

California State Teachers' Retirement System Investment Reports

December 31, 2015

Introduction

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

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

Background on CalSTRS

With over 100 years of experience and over \$188 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 1,400 school districts, community college districts, county offices of education and regional occupational programs. CalSTRS is administered by a 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. The board is comprised of:

- Three member-elected positions representing current educators;
- A retired CalSTRS member appointed by the Governor and confirmed by the Senate;
- Three public representatives appointed by the Governor and confirmed by the Senate;
- A school board representative appointed by the Governor and confirmed by the Senate;
- and
- Four board members who serve in an ex-officio capacity by virtue of their office.

One of the board's key core values is to ensure the strength of the retirement system by proactively addressing the risks of investing. The value permeates the investment portfolio, where the board has adopted the Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG). The policy requires managers to consider 21 separate risk factors when investing for CalSTRS. A copy of the policy is included as [Attachment A](#).

Teachers' Retirement Fund

The Teachers' Retirement Fund (fund), from which CalSTRS benefit payments are made, is valued at over \$188 billion as of November 30, 2015. Historically, investment returns have contributed roughly two-thirds of the costs of the educators' defined benefit retirement plan. The board's investment actions reflect a policy of investing on a long-term basis. This is done in a comprehensive, measured manner. In November 2015, the board reviewed and revised the long-term asset allocation targets based on the final results of the fiscal year 2015-16 Asset/Liability study. The funds resulted in an investment asset allocation of:

Global Equity	47 percent
Real Estate	13 percent
Private Equity	13 percent
Fixed Income	12 percent
Risk Mitigating Strategies	9 percent
Inflation Sensitive	4 percent
Cash	2 percent

In July 2015, the board reviewed and updated its 10-year financial plan. Although future events may arise that would require adjustment to the plan, having a plan ensures easier management of unexpected shifts. The development of a long-term plan is relatively new ground for public pension plans; most of CalSTRS' peers only plan year-to-year through the traditional budget process. The specific components of the plan will be incorporated as needed into the discussion within this paper, and the plan in its entirety is included as [Attachment B](#).

Strategic Response: Policy Review

CalSTRS contracts with MSCI to provide data on companies with operations in Northern Ireland. CalSTRS contracts with two external service providers, MSCI and IW Financial, to be our providers of information relating to Iran and Sudan.

In addition to the service providers, 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 Government Accountability Office (GAO), United States Department of the Treasury Office of Foreign Asset Control (OFAC), 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 21 Risk Factor Review Committee. The 21 Risk Factor Review Committee consists of 13 senior staff members: the Chief Investment Officer, the Deputy Chief Investment Officer, the Chief Operating Investment Officer, two senior staff members from Global Equities, two senior staff members from Fixed Income, two senior staff members from Corporate Governance, one senior staff member from Private Equity, one senior staff member from Real Estate, one senior staff member from Operations, and one senior staff

member from the Innovation and Risk Group. In 2014, the committee adopted a charter governing its operation and scope of duties ([Attachment C](#)).

The committee reviews the companies identified to determine if they meet the requirements of the laws. Companies that are determined to meet the requirements of the law that 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 of the companies on the Sudan and Iran related securities lists in which it has holdings. When a company is identified as potentially meeting the requirements of an applicable law, they receive a letter requesting information on their ties to the respective restricted area ([Attachments D & E](#)). In addition to the letter requesting information, CalSTRS makes every attempt to have senior investment staff meet with senior executives of the company. All the companies are sent a letter requesting an update of the company's operations in those restricted areas specified in statute ([Attachments F & G](#)).

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 21 Risk Factor Review Committee 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, United Nations Principles for Responsible Investment (UNPRI) and Global Compact to improve transparency and encourage corporations to act responsibly when dealing with 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.

CalSTRS Response to Sudan Risk

Process

CalSTRS identified a list of 24 companies with some level of business operations in Sudan prior to the enactment of Chapter 442, Statutes of 2006 (AB 2941-Koretz), the Sudan Divestment law. The legislation defined "active business operations" to mean a company engaged in business operations that provide revenue to the government of Sudan or a company engaged in oil-related

operations. Those distinctions provided an assessment framework and supported 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 at any time, there will be companies that are in the "Being Reviewed" or second tier, and companies in the "Being Monitored" or third tier. The initial list was based on the list contained in the April 2006 Investment Committee agenda item published by the University of California Regents. The initial list has been updated based on data provided by CalSTRS' independent research contractors, NGOs and engagement work.

Tactical Response: 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: Restricted Companies, Companies Being Monitored, Companies Being Reviewed, or Non-Holdings That Possibly Meet the Divestment Criteria. 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, nine companies are subject to the most severe restrictions under the law. 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 restricted and has no holdings in Bharat Heavy Electricals, Dongfeng Motor Group, Oil and Natural Gas Company of India, PECD Berhad, and Sudan Telecom.

In addition to the nine restricted companies, CalSTRS has 11 companies in the second tier or "Being Reviewed" category (determining if criteria for divestment is met). Lastly, CalSTRS has identified eight companies in its portfolio that have ties to Sudan but do not meet the requirements for divestment. CalSTRS maintains these companies on its list in the "Being Monitored" category (third tier) and continues to engage them to confirm they keep with their commitments and their status does not change.

Over the past year, CalSTRS has removed three companies that were in either the "Being Reviewed" or "Being Monitored" categories for ties to Sudan. While these companies have been removed, they continue to be monitored by our third party vendors 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 categories.

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

Actions Taken

CalSTRS continues to engage with the companies on the Sudan related securities list. In addition to engaging with individual companies, CalSTRS is a founding member and serves on the advisory board of the Conflict Risk Network. The Conflict Risk Network is the successor to the

Sudan Divestment Task Force. The network is intended to increase responsible foreign investment and leverage the influence of members in areas afflicted by genocide and other atrocities.

CalSTRS Response to Iran Risk

Process

As directed by law, 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 oil, nuclear or defense industries. These distinctions provided the assessment framework and supported the qualitative aspect of CalSTRS' process. The initial CalSTRS list was divided into three sections of various levels of involvement and holding levels. This list provided the basis for the CalSTRS Iran Divestment list. The list was based on the information provided by independent research providers, NGOs and engagement work.

The list is continuously updated, and currently, companies that are determined to meet the requirements of the law are placed on the Iran Restricted list. It should be noted that on November 21, 2011, President Obama signed Executive Order 13590 and on August 10, 2012, signed H.R. 1905, the Iran Threat Reduction and Syrian Human Rights Act of 2012, which strengthened and expanded sanctions against Iran beyond those specified in the California statute. In applying the CalSTRS Investment Policy for Mitigating Environmental, Social and Governance Risks, CalSTRS expanded our research to comply with federal sanctions, which has increased the number of companies being reviewed and, in some cases, 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 a Joint Comprehensive Plan of Action (JCPOA) designed to ensure Iran's nuclear program would be exclusively peaceful. The JCPOA became effective on October 18, 2015 ("Adoption Day"), and participants began preparations for implementations. While the JCPOA has been adopted, it is important to note that terms of the JCPOA are not fully effective until Implementation Day, which will only occur after the International Atomic Energy Agency (IAEA) verifies that Iran has implemented key nuclear-related measures described in the JCPOA.

While the JCPOA does offer sanction relief, it will only remove the sanctions imposed after the adoption of AB 221. Furthermore, at this point, it appears that if Implementation Day is reached, it will not affect the status of any of the companies CalSTRS has currently divested or restricted.

While the status of currently divested or restricted companies will not be impacted by the JCPOA, on October 18, 2015, the Secretary of State issued contingent waivers of certain statutory sanction provisions (OFAC Waivers). The OFAC Waivers are not currently in effect and will only take effect on Implementation Day. The issuance of the contingent waivers has led to news reports and speculation that several of the largest European companies are considering business in or with Iran. CalSTRS is concerned that these companies, which are not currently

divested or restricted by CalSTRS, may take advantage of OFAC Waivers without fully evaluating the risks.

Therefore, CalSTRS has determined to engage our largest holdings that may seek to take advantage of OFAC Waivers. In particular, companies need to fully consider the risks around the “snapback provisions” being invoked. Under the JCPOA, sanctions can be “snapped back” into place if the JCPOA is violated. OFAC has stated that contracts undertaken under OFAC Waivers will not be grandfathered if snapback provisions are triggered.

Currently, the list is maintained in three sections: Restricted Companies (Iran Restricted list), Companies Being Monitored, or Companies Being Reviewed.

