



California State Teachers'
Retirement System
Investments
100 Waterfront Place, MS-04
West Sacramento, CA 95605

December 29, 2017

Sustainability Accounting Standards Board (SASB)
1045 Sansome Street, Suite 450
San Francisco, CA 94111

This letter is sent to you on behalf of the California State Teachers' Retirement System. 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 896,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$223 billion invested across both domestic and international markets.

The California State Teachers' Retirement System ("CalSTRS" or "we") have reviewed the Sustainability Accounting Standards Board's (SASB) Proposed Changes to Provisional Standards Exposure Draft and are pleased to offer our comments. The scope of our review includes the proposed changes within the Financial Sector: Asset Management and Custody Activities industry.

While the use of SASB Standards are voluntary, CalSTRS believes that companies should report on material Environmental, Social and Governance (ESG) issues that affect their financial performance. CalSTRS has used the SASB Standards as a guideline to disclose material information to our stakeholders through various forms of communication such as sustainability reports and our Management's Discussion and Analysis (MD&A) section within the Comprehensive Annual Financial Report (CAFR).

Within the MD&A section in the FY 16-17 CAFR, we disclose relevant information related to the sustainability disclosure topics including employee incentives and risk taking, employee inclusion, transparent information and fair advice for customers, and management of the legal and regulatory environment.

We believe that the proposed amendments to the SASB Standards provide users additional relevant metrics and sustainability information to assess the future financial performance of a company. Specifically, new metrics surrounding employees with a record of investment-related investigations, the percentage of AUM that employ integration of ESG factors within the Transparent Information and Fair Advice for Customers, and the Integration of ESG in Investment Management and Advisory topics will enhance sustainability reporting for organizations such as CalSTRS.

In some cases, CalSTRS is already presenting the proposed amendments as part of other requirements set forth by the Governmental Accounting Standards Board (GASB). For example, under the Systemic Risk Management topic, the amendments proposed include the following:

- [TA02-32-01] Additional metrics for percentage of open-end fund assets under management by category of liquidity classification
- [TA02-32-02] Discussion of how liquidity risk management programs are integrated into portfolio strategy and redemption risk management
- [TA02-33-01] Additional metrics for the total exposure to securities financing transactions (including off-balance sheet items)

CalSTRS is currently presenting the above information in the CAFR within the Fair Value Measurement and Deposits and Investments notes as required by GASB Statement No. 72 (Fair Value Measurement and Application) and GASB Statement No. 28 (Accounting and Financial Reporting for Securities Lending Transactions). We encourage SASB to take a broader view of the regulatory landscape, including GASB and FASB, to minimize duplicative guidance that may create confusion amongst issuers.

In summary, we believe the amendments proposed in the Financial Sector: Asset Management & Custody Activities Exposure Draft provide additional relevant sustainability-related information to users/stakeholders. As the regulatory landscape continues to evolve and become more complex, we suggest SASB identify additional areas to consolidate and/or simplify to prevent duplicative and potentially conflicting guidance amongst the various regulatory agencies. CalSTRS believes establishing a corporate environment with sustainable principles leads to a more productive business culture, better environmental and governance practices, and increased long-term viability. Our sustainable strategy focuses not only on delivering profitable, risk-adjusted returns, but also on the everyday business practices encompassing facilities operations, human resources and organizational standards.

Sincerely,



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