export terminal in Port Sudan.   | In 2009, PECD Berhad was designated as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.       | 0  | \$0   |
| 8  | PetroChina and<br>CNPC - as connected<br>corporations to the<br>Chinese National Oil<br>Company<br>(China) | PetroChina has no operations in Sudan but is linked to the country through its parent, CNPC, which has multiple interests in the country.          | In 2009, CalSTRS designated PetroChina as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.    | 0  | \$0   |
| 9  | Petronas<br>(Malaysia)   | Petronas has interest in several oil fields in Sudan.  | In 2009, CalSTRS designated Petronas as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019.      | 0  | \$0   |
| 10 | Sudan Telecom<br>Company (Sudatel)<br>(Sudan)  | Sudan Telecom (Sudatel) provides telecommunication services in Sudan and reportedly cut services to villages in Darfur when attacks were imminent. | In 2009, CalSTRS designated Sudan Telecom as "Divested and Restricted." CalSTRS has maintained the "Divested and Restricted" designation in 2019. | 0  | \$0   |

| Companies Under Review |   |  |  |   |   |
|------------------------|---|--|--|---|---|
|                        | Company Name<br>(Domicile)                          | Summary of Ties to Sudan   | Summary Status   | Shares Held by<br>CalSTRS<br>11/30/2019 | Market Value (\$) of<br>Shares Held by<br>CalSTRS<br>11/30/2019 |
| 1                      | Abu Dhabi Islamic<br>Bank<br>(United Arab Emirates) | Abu Dhabi Islamic Bank<br>was identified as potentially providing banking<br>services in Sudan.  | In 2019, CalSTRS identified Abu Dhabi Islamic<br>Bank as potentially having ties to Sudan and began<br>the review process.   | 813,202                                 | \$1,011,316   |
| 2                      | Anton Oilfield Services<br>(Finland)                | Anton Oilfield Services has been identified as<br>potentially providing products and services for oil and<br>gas production in Sudan.  | In 2018, CalSTRS identified Anton Oilfield Services<br>as potentially having ties to Sudan and began the<br>review process. In 2019, CalSTRS removed Anton<br>Oilfield Services as it no longer held any of the<br>company's securities and subsequently restarted<br>the review after shares were acquired. | 2,312,000                               | \$221,520   |
| 3                      | DSV A/S<br>(Denmark)                                | DSV A/S was identified as potentially providing<br>shipping and logistics services to Sudan. Additionally,<br>in 2019, DSV A/S completed a merger with Panalpina<br>Wetrandsport Holding AG, another company identified<br>as providing services in Sudan. | In 2019, CalSTRS identified DSV A/S as potentially<br>having ties to Sudan and began the review<br>process. The review process also includes<br>integration of Panalpina Wetrandsport Holding AG,<br>after the merger.   | 628,661                                 | \$68,502,934  |

| <b>Companies Being Monitored</b> |  |   |   |   |  |
|----------------------------------|--|---|---|---|--|
|                                  | <b>Company Name<br/>(Domicile)</b>             | <b>Summary of Ties to Sudan</b>   | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>                      | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b>    |
| 1                                | China Railway Group<br>(China)                 | China Railway Group has two supply contracts and one works contract for railway maintenance in Sudan. | In 2013, CalSTRS designated China Railway Group as "Under Review" for potentially having ties to Sudan. In 2014, CalSTRS designated China Railway Group as "Being Monitored" and maintained that designation in 2019.   | 1,255,100   | \$1,483,745  |
| 2                                | Commercial Bank<br>PQSC<br>(Qatar)             | Commercial Bank PQSC was identified as potentially providing banking services in Sudan.               | In 2016, CalSTRS designated Commercial Bank PQSC as "Under Review" for potentially having ties to Sudan. In 2017 CalSTRS designated Commercial Bank PQSC as "Being Monitored" and maintained that designation in 2019.  | 608,577   | \$732,098  |
| 3                                | First Abu Dhabi Bank<br>(United Arab Emirates) | First Abu Dhabi Bank was identified as potentially providing banking services in Sudan.               | In 2017, CalSTRS designated First Abu Dhabi Bank as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated First Abu Dhabi Bank as "Being Monitored" and maintained that designation in 2019. | Stock<br>10,628,530<br><br>Bonds<br>\$2,220,000                       | Stock<br>\$43,982,319<br><br>Bonds<br>\$2,215,693                            |
| 4                                | ICICI Bank<br>(India)                          | ICICI Bank was identified as potentially providing banking services in Sudan.                         | In 2016, CalSTRS designated ICICI Bank as "Under Review" for potentially having ties to Sudan. In 2017, CalSTRS designated ICICI Bank as "Being Monitored" and maintained that designation in 2019.                     | Stock<br>11,418,972<br><br>ADR<br>806,350<br><br>Bonds<br>\$2,170,000 | Stock<br>\$81,594,216<br><br>ADR<br>\$11,361,472<br><br>Bonds<br>\$2,176,011 |