Tactical Response: Investments Identified

The initial list comprised the names of 23 companies identified as having some level of business ties to Iran. The list 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 CalSTRS holdings.

At this time, CalSTRS has identified 39 companies with ties or possible ties to Iran. Currently, 12 companies are subject to the most severe restrictions under the law. As of October 4, 2008, CalSTRS’ portfolio was free of PetroChina, Petronas, Sinopec (Kunlun Energy, formerly CNPC Hong Kong), and MISC Bhd, all of which were restricted under Chapter 442, Statutes of 2006 (AB 2941-Koretz), the Sudan Divestment law. Additionally, the CalSTRS portfolio has restricted and has no holding in Oil and Natural Gas Company of India and Daelim Industrial Co. In October 2012, the 21 Risk Factor Review Committee added CNOOC (Chinese National Offshore Oil Company) to the list of restricted securities. 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 21 Risk Factor Review Committee added Indian Oil and Oil India to the list of restricted securities. In November 2015, the 21 Risk Factor Review Committee determined to divest and restrict holdings of Doosan Corp as well as Doosan Infracore and Doosan Heavy Industries related companies.

In addition to the 12 “Restricted” companies, there are 12 companies in the “Being Reviewed” category or second tier (determining if criteria for divestment are met). Staff continues to engage with these companies to determine if they fall within the terms of the statute to divest, if the board determines it would be consistent with its fiduciary responsibility. After the review is complete, these companies will either be classified as “Restricted” or “Being Monitored” or removed from the list.

Lastly, CalSTRS is monitoring 15 companies in its portfolio that have ties to Iran or concerns regarding Iran under our Investment Policy for Mitigating Environmental, Social, and Governance Risks but do not meet the requirements of the law. CalSTRS maintains these companies as “Being Monitored” (third tier) and continues to engage them to confirm they keep with their commitments and their status does not change.

Over the past year, CalSTRS has removed 10 companies that were in either the “Being Reviewed” or “Being Monitored” categories for ties to Iran. While these companies have been removed, they continue to be monitored by our third party vendors 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 I 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.

CalSTRS Report on Northern Ireland Related Securities

Process

CalSTRS contracts with MSCI to provide a list of companies with business operations in Northern Ireland and those companies’ efforts toward substantial action relating to affirmative action in Northern Ireland. In addition, CalSTRS has consistently voted in favor of shareholder proposals relating to companies’ operations in Northern Ireland.

Companies with Exposure to Northern Ireland

The following list is comprised of companies that have been identified as having ties to Northern Ireland. CalSTRS determined that it holds \$11,089,637,295 worth of equity with exposure to Northern Ireland, which represents 10.44 percent of CalSTRS’ equity holdings. Additionally, CalSTRS holds \$1,286,229,844 worth of bonds with exposure to Northern Ireland, which represents 4.24 percent of its fixed income portfolio. In total, CalSTRS holds \$12,375,867,139 worth of securities with exposure to Northern Ireland, which represents 6.57 percent of the total fund.

CalSTRS identified 55 holdings representing 41 companies it believes have not made substantial action toward the goals of inclusiveness in Northern Ireland. CalSTRS sent a letter to each of the companies requesting they take actions toward inclusiveness in Northern Ireland (Attachment J).

Company Name	Security Type	Shares / Face Value	Market Value 11/30/15
ALLERGAN PLC	Bonds	73,190,000	\$75,296,818
ALLERGAN PLC	Stock	1,102,235	\$345,980,544
AMERICAN CAPITAL, LTD.	Bonds	5,517,000	\$5,655,919

AMERICAN CAPITAL, LTD.	Stock	3,860,450	\$15,588,004
BOOKER GROUP PLC	Stock	2,068,571	\$5,617,335
BROADSOFT, INC.	Stock	61,953	\$2,479,979
CH HUTCHINSON HOLDINGS LIMITED	Bonds	11,560,000	\$11,579,596
CH HUTCHINSON HOLDINGS LIMITED	Stock	4,003,358	\$52,521,173
CONVERGYS CORPORATION	Stock	275,521	\$7,097,421
CRAWFORD & COMPANY	Stock	54,796	\$327,680
DANAHER CORPORATION	Stock	1,660,962	\$160,100,127
DART GROUP PLC	Stock	84,541	\$663,659
DEBENHAMS PLC	Bonds	495,000	\$759,748
DEBENHAMS PLC	Stock	1,596,381	\$2,131,092
DFDS A/S	Stock	44,855	\$1,730,419
DOMINO'S PIZZA, INC.	Stock	165,703	\$17,808,101
E. I. DU PONT DE NEMOURS AND COMPANY	Stock	4,975,893	\$335,076,635
ELECTROLUX AB	Stock	360,266	\$10,575,282
FRED OLSEN ENERGY ASA	Stock	12,908	\$57,240
HCL TECHNOLOGIES LIMITED	Stock	3,066,411	\$40,067,372
HILTON WORLDWIDE HOLDINGS INC.	Bonds	14,025,532	\$14,186,907
HILTON WORLDWIDE HOLDINGS INC.	Stock	1,267,540	\$29,432,279
J D WETHERSPOON PLC	Stock	103,850	\$1,117,727
LAFARGEHOLCIM LTD	Stock	631,632	\$33,808,474
LARSEN AND TOUBRO LIMITED	GDR	300,460	\$6,159,430
LARSEN AND TOUBRO LIMITED	Stock	477,687	\$9,851,152
LOOKERS PLC	Stock	364,093	\$948,708
MCKESSON CORPORATION	Bonds	6,000,000	\$5,797,967
MCKESSON CORPORATION	Stock	736,117	\$139,383,754
MICRO FOCUS INTERNATIONAL PLC	Bonds	3,626,392	\$3,626,921
MICRO FOCUS INTERNATIONAL PLC	Stock	182,224	\$3,519,294
MOHAWK INDUSTRIES, INC.	Bonds	3,000,000	\$3,056,432
MOHAWK INDUSTRIES, INC.	Stock	186,113	\$35,495,471
MONTUPET SA	Stock	11,993	\$905,142
NATIONWIDE BUILDING SOCIETY	Bonds	1,130,000	\$1,348,854
NATIONWIDE BUILDING SOCIETY	Stock	1,130,000	\$1,323,205
PPG INDUSTRIES, INC.	Bonds	3,045,000	\$3,115,400
PPG INDUSTRIES, INC.	Stock	793,948	\$83,952,062
RANDSTAD HOLDING NV	Stock	247,661	\$15,482,164
SENSATA TECHNOLOGIES HOLDING N.V.	Bonds	6,822,000	\$6,897,034
SKY PLC	Bonds	1,500,000	\$1,791,625
SKY PLC	Stock	1,047,241	\$17,435,126

SODEXO S.A.	Stock	110,404	\$10,909,396
SSE PLC	Stock	1,061,100	\$22,904,921
STEINHOFF INTERNATIONAL HOLDINGS LTD	Stock	1,125,252	\$6,320,764
TEREX CORPORATION	Bonds	850,000	\$831,003
TEREX CORPORATION	Stock	229,784	\$4,705,976
TERUMO CORPORATION	Stock	335,165	\$10,684,608
THE BLACKSTONE GROUP L.P.	Bonds	635,486	\$632,685
THE ESTEE LAUDER COMPANIES INC.	Stock	637,085	\$53,591,590
UDG HEALTHCARE PLC	Stock	225,639	\$1,837,531
VALERO ENERGY CORPORATION	Bonds	21,694,000	\$24,233,183
VALERO ENERGY CORPORATION	Stock	1,841,949	\$130,932,188
VEOLIA ENVIRONNEMENT-VE S.A.	Stock	643,791	\$15,427,839
WILLIS GROUP HOLDINGS PLC	Stock	924,500	\$42,490,020
	Stock		\$1,670,281,453
	Bonds		\$158,810,092
	Depository Receipts		\$6,159,430
			<u>\$1,835,250,975</u>

CalSTRS identified 196 holdings representing 149 companies that have exposure to Northern Ireland but have taken substantial action by adopting the MacBride principles or have global human rights policy that substantially contains the principle of MacBride.

Company Name	Security Type	Shares / Face Value	Market Value 11/30/15
3I GROUP PLC	Stock	1,336,949	\$10,112,866
3M COMPANY	Stock	1,753,775	\$274,606,090
ADECCO S.A.	Stock	269,046	\$18,425,836
AECOM	Bonds	600,000	\$605,286
AECOM	Stock	454,553	\$14,468,422
ALLIANZ SE	Stock	721,308	\$127,717,381
AON PLC	Stock	1,130,855	\$107,137,203
ASSOCIATED BRITISH FOODS PLC	Stock	463,925	\$24,763,375
ATOS SE	Stock	249,889	\$20,451,186
AVIVA PLC	Stock	5,436,122	\$41,856,042
AVX CORPORATION	Stock	89,173	\$1,202,944
AXA S.A.	Bonds	4,795,000	\$6,042,567
AXA S.A.	Stock	2,787,486	\$75,395,942
B/E AEROSPACE, INC.	Bonds	384,654	\$386,942
B/E AEROSPACE, INC.	Stock	262,043	\$12,111,627

BABCOCK INTERNATIONAL GROUP PLC	Stock	234,711	\$3,783,957
BANCO SANTANDER, S.A.	Bonds	30,000,000	\$29,987,904
BANCO SANTANDER, S.A.	Stock	17,720,313	\$96,720,735
BANK OF IRELAND	Bonds	200,000	\$226,392
BANK OF IRELAND	Stock	33,392,900	\$12,449,575
BARCLAYS PLC	Bonds	23,815,000	\$25,473,298
BARCLAYS PLC	Stock	31,313,562	\$105,208,297
BEMIS COMPANY, INC.	Stock	461,720	\$21,756,246
BERENDSEN PLC	Stock	160,856	\$2,566,649
BOMBARDIER INC.	Bonds	4,051,000	\$3,513,383
BOMBARDIER INC.	Stock	2,651,766	\$2,588,740
BOUYGUES S.A.	Stock	994,902	\$37,438,792
BT GROUP PLC	Bonds	20,000,000	\$27,731,712
BT GROUP PLC	Stock	12,897,462	\$96,383,590
BUNZL PLC	Stock	336,202	\$9,716,835
C & C GROUP PLC	Stock	286,840	\$1,111,812
CAPITA PLC	Stock	655,653	\$12,554,068
CATERPILLAR INC.	Bonds	105,954,000	\$107,618,756
CATERPILLAR INC.	Stock	1,561,773	\$113,462,808
CITIGROUP INC.	Bonds	158,083,450	\$162,725,810
CITIGROUP INC.	Stock	8,702,080	\$470,695,507
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.	Bonds	4,751,500	\$4,666,151
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.	Stock	84,865	\$445,541
CME GROUP INC.	Stock	862,044	\$84,178,597
COCA-COLA HBC AG	Stock	438,710	\$10,638,892
COLFAX CORPORATION	Stock	257,259	\$6,964,001
COMPAGNIE DE SAINT-GOBAIN S.A.	Stock	896,421	\$39,602,772
COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN S.C.A.	Stock	405,926	\$40,685,418
COMPASS GROUP PLC	Stock	1,796,817	\$39,218,334
CRANE CO.	Bonds	2,000,000	\$2,048,696
CRANE CO.	Stock	122,839	\$6,390,085
CRH PLC	ADR	70,400	\$2,064,128
CRH PLC	Bonds	6,000,000	\$6,860,144
CRH PLC	Stock	1,313,393	\$38,631,858
DANSKE BANK A/S	Stock	1,084,817	\$29,103,123
DCC PLC	Stock	81,566	\$7,330,048
DEUTSCHE POST AG	Stock	1,012,956	\$29,596,950
DEUTSCHE TELEKOM AG	Bonds	54,880,043	\$56,667,484

DEUTSCHE TELEKOM AG	Stock	4,790,519	\$88,313,707
DIAGEO PLC	Bonds	11,160,000	\$11,732,189
DIAGEO PLC	Stock	3,532,770	\$101,571,545
DIXONS CARPHONE PLC	Stock	1,497,399	\$10,925,313
DSV A/S	Stock	1,293,802	\$50,297,020
DX (GROUP) PLC	Stock	1,135,562	\$367,513
EMERSON ELECTRIC CO.	Stock	1,792,018	\$89,600,900
ESSILOR INTERNATIONAL (COMPAGNIE GENERALE D'OPTIQUE) S.A.	Stock	235,094	\$30,676,796
FERROVIAL, S.A.	Stock	621,305	\$14,711,812
FUJITSU LIMITED	Stock	6,379,773	\$32,167,966
G4S PLC	Stock	6,492,211	\$22,174,327
GETINGE AB	Stock	191,122	\$4,838,809
GLANBIA PLC	Stock	253,572	\$4,654,455
GRAFTON GROUP PLC	Stock	193,655	\$1,989,549
H & M HENNES & MAURITZ AB	Stock	1,089,828	\$40,426,019
HALFORDS GROUP PLC	Stock	168,873	\$947,675
HARVEY NORMAN HOLDINGS LTD	Stock	924,982	\$2,734,587
HAYS PLC	Stock	1,811,469	\$4,016,585
HEINEKEN N.V.	Bonds	5,450,000	\$5,453,153
HEINEKEN N.V.	Stock	507,046	\$43,526,449
HEWLETT-PACKARD ENTERPRISE COMPANY	Stock	5,122,530	\$76,120,796
HOME RETAIL GROUP PLC	Stock	831,184	\$1,287,466
HSBC HOLDINGS PLC	Bonds	76,233,000	\$82,513,705
HSBC HOLDINGS PLC	Stock	27,674,742	\$220,583,423
HUHTAMAKI OYJ	Stock	82,099	\$2,974,114
HUTCHISON WHAMPOA LIMITED	Bonds	3,280,000	\$3,294,172
HYSTER-YALE MATERIALS HANDLING, INC.	Stock	24,104	\$1,393,934
IHEARTMEDIA, INC.	Bonds	32,388,579	\$29,370,966
INDUSTRIA DE DISENO TEXTIL, S.A.	Stock	1,792,058	\$64,464,765
INTERCONTINENTAL EXCHANGE, INC.	Bonds	10,000,000	\$10,057,173
INTERCONTINENTAL EXCHANGE, INC.	Stock	343,040	\$89,135,514
INTERFACE, INC.	Stock	200,462	\$3,985,185
INTERNATIONAL BUSINESS MACHINES CORPORATION	Bonds	22,900,000	\$25,780,497
INTERNATIONAL BUSINESS MACHINES CORPORATION	Stock	2,462,462	\$343,316,452
INTERSERVE PLC	Stock	380,779	\$3,043,623
ISS A/S	Stock	354,210	\$12,350,915
J SAINSBURY PLC	Stock	2,369,216	\$9,051,480

JACOBS ENGINEERING GROUP INC.	Stock	747,289	\$32,985,336
JOHN MENZIES PLC	Stock	73,851	\$413,823
JUST RETIREMENT GROUP PLC	Stock	170,588	\$404,695
KERRY GROUP PLC	Stock	167,429	\$13,508,057
KINGFISHER PLC	Stock	5,510,900	\$29,316,519
KINGSPAN GROUP PLC	Stock	618,307	\$16,228,326
KONE OYJ	Stock	401,486	\$17,126,553
KYOCERA CORPORATION	Stock	383,842	\$17,769,194
LA SOCIETE DE GESTION AGF LIMITEE	Stock	72,482	\$277,594
LA SOCIETE DE GESTION AGF LIMITEE	Strip	16,188	\$17
LADBROKES PLC	Stock	816,380	\$1,431,666
LAGARDERE SCA	Stock	126,787	\$3,739,998
LIBERTY GLOBAL PLC	Bonds	99,497,821	\$104,563,052
LIBERTY GLOBAL PLC	Stock	159,223	\$6,752,647
LINDE AG	Stock	226,949	\$39,609,142
LLOYDS BANKING GROUP PLC	Bonds	12,620,000	\$13,271,595
LLOYDS BANKING GROUP PLC	Stock	145,960,850	\$160,304,065
MANPOWERGROUP INC.	Stock	284,488	\$25,683,577
MARKS AND SPENCER GROUP P.L.C.	Stock	2,147,139	\$16,241,254
MARSH & MCLENNAN COMPANIES, INC.	Bonds	7,000,000	\$7,270,243
MARSH & MCLENNAN COMPANIES, INC.	Stock	2,822,731	\$156,097,024
MCDONALD'S CORPORATION	Bonds	5,300,000	\$5,253,232
MCDONALD'S CORPORATION	Stock	2,621,092	\$299,223,863
MICROSOFT CORPORATION	Bonds	30,820,000	\$31,202,075
MICROSOFT CORPORATION	Stock	23,322,379	\$1,267,571,299
MITCHELLS & BUTLERS PLC	Stock	175,922	\$875,745
MITIE GROUP PLC	Stock	347,010	\$1,666,833
MOTHERCARE PLC.	Stock	76,811	\$258,419
NEXT PLC	Stock	182,044	\$21,703,255
ORACLE CORPORATION	Bonds	83,440,000	\$87,043,739
ORACLE CORPORATION	Stock	8,998,252	\$350,661,880
ORANGE S.A.	Bonds	8,000,000	\$8,499,569
ORANGE S.A.	Stock	2,598,028	\$44,890,333
OXFORD INSTRUMENTS PLC	Stock	122,597	\$1,216,154
PACE PLC	Stock	314,504	\$1,887,065
POSTNL N.V.	Stock	483,829	\$1,616,281
PREMIER FOODS PLC	Stock	545,549	\$324,380
PROVIDENT FINANCIAL PLC	Stock	677,833	\$36,446,639
R P S GROUP PLC	Stock	237,060	\$832,345

REGIS CORPORATION	Stock	144,283	\$2,403,755
RENTOKIL INITIAL PLC	Stock	1,580,840	\$3,797,905
ROLLS-ROYCE HOLDINGS PLC	Stock	3,541,885	\$32,336,171
RSA INSURANCE GROUP PLC	Stock	2,127,771	\$14,089,714
RYOBI LIMITED	Stock	94,890	\$351,758
SALLY BEAUTY HOLDINGS, INC.	Bonds	7,480,000	\$5,807,719
SALLY BEAUTY HOLDINGS, INC.	Stock	393,879	\$10,185,711
SANDVIK AKTIEBOLAG	Stock	1,179,113	\$12,215,530
SCHLUMBERGER N.V.	Bonds	4,660,000	\$4,717,386
SCHLUMBERGER N.V.	Stock	3,637,813	\$280,657,273
SEAGATE TECHNOLOGY PLC	Bonds	19,000,000	\$16,654,287
SEAGATE TECHNOLOGY PLC	Stock	3,287	\$118,135
SERCO GROUP PLC	Stock	823,991	\$1,370,592
SIGNET JEWELERS LIMITED	Stock	198,681	\$26,104,697
SMURFIT KAPPA GROUP PLC	Stock	218,618	\$5,970,905
STARBUCKS CORPORATION	Bonds	5,000,000	\$5,363,607
STARBUCKS CORPORATION	Stock	4,617,580	\$283,473,236
SUPERGROUP PLC	Stock	28,295	\$698,517
TELEFONICA S.A.	Bonds	47,395,000	\$50,634,555
TELEFONICA S.A.	Rights	6,474,234	\$2,345,353
TELEFONICA S.A.	Stock	6,410,470	\$79,044,646
TELEPERFORMANCE SE	Stock	52,681	\$4,377,680
TELETECH HOLDINGS, INC.	Stock	53,085	\$1,540,527
TESCO PLC	Stock	14,194,532	\$36,235,739
THALES S.A.	Stock	231,932	\$17,261,981
THE AES CORPORATION	Bonds	10,158,000	\$10,163,981
THE AES CORPORATION	Stock	1,916,554	\$19,146,374
THE ALLSTATE CORPORATION	Bonds	9,000,000	\$9,141,962
THE ALLSTATE CORPORATION	Stock	2,456,532	\$154,171,948
THE COCA-COLA COMPANY	Bonds	22,000,000	\$22,069,030
THE COCA-COLA COMPANY	Stock	10,730,730	\$457,343,713
THE GAP, INC.	Bonds	8,000,000	\$8,346,058
THE GAP, INC.	Stock	734,394	\$19,630,352
THE HAIN CELESTIAL GROUP, INC.	Stock	361,553	\$15,438,313
THE RESTAURANT GROUP PLC	Stock	242,151	\$2,393,009
THE ROYAL BANK OF SCOTLAND GROUP PLC	Bonds	20,410,000	\$22,030,552
THE ROYAL BANK OF SCOTLAND GROUP PLC	Stock	5,915,017	\$26,925,335
THE TJX COMPANIES, INC.	Stock	2,591,246	\$182,941,968
THOMAS COOK GROUP PLC	Stock	1,318,786	\$2,380,219

THYSSENKRUPP AG	Stock	578,168	\$12,301,187
TNT EXPRESS N.V.	Stock	479,760	\$3,906,646
TRAVIS PERKINS PLC	Bonds	327,000	\$502,885
TRAVIS PERKINS PLC	Stock	713,825	\$21,845,021
TRIGANO S.A.	Stock	3,903	\$226,718
TRINITY MIRROR PLC	Stock	121,021	\$286,012
TUI AG	Stock	969,231	\$16,085,426
UNITED TECHNOLOGIES CORPORATION	Bonds	30,500,000	\$33,851,933
UNITED TECHNOLOGIES CORPORATION	Stock	2,388,249	\$229,391,316
VISA INC.	Stock	6,460,964	\$510,480,766
VODAFONE GROUP PLC	ADR	5,854	\$196,460
VODAFONE GROUP PLC	Bonds	10,000,000	\$10,699,957
VODAFONE GROUP PLC	Stock	46,982,429	\$158,595,640
VORNADO REALTY TRUST	Bonds	5,000,000	\$5,000,358
VORNADO REALTY TRUST	Stock	415,274	\$40,181,912
WAL-MART STORES, INC.	Bonds	38,000,000	\$46,293,382
WAL-MART STORES, INC.	Stock	4,492,641	\$264,346,996
WH SMITH PLC	Stock	117,769	\$3,075,770
WILLIAM HILL PLC	Stock	1,328,749	\$7,152,598
WOLSELEY PLC	Stock	1,793,260	\$104,034,719
WORKSPACE GROUP PLC	Stock	108,665	\$1,561,309
WPP PLC	Bonds	30,000	\$29,359
WPP PLC	Stock	3,161,989	\$73,062,085
WS ATKINS PLC	Stock	97,682	\$2,323,245
XEROX CORPORATION	Bonds	16,500,000	\$16,252,856
XEROX CORPORATION	Stock	9,883,251	\$104,268,298
YUM! BRANDS, INC.	Stock	1,266,224	\$91,813,902
ZURICH INSURANCE GROUP AG	Stock	322,009	\$84,860,390

Stock	\$9,408,590,454
Bonds	\$1,127,419,752
Depository Receipts	\$2,260,588
Rights	\$2,345,353
Strips	\$17
	<hr/>
	\$10,540,616,164

Shareholder Proposals Relating to Northern Ireland

In 2015, 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 the California statutes referenced in this report and to the board's Investment Policy for Mitigating Environmental, Social, and Governance 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 the business goals of CalSTRS. CalSTRS' investment goals are to:

- a) Achieve a rate of return on the total assets of the fund that in the long run 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 the liabilities on an on-going basis.
- 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 the confidence of members as well as the general public in CalSTRS.

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

PRINCIPLES

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in the sole and exclusive interest of the participants and beneficiaries in a manner that 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. The System's investment activities impact other facets of the economy and the globe. As a significant investor with a very long-term investment horizon and expected life, the success of CalSTRS is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Therefore, consideration of environmental, social, and governance issues (ESG), as outlined by the CalSTRS 21 Risk Factors, are consistent with the Board fiduciary duties.

Consistent with its fiduciary responsibilities to our members, the Board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates ESG into its ownership policies and practices.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for decade after decade, 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's investment.

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our actions to invest in securities of a corporation 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 or for risk mitigation purposes.

Attachment A

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 its longevity as guidance on proxy voting; however this Policy now replaces the SIR as CalSTRS's preeminent policy on ESG matters.

POLICY

Governance Risks and Social Risks: 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 governance and social issue as identified by the 21 risk factors. It is important to note that fiduciary standards do not allow CalSTRS to select or reject investments based solely on social criteria.

When faced with a corporate decision that potentially violates CalSTRS Policies; the Investment Staff, CIO and Investment Committee will undertake the following actions:

- A. The CIO will assess the gravity of the situation both as an ESG risk and as to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the number of shares held in the corporation, and 2) the gravity of the violation of CalSTRS Policies.
- B. At the CIO's direction, the Investment Staff will directly engage corporate management to seek information and understanding of the corporate decision and its ramifications on ESG issues.
- C. The CIO and investment staff will provide a report to the Investment Committee of the findings 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 21 risk factors that should be included within the financial analysis of any investment decision. This list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction; however they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for an investment in any asset class whether within the U.S. or across the globe.

