



California State Teachers'
Retirement System
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February 1, 2018

Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
110 F Street, N.E.
Washington, D.C. 20549

Re: Resource Extraction Issuers Disclosure of Payments- Section 1504 of Dodd Frank Act

Dear Chairman Clayton,

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS). CalSTRS serves the investment and retirement interests of California's educators consisting of more than [914,454 plan participants and their beneficiaries](#). CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately [\\$225.3 billion as of December 31, 2017](#). The long-term nature of CalSTRS liabilities, the composition of its portfolio and the Teachers Retirement Board's fiduciary responsibility to its members, make the fund keenly interested in the rules and regulations that govern the securities market. We have a vested interest in ensuring shareholder protections are safeguarded within the SEC's rules and regulations.

Our letter is prompted by the inclusion of the Disclosure of Payments by Resource Extraction Issuers rule (implementing Section 13(q) of the Exchange Act of 1934) in the Securities and Exchange Commission's (SEC) regulatory agenda for 2018. CalSTRS' support for strong rules for the implementation of Section 13(q) reaches back to the [attached 2011 letter](#) and [subsequent](#) (2014) [submissions](#) (2016) during the statute's previous rule-making processes. I am writing to express our continued support to Section 1504 of Dodd Frank which requires resource extraction issuers to include in an annual report, information relating to any payment made by the resource extraction issuer, a subsidiary, or an entity under the control of, for the purpose of the commercial development of oil, natural gas or minerals as more fully described in the Dodd Frank Act. CalSTRS has a significant interest in these rules due to our portfolio exposure to these sectors. CalSTRS' current holdings in the Oil Gas & Consumable Fuels, Metals & Mining and Energy Equipment & Services sectors include approximately six hundred seventeen companies, 606.6 million shares with a market value as of 12/31/17 of \$9.2 billion. We believe the disclosures mandated by Section 1540 are vital and material to CalSTRS' investment analysis and assessment of investment risks and opportunities in the volatile oil, gas, mining and energy equipment & services markets.

We strongly believe that the SEC should continue these disclosure requirements in Section 1504 of Dodd Frank. We understand issuers are in opposition of these disclosures, yet investors like

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CalSTRS, believe extractive payment disclosures at the project level will provide substantive information in understanding the many risks involved in these types of projects as well as the impact on cash flows and valuations. You may be aware, in response to investor demand, complementary oil and mining payment disclosures laws in the EU and Canadian the same n followed Section 13(q) and created the opportunity for a global standard for extractives transparency. Hundreds of oil and mining companies are making disclosures pursuant to the EU and Canadian laws that are providing material insights used in investment decisions. We hope that in drafting a new rule for the implementation of Section 13(q) that the Commission makes definitions for project-level disclosure and other key considerations consistent with the EU and Canadian laws. Prioritizing consistency with the EU and Canadian laws would only result in more useful disclosures to investors, as well as enhance the efficiency of compliance for companies that report in different jurisdictions and through the Extractive Industries Transparency Initiative (EITI). We hope the SEC will implement Section 1504 disclosure requirements that will provide a mechanism that ensures transparency on these types of specific disclosures that are useful to investors, while at the same time address issuers' concerns about proprietary information.

We appreciate the opportunity to share our perspective on the rule-making for the Resource Extraction Issuers' Disclosure of Payments. CalSTRS firmly believes that Section 1504 disclosure rules should be maintained as it will assist investors in assessing investment risks and opportunities and will also maintain market efficiency, facilitate capital formation and continue to protect investors.

If you would like to discuss this letter further, please feel free to contact me at my number above or Mary Hartman Morris at 916-414-7412, MMorris@CalSTRS.com.

Sincerely,



Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Cc: Brent J. Fields, Secretary, SEC - fieldsb@sec.gov
Kara M. Stein, Commissioner – steink@sec.gov
Michael S. Piwowar, Commissioner – piwowarm@sec.gov
Robert J. Jackson Jr., Commissioner – jacksonro@sec.gov
Hester M. Peirce, Commissioner – pierceh@sec.gov

Attachments:

[March 1, 2011 letter on File # S7-42-10 Disclosure of Payments by Resource Extraction Issuers](#)

[April 28, 2014 letter on Section 1504 of Dodd Frank Act – Disclosure of Payments by Resource Extraction Issuers](#)

[March 8, 2016 letter on File No. S7-25-15 Disclosure of Payments by Resource Extraction Issuers](#)