|   | <b>Company Name<br/>(Domicile)</b>                               | <b>Summary of Ties to Sudan</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|--|--|--|--|---|
| 5 | International Container Terminal Services, Inc.<br>(Philippines) | In 2019, International Container Terminal Services, Inc. signed a 20-year concession with state-owned Sea Ports Corp. to operate, manage and develop the South Port Container Terminal in Sudan. | In 2019, CalSTRS determined to designate International Shipping Container Terminal Services Inc as "Being Monitored".  | 1,664,490  | \$4,048,627   |
| 6 | Larsen & Toubro Ltd.<br>(India)                                  | Larsen & Toubro Ltd. was identified as providing consulting services to the government of Sudan.   | In 2015, CalSTRS designated Larsen & Toubro Ltd. as "Under Review" for potentially having ties to Sudan. In 2016, CalSTRS designated Larsen & Toubro Ltd. as "Being Monitored" and maintained that designation in 2019.        | Stock<br>462,588<br><br>GDR<br>25,110            | Stock<br>\$8,579,843<br><br>GDR<br>\$464,535                              |
| 7 | Makita Group<br>(Japan)  | Makita Group was identified as providing products and equipment to Sudan.  | In 2015, CalSTRS designated Makita Group as "Under Review" for potentially having ties to Sudan. In 2016, CalSTRS designated Makita Group as "Being Monitored" and maintained that designation in 2019.                        | 1,189,820  | \$39,331,097  |
| 8 | Malayan Banking Bhd.<br>(Malaysia)                               | Malayan Banking Bhd. was identified as potentially providing banking services in Sudan.  | In 2017, CalSTRS designated Malayan Banking Bhd. as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Malayan Banking Bhd. as "Being Monitored" and determined to maintain that status in 2019. | 18,227,507                                       | \$37,227,495  |
| 9 | Qatar Islamic Bank<br>(Qatar)                                    | Qatar Islamic Bank was identified as potentially providing banking services in Sudan.  | In 2016, CalSTRS designated Qatar Islamic Bank as "Under Review" for potentially having ties to Sudan. In 2017, CalSTRS designated Qatar Islamic Bank as "Being Monitored" and maintained that designation in 2019.            | 231,870  | \$946,330   |