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an 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 21 RISK FACTORS

Monetary Transparency

The 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 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 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 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 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 not 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>Payment System: Principles</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>Insolvency Framework</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>Money Laundering</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>Insurance Supervision</p> <p>Whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors, IAIS, Principles.</p>
<p>Respect for Human Rights</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</p>
<p>Respect for Civil Liberties</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>Respect for Political Rights</p> <p>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.</p>
<p>Discrimination Based on Race, Sex, Disability, Language, or Social Status</p> <p>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.</p>

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. Consideration should be given to how a company is dealing with the impact of climate change, including whether the government is taking steps to reduce its impact, exacerbating the problem, or oblivious to the risk.

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

Human Health

The risk to an 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.



INVESTMENTS BRANCH BUSINESS PLANS

FISCAL YEAR 2015-16

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM



INVESTMENTS CORE VALUES

The CalSTRS Investments Branch core values are a set of attitudes, beliefs and behaviors that define CalSTRS and its employees.

Respect

We strive to not only treat others as we would like to be treated, but to go the extra mile and treat others as they would like to be treated.

Personal Development

We support an individual's career and personal goals.

Balance

We encourage employees to balance a strong work ethic with interests outside of the office.

Worth

We strive to recognize everyone's efforts and contributions to the organization.

Challenge

We are honored to accept the challenges placed upon us and strive to create an innovative work environment.

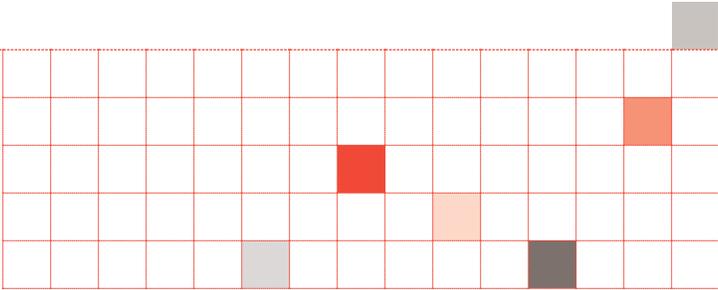
Purpose

We work toward a common goal, thereby making a difference for others and ourselves.

Honesty

We are truthful to ourselves, to peers, to supervisors, the Board and to the organization; our word is our bond.

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Attachment B



INTRODUCTION

This year's theme is “Path to the Future, 2020 Vision”.

The main plan for our business does not change year in and year out, it's to earn 7.5 percent and beat our benchmarks at the lowest cost possible. But therein lies the challenge and the essence of these plans. The environment around us does change year in and year out. Market conditions fluctuate and investment opportunities evolve. Each Investment Director has outlined in these plans the internal strengths and weaknesses along with the external opportunities and threats.

Each year I caution one of the biggest threats and a general weakness for CalSTRS is to get sidetracked with short term events and issues and not maintain focus on the long-term. Because it's NOT about earning 7.5 percent in a single year, but earning 7.5 percent on average over 30 years, it's the long-term that matters and ONLY matters. Think of a marathon runner, they want to maintain an approximate pace per mile, but they realize some miles are up hill and therefore much slower, others are downhill and much faster. They also understand they can't get to the finish line until they march through those 24 plus miles. In our world, the only way to get to 30 years is to patiently plan one year at a time and work our plan.

The huge Canadian Public Pension Investment Board (CPPIB) recently highlighted that a critical challenge for pension plans is to think and most importantly ACT long-term. Too often short term news events or issues crowd out the agenda and grab our attention. We spend more time looking at short term time periods and discussion on short term events at the expense of focusing on the long-term. Why do we still produce 90 reports? Why do we highlight six-month investment performance? Why do we devote so much time to short term external pressures and issues? These are the questions we need to ask in the coming year to help focus our energy, time and

Attachment B

resources on the long-term mission of the investment portfolio. This is the motivation behind the business plan theme of "Path to the Future."

I have asked the Investment Directors to think toward year 2020. While that might sound long-term, it's just five years from now. With the pace of change in the world, it's about as far as we can reasonably forecast our business needs. Our in-house 'mega-trends' remain intact: Central Bank divergence, demographic shifts, and emerging markets. An overarching mega trend is climate change, stronger more variable weather conditions and changes to the broader economy and energy creation. With the newly created Sub-Committee of the Investment Committee we will look at a specific issue relating to our philosophy of passive investment. But long-term, we will need to integrate this mega trend into every aspect of our investment process.

Our Path to the Future will certainly be a challenge. With the success of a contribution funding plan, all the pressure is on the investment portfolio. Now more than ever we need to get every ounce of return per unit of risk at the lowest cost possible. These plans are the initial step to achieving that outcome.

A handwritten signature in black ink, appearing to read 'C. Ailman', with a long horizontal flourish extending to the right.

Christopher J. Ailman
Chief Investment Officer

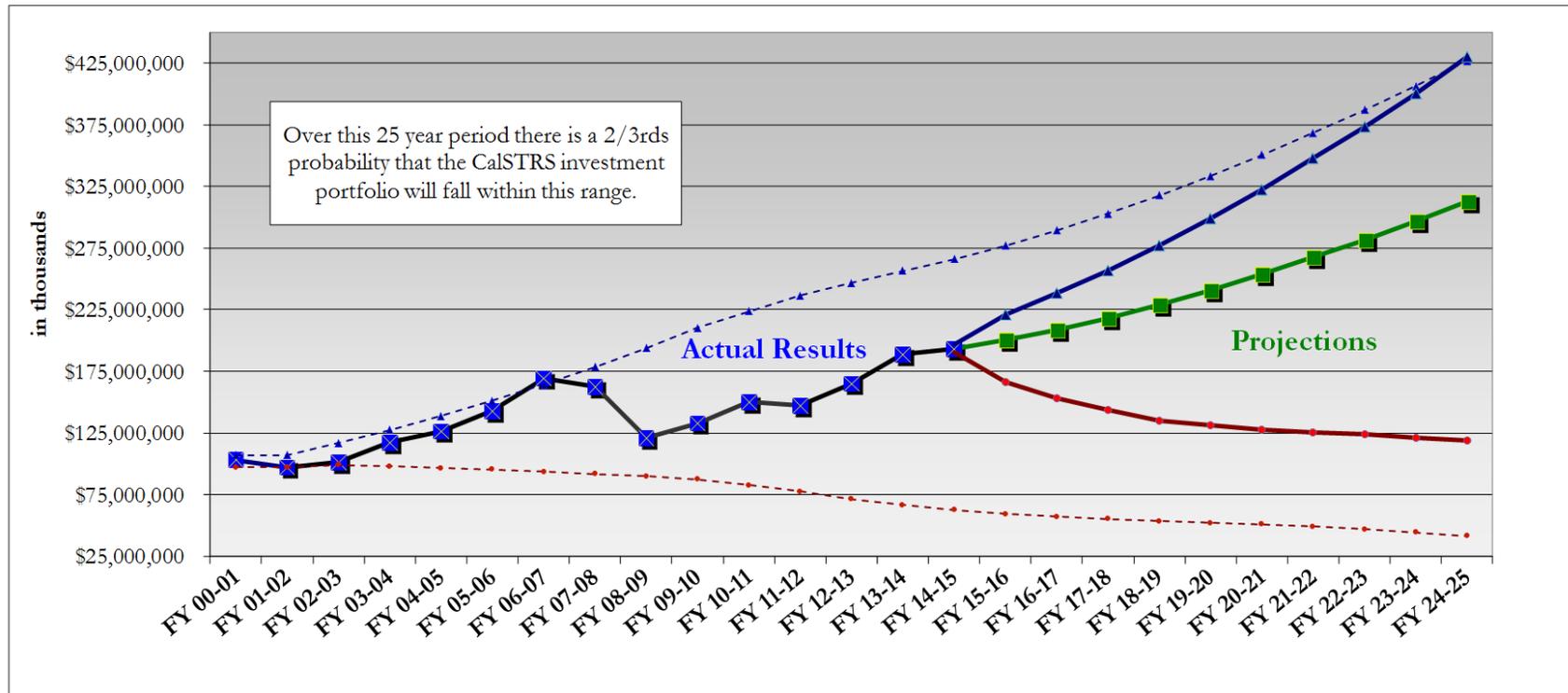
CALSTRS INVESTMENTS BRANCH 10-YR COMPREHENSIVE FINANCIAL PLAN

(in thousands)	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Defined Benefit Plan	\$ 181,663,082	\$ 189,427,813	\$ 198,665,899	\$ 208,846,842	\$ 220,079,355	\$ 232,530,306	\$ 245,950,079	\$ 260,110,335	\$ 275,047,610	\$ 290,777,181	\$ 307,289,590
D.B.S. & Cash Bal.	\$ 11,419,056	\$ 10,790,675	\$ 10,174,861	\$ 9,571,364	\$ 8,979,937	\$ 8,400,338	\$ 7,832,331	\$ 7,275,685	\$ 6,730,171	\$ 6,195,568	\$ 5,671,656
Pension2@*	\$ 516,027	\$ 581,630	\$ 653,793	\$ 733,172	\$ 820,489	\$ 916,538	\$ 1,022,192	\$ 1,138,411	\$ 1,266,252	\$ 1,406,877	\$ 1,561,565
Total (less Pension 2)	\$ 193,082,138	\$ 200,218,488	\$ 208,840,761	\$ 218,418,206	\$ 229,059,292	\$ 240,930,644	\$ 253,782,411	\$ 267,386,020	\$ 281,777,781	\$ 296,972,749	\$ 312,961,246

*PENSION 2 assets: 403(b), 457, Roth IRA & IRA assets managed outside the Investment Branch and not included in growth estimate.