| <b>Companies Removed</b> |  |  |  |  |   |
|--------------------------|--|--|--|--|---|
|                          | <b>Company Name<br/>(Domicile)</b>                                       | <b>Summary of Ties to Sudan</b>  | <b>Summary Status</b>  | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
| 1                        | Aramex PJSC<br>(United Arab Emirates)                                    | Aramex PJSC was identified as potentially providing transportation and supply chain management services in Sudan.  | In 2019, CalSTRS identified and subsequently removed Aramex PJSC for potentially having ties to Sudan after reviewing internal controls to prevent sanction violations.  | 43,509   | \$44,182  |
| 2                        | Emirates<br>Telecommunication<br>Group Company<br>(United Arab Emirates) | Emirates Telecommunication Group Company was identified as possibly providing telecommunication services to Sudan. | In 2017, CalSTRS designated Emirates Telecommunication Group Company as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Emirates Telecommunication Group Company as "Being Monitored". In 2019, CalSTRS removed Emirates Telecommunication Group Company after reviewing the company's business and internal controls to prevent sanction violations. | 661,878  | \$2,937,155   |
| 3                        | Evergreen Marine<br>(Taiwan)   | Evergreen Marine was identified as potentially providing shipping and logistics services to Sudan.                 | In 2019, CalSTRS identified Evergreen Marine as potentially having ties to Sudan and subsequently removed the company as CalSTRS no longer holds the company's securities.   | 0  | \$0   |
| 4                        | Fuji Electric Co. Ltd.<br>(Japan)  | Fuji Electric Co. Ltd. was identified as providing heavy equipment in Sudan.                                       | In 2015, CalSTRS designated Fuji Electric Co. Ltd. as "Under Review" for potentially having ties to Sudan. In 2016, CalSTRS designated Fuji Electric Co. Ltd. as "Being Monitored" and maintained that in 2018. In 2019, CalSTRS removed Fuji Electric Co. Ltd. after reviewing internal controls to prevent sanction violations.  | 366,868  | \$11,289,792  |

|   | <b>Company Name<br/>(Domicile)</b> | <b>Summary of Ties to Sudan</b>  | <b>Summary Status</b>   | <b>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> | <b>Market Value (\$) of<br/>Shares Held by<br/>CalSTRS<br/>11/30/2019</b> |
|---|------------------------------------|--|---|--|---|
| 5 | Hannover Rueck<br>(Germany)        | Hannover Rueck was identified as possibly providing insurance services in Sudan.         | In 2017, CalSTRS designated Hannover Rueck as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Hannover Rueck as "Being Monitored". In 2019 CalSTRS removed Hannover Rueck after reviewing the company's internal controls and compliance programs.   | 80,290   | \$14,916,930  |
| 6 | Hapag Lloyd<br>(Germany)           | Hapag Lloyd was identified as potentially providing shipping services to Sudan.          | In 2019, CalSTRS identified Hapag Lloyd as potentially having ties to Sudan and subsequently removed the company as CalSTRS no longer holds the company's securities.   | 0  | \$0   |
| 7 | M1 Ltd.<br>(Singapore)             | M1 Ltd. was identified as potentially providing telecommunications services in Sudan.    | In 2016, CalSTRS designated M1 Ltd. as "Under Review" for potentially having ties to Sudan. In 2017, CalSTRS designated M1 Ltd. as "Being Monitored" and maintained that designation in 2018. In 2019, CalSTRS removed M1 Ltd. as it no longer holds the company's securities.  | 0  | \$0   |
| 8 | Nordea Bank<br>(Sweden)            | Nordea Bank was identified as potentially providing banking services in Sudan.           | In 2017, CalSTRS designated Nordea Bank as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Nordea Bank as "Being Monitored" while it reviewed the company's internal controls and compliance programs. In 2019, CalSTRS removed Nordea Bank after completing a review of the company's internal controls to prevent sanction violations. | Stock<br>7,067,163<br><br>Bonds<br>\$6,980,000   | Stock<br>\$50,079,214<br><br>Bonds<br>\$7,286,530                         |
| 9 | Nokia Corp.<br>(Finland)           | Nokia Corp. was identified as potentially providing telecommunication services in Sudan. | In 2017, CalSTRS designated Nokia Corp. as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Nokia Corp as "Being Monitored" In 2019, CalSTRS removed Nokia Corp. after reviewing the company's internal controls and compliance programs.   | Stock<br>7,068,490<br><br>Bonds<br>\$896,000     | Stock<br>\$25,029,528<br><br>Bonds<br>\$1,005,680                         |