Low Return Environment**	\$ 193,082,138	\$ 166,630,818	\$ 153,274,597	\$ 143,679,504	\$ 134,654,421	\$ 131,294,238	\$ 127,952,288	\$ 125,527,474	\$ 123,617,560	\$ 121,352,902	\$ 118,654,545
High Return Environment**	\$ 193,082,138	\$ 220,989,188	\$ 238,188,707	\$ 256,799,775	\$ 276,937,096	\$ 298,724,670	\$ 322,296,550	\$ 347,797,657	\$ 373,316,028	\$ 400,766,947	\$ 430,295,730

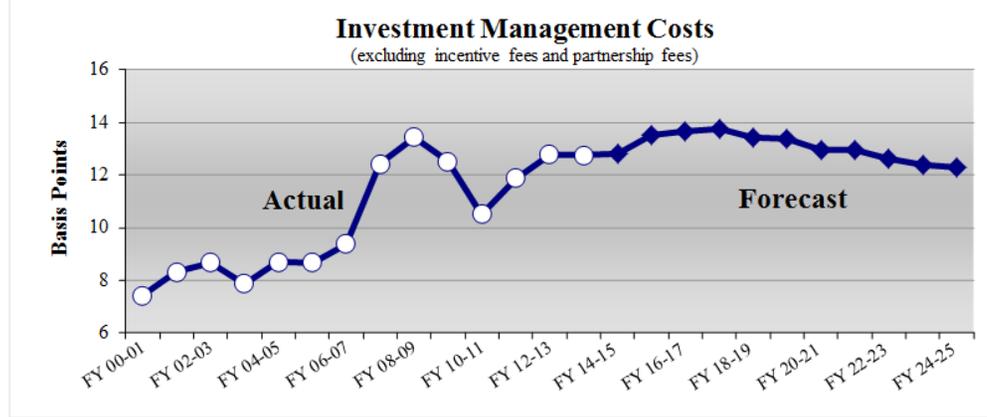
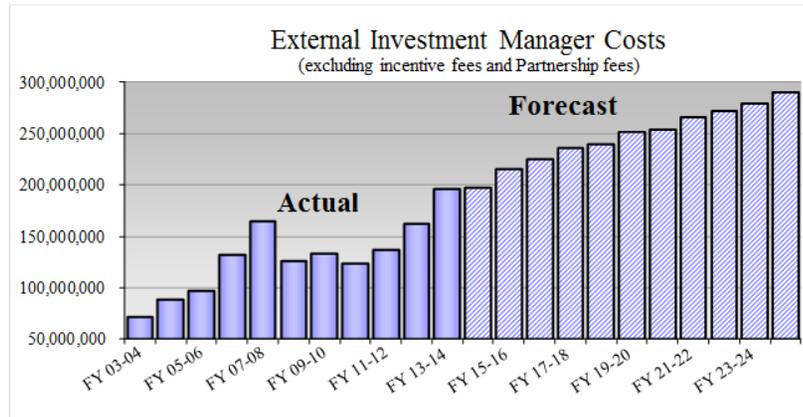
**Return assumptions based on CalSTRS capital market assumptions for 10 year period. High and low estimate based on 10 year standard deviation for CalSTRS current asset mix. June 30, 2000 starting date.



This forecast is based upon the current CalSTRS capital market assumptions over the next ten years. Actual results will vary widely. Since this chart is based upon a ten year average, individual years return can and will vary significantly. The purpose of the chart is to help explain the potential growth in the investment portfolio. Asset allocation shifts and changes in the assumptions will move the chart. As described above this only includes one standard deviation, or two thirds of the potential outcomes. This information is for estimation of the CalSTRS business plan and should not be used for any other forecast without the consultation of the CalSTRS Investment Branch.

PORTFOLIO GROWTH FORECAST

Fiscal Year	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Total Assets (in billions)	\$ 193.1	\$ 200.2	\$ 208.8	\$ 218.4	\$ 229.1	\$ 240.9	\$ 253.8	\$ 267.4	\$ 281.8	\$ 297.0	\$ 313.0
Investment Branch Support Budget											
1 Total Staff - PY's (Personnel years)	132	142	155	166	176	186	197	208	219	231	244
2 Salaries & Est. Incentives (w/o Benefits)	\$ 19,055,025	\$ 20,879,124	\$ 22,529,233	\$ 24,284,453	\$ 26,152,575	\$ 28,024,916	\$ 30,021,987	\$ 32,153,598	\$ 34,556,610	\$ 37,122,842	\$ 39,865,270
3 General Expense & (excludes IT exp.)	113,285	115,551	117,862	120,219	122,623	125,076	127,577	130,129	132,731	135,386	138,094
4 Travel (In State, U.S. & Non-U.S.)	829,686	925,100	966,729	1,010,232	1,055,693	1,103,199	1,152,843	1,204,721	1,258,933	1,315,585	1,374,786
5 CP&S & Misc. (Print, Comm., Training)	124,881	127,957	131,456	135,052	138,747	142,543	146,445	150,454	154,573	158,807	163,157
6 TOTAL SUPPORT BUDGET	\$ 20,122,877	\$ 22,047,731	\$ 23,745,280	\$ 25,549,956	\$ 27,469,638	\$ 29,395,734	\$ 31,448,851	\$ 33,638,901	\$ 36,102,848	\$ 38,732,620	\$ 41,541,308
Continuous Appropriation											
7 Investment Managers	157,054,321	172,644,574	179,314,036	195,107,705	198,617,153	209,594,256	220,759,456	233,394,194	239,114,092	246,199,753	257,446,293
8 Consultants Fees	10,043,046	11,545,198	12,122,458	12,728,581	13,365,010	14,033,261	14,734,924	15,471,670	16,245,253	17,057,516	17,910,392
9 Custodian & Legal Fees	10,989,676	11,539,160	12,116,118	12,721,924	13,358,020	14,025,921	14,727,217	15,463,578	16,236,756	17,048,594	17,901,024
10 Risk systems (Bloomberg, Blackrock)	4,815,017	6,167,500	6,414,200	6,670,768	6,937,599	7,215,103	7,503,707	7,803,855	8,116,009	8,440,650	8,778,276
11 Corp. Gov. (Expenses & Inv Mngts)	39,898,455	41,588,362	45,683,664	40,784,684	40,891,765	41,005,271	32,125,587	32,253,122	32,388,309	32,531,608	32,683,504
12 Research & Market Data	3,311,139	3,491,585	3,679,248	3,874,418	4,077,395	4,288,490	4,508,030	4,736,351	4,973,805	5,220,757	5,477,588
13 Trading Systems	1,100,339	1,785,120	1,984,353	2,406,525	2,502,786	2,602,897	2,707,013	2,815,294	2,927,905	3,045,022	3,166,822
14 Misc.	67,401	70,097	72,901	75,817	78,850	82,004	85,284	88,696	92,243	95,933	99,770
15 TOTAL CONTINUOUS	\$ 227,279,394	\$ 248,831,596	\$ 261,386,977	\$ 274,370,422	\$ 279,828,577	\$ 292,847,203	\$ 297,151,217	\$ 312,026,759	\$ 320,094,375	\$ 329,639,833	\$ 343,463,670
16 TOTAL EXPENSES	\$ 247,402,271	\$ 270,879,327	\$ 285,132,257	\$ 299,920,378	\$ 307,298,214	\$ 322,242,937	\$ 328,600,069	\$ 345,665,660	\$ 356,197,223	\$ 368,372,453	\$ 385,004,977
17 % of ASSETS (BPs)	12.81	13.53	13.65	13.73	13.42	13.37	12.95	12.93	12.64	12.40	12.30



GLOBAL EQUITY



GLOBAL EQUITY

FAST FACTS

Assets: \$110.0 billion as of 3/31/2015

Asset Class Objective: Maximize the risk-adjusted returns to meet CalSTRS obligation to pay benefits

FY 15-16 GOAL

Absolute Objective: 9.2% - difficult

Active Relative Objective: 60 bps – achievable

Passive Relative Objective: 8 bps – achievable

Benchmark: 67% Russell 3000 Custom Index and 33% MSCI All Country World Custom Index

Internal Management: \$42.5 billion (39%)

Number of External Managers: 44

External Management: \$67.5 billion (61%)

Board Consultants: Pension Consulting Alliance, Meketa

Investment Team (12)

Director: June Kim

Portfolio Managers: David Murphy, Candace Ronan

Investment Officers: Shivi Bansal, Jason Crawford, Sharon Jou, Helena Posner, Orintheo Swanigan, Curtis Takechi, Wilson Yee, Wayne Yim

Support Staff: Kathleen Hawkins

Transparency and Reporting

[Global Equity Quarterly Report, 3/31/2015](#)

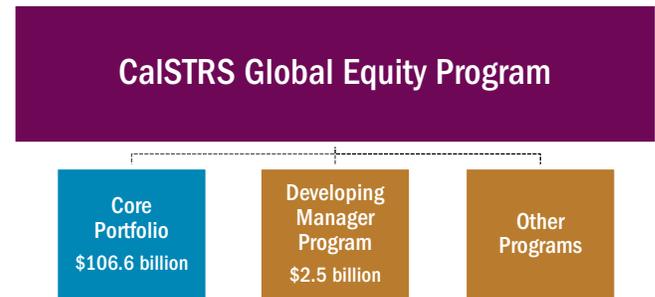
[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



The Global Equity portfolio is managed both internally and externally using passive and active strategies across the U.S., Developed non-U.S. and Emerging Markets. Additionally, Global Equity is responsible for numerous other programs including oversight and management of the Developing Manager Program, Cash Equitization Program, Stock Distribution Program, Directed Brokerage Program and evaluation of investment options for inclusion in Pension2® which consists of 403(b), 457 and Roth 403(b) plans for CalSTRS members.

BUSINESS PLAN FOR FISCAL YEAR 2015-16

Expand Internal Management

- Increase assets managed internally by adding a passive MSCI EAFE plus Canada IMI portfolio.
- Evaluate internal management of alternative beta strategies (strategies passively managed to non cap-weighted benchmarks).

Utilize Active Manager Pool to Rebalance Allocations

- In fiscal years 2013-15, staff conducted manager searches for all segments of the global equity portfolio and created investment manager pools. These pools will allow for more flexibility and timely rebalancing within or across segments of the portfolio.

- Upgrade the existing investment manager lineup where needed and add active management to less efficient market segments of the portfolio to help achieve the asset class relative return objective.
- For the Developing Manager Program, complete an RFP process that began in fiscal year 2014-2015 and determine whether the global equity portfolio includes top tier fund-of-funds managers. In addition, implement a process for transitioning investment managers from the Developing Manager Program to the Core portfolio.

STRENGTHS OF THE PROGRAM

- Long investment horizon: As the equity markets become more volatile, the uncertainty creates opportunities for investors able to allocate capital to areas offering attractive valuations. As a long term investor, we can take advantage of market dislocations to help achieve our absolute return objective.
- Size: As a global investor with billions of dollars to invest, the CalSTRS Global Equity Portfolio has access to innovative ideas and investors globally. CalSTRS is often the largest investor in a strategy and negotiates terms that reflect that position. The ability to combine the best minds on Wall Street with low cost is a significant advantage.
- The team: A talented and cohesive group that integrates both internal management and trading experience with a complex global portfolio of active external managers.

CHALLENGES FOR FISCAL YEAR 2015-16

- Attracting and retaining qualified and high-performing investment professionals: It is critical that the group is sufficiently staffed in order to effectively implement the components of this proposed business plan. During fiscal year 2014-15, the team filled one investment officer position and successfully recruited for another investment

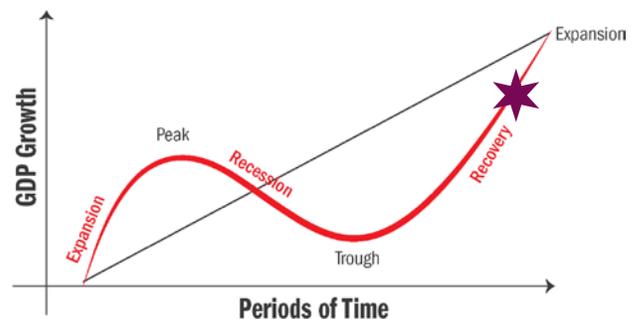
officer position for the internal portfolio. For fiscal year 2015-2016, a key goal is to fill a vacant portfolio manager position for the internal portfolio.

- Operating an investment management firm within the confines of a government structure: Specifically, the current procurement process impairs staff's ability to timely hire new active managers. While these obstacles don't prevent staff from effectively managing the portfolio, they do make it difficult to be nimble. The newly populated investment manager pools will help with rebalancing the portfolio. Also, staff will be working with the procurement team to find ways to streamline the manager hiring process where possible.

Potential threats to achieving our return objectives:

- Policy missteps by global central banks.
- Geopolitical issues intensify causing widespread concern and resulting in a sharp market sell-off.
- With U.S. equities returning almost 165% over the past 6 years, the chances increase of the U.S. market experiencing a short-term correction.

MARKET CYCLE STAGE



SUSTAINABILITY/ESG ACTIVITY, FISCAL YEAR 2015-16

- Evaluate sustainable global equity indexes.
- Continue to actively engage our investment managers about the importance of integrating ESG principles in their investment process.

FIXED INCOME



FIXED INCOME

FAST FACTS

Assets: \$30.5 billion as of 3/31/2015

Asset Class Objective: Maximize risk-adjusted total return within a multi-asset class portfolio

FY 15-16 GOAL

Absolute objective: 3.3% (Investment Grade Debt) and 6.2% (High Yield) – Difficult

Active Relative Objective: 35 bps – achievable

Passive Relative Objective: 10 bps – achievable

Benchmark: 95% Barclays U.S. Aggregate + 5% Barclays High Yield Cash Pay Custom

Internal Management: \$25.1 billion (82%)

Number of External Managers: 7

External Management: \$5.4 billion (18%)

Other Portfolios

Assets: \$56.8 billion as of 3/31/2015

Objective: Provide protection against inflation, rising interest rates and strengthening U.S. dollar.

Internal Management: \$41.3 billion (73%)

Number of External Managers: 4

External Management: \$15.5 billion (27%)

Investment Team – staff of 19 with an average of 14 years of experience in the Fixed Income market

Director: Glenn Hosokawa

Portfolio Managers: Deborah Contini, David Gold, Rosie Lucchesini-Jack, John Perez

Investment Officers: Geetha Arani, Roy Clothier, Dan Depner, Sunny Dhillon, Cathy DiSalvo, Anthony Kennedy, Ian McCarty, Debra Ng, Kimmie Nicolas, Stacey Reichenberg, Matt Schott, Darin Yi

Support Staff: Marcella Gonzales, Laurie Masters

Transparency and Reporting

[Fixed Income Quarterly Report, 3/31/2015](#)

[Securities Lending 2014 Annual Report](#)

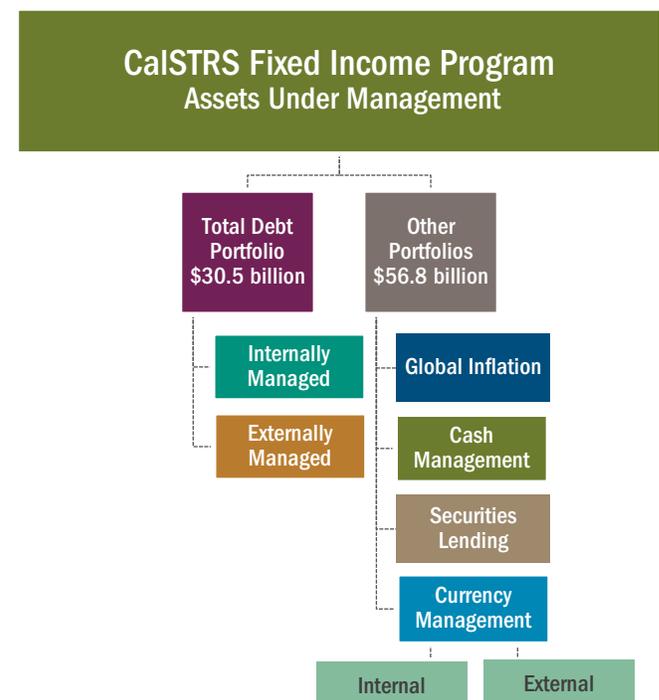
[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



The Fixed Income portfolio is managed both internally and externally using enhanced and active strategies. Fixed Income seeks to provide value through innovative/active asset allocation and bond selection taking advantage of internally and externally managed strategies. In addition, Fixed Income is responsible for several other portfolios and programs including Global Inflation, Cash Management, Securities Lending and Currency Management.

Attachment B

BUSINESS PLAN FOR FISCAL YEAR 2015-16

- Implement contracts for Securities Lending
- Core Plus and High Yield manager pool replenishment using the Alternative Solicitation Process
- Evaluate and research additional internal investment opportunities
- Research Fixed Income non-index like strategies
- Continue to analyze/evaluate the benefits of derivatives against movements in interest rates

STRENGTHS OF THE PROGRAM

- Partnerships with external managers allows for knowledge sharing amongst staff
- Robust compliance and risk management system
- Cost effective structure in both internal and external management

CHALLENGES FOR FISCAL YEAR 2015-16

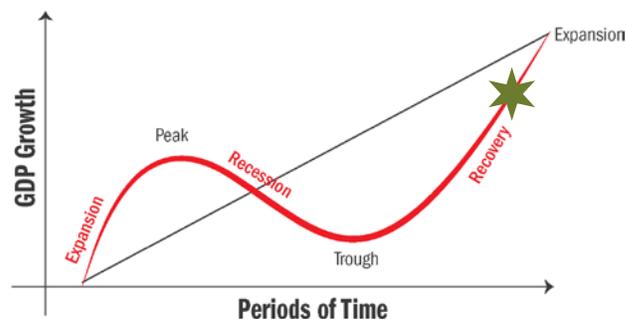
Internal Threats

- Succession planning and the recruitment and retention of well-qualified staff. **Mitigation:** Formal mentoring program designed to provide career and personal development.
- Asset allocation study and its impact on portfolio structure and existing benchmarks. **Mitigation:** Keep lines of communication open with consultants, benchmark providers, internal and external partners.
- Investigate new strategies. **Mitigation:** Work with other areas at CalSTRS during research and onboarding to ensure smooth implementation of new strategies.

External Threats

- Central Bank divergence and its impact on the financial markets. **Mitigation:** Staying nimble with laser like focus on identifying opportunities and market dislocations.
- Increased volatility within an environment of diminished liquidity. **Mitigation:** Continuous monitoring of market conditions.
- Uncertainty over the 2016 presidential election and its impact on the financial markets. **Mitigation:** Knowledge sharing with other departments and external partners.

MARKET CYCLE STAGE



SUSTAINABILITY/ESG ACTIVITY

As of 3/31/15, Fixed Income held \$205.7 million in Green Bonds. This market is expected to grow, and we will continue to be a purchaser of these securities when they fit our risk-return profile.

- Continue to work with bond issuers and bankers to structure Green Bonds.
- As stakeholders in the process, participate in groups and hold memberships in organizations that shape the Green Bond market.
- Utilizing our influence with attendance at Green Bond conferences and meetings.

REAL ESTATE



REAL ESTATE

FAST FACTS

Assets: \$23.4 billion as of 3/31/2015

Asset Class Objective:

- To provide improved diversification to the overall CalSTRS Investment Portfolio,
- To generate an enhanced yield to the actuarial earnings rate assumption and provide stable cash flows, and
- To provide a hedge against inflation.

FY 15-16 GOAL

- Absolute objective: The absolute objective for Core Real Estate is 7.7% and 9% for Non-Core Real Estate. - Achievable
- Relative objective: The benchmark for Real Estate is the ODCE open end fund index plus 150 basis points. - Difficult

Benchmark: Open-end Diversified Core (ODCE)

Internal Management: \$5.1B, (21%) (Co-invests and Separate Accounts)

Number of External Managers: 80

External Assets: \$18.3B, (79%)

Board Consultant: The Townsend Group

Investment Team (20)

Director: Mike DiRé

Portfolio Managers: Mike Thompson, Hank Thomas, Greg Nyland, Don Palmieri

Investment Officers: Bruce Deutsch, Michael Yager, Daniel Clark, Tiffany Vispetto, Josh Kawaii-Bogue, Kari Salazar-Maynard, Collin Clark, Kevin Bassi, Greg Arendt, Vandy Tep, Mauricio Smith

Analysts: Jean Kagimoto, Gina Tavarez

Support Staff: Susan Daniel, Eliza Hubbard

Transparency and Reporting

[Real Estate Quarterly Report, 3/31/2015](#)

[Real Estate Semi-Annual Performance Report, 9/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



The real estate program is 92% U.S. CalSTRS splits management oversight of the portfolio by the four main product types, (Office, Residential, Retail and Industrial). The goal is to seek out and establish relationships with best-in-class managers and operators. CalSTRS prefers separate account and joint venture structures over closed end funds to maximize control of capital flows, sales and financing decisions in addition to minimizing fee loads.

BUSINESS PLAN FOR FISCAL YEAR 2015-16

Continue the rebalance of portfolio

- The portfolio is now 50% core, 13% value-add and 37% opportunistic. We will strive to increase value-add and continue to push for liquidation of older opportunistic funds.
- Within the U.S. core portfolio, we are overweight in apartments and will look to sell down in select markets while increasing office, industrial and retail.

Position the portfolio for growth of international investments.

- Staff will seek out international partner relationships to access low to moderate-risk strategies that focus on cash flow.
- Staff will work with Townsend and existing partners to evaluate the best risk/return markets outside the U.S.

Continue successful strategies in “Creating Core”

- Staff will continue to seek out “Build to Core” opportunities where available.
- Staff will have additional focus on Value Add lease-up or reposition strategies in all asset types with emphasis on office and retail assets.

Continue to build relationships overseas with lower-risk strategies.

STRENGTHS OF THE PROGRAM

- Experienced and Focused Investment Team – The team is led by portfolio managers with 20-30 years of public and private investment experience.
- Advantageous Structures – CalSTRS size and experience investing through separate accounts and joint venture structures allows the program to negotiate favorable investment terms.
- Investment Reach – A revised set of investment managers added management teams with global investment experience. CalSTRS is now better positioned to participate in investment opportunities, both within the U.S. and internationally.

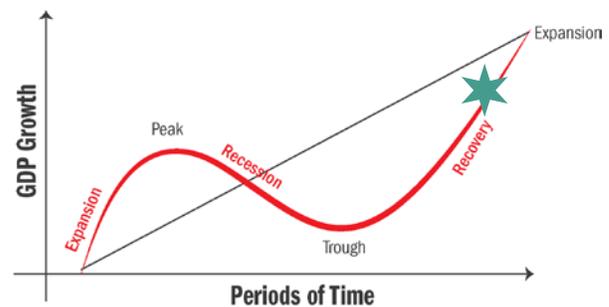
CHALLENGES FOR FISCAL YEAR 2015-16

- Constrained Resources – The size of the Real Estate staff is small relative to the size and complexity of both the current portfolio, and

importantly, the increasingly complex market opportunities. More staff expertise and time are required to reshape a portfolio that features higher control structures.

- Overweight in Legacy Opportunity Funds – Approximately \$5 billion or 17% of the portfolio remains in pre-fiscal crisis closed end funds. These older funds have impaired our performance; staff will push for liquidation over the next three years.
- Preparation for Market Cycle Change – The current aggressive pricing in the core U.S. and selected global markets may be signaling a pricing adjustment. We are reviewing our portfolio holdings to minimize risk of write-downs.

MARKET CYCLE STAGE



SUSTAINABILITY / ESG ACTIVITY

- Continue to be a market leader managing a real estate portfolio where the vast majority of the assets are either LEED certified or Energy Star rated with additional focus on water-saving initiatives at our assets.
- Continue our improvements to the Responsible Contracting Policy outreach effort.

PRIVATE EQUITY



PRIVATE EQUITY

FAST FACTS

Assets: \$19.3 billion as of 3/31/2015

Asset Class Objective: Enhanced equity return.

FY 15-16 GOAL

Absolute Objective: 12.3% - achievable

Active Relative Objective: 150 bps – difficult

Benchmark: Russell 3000 +3% long-term and State Street Private Equity Index (SSPEI) short-term

Internal Management: \$1.5 billion (7.8%) (Co-invests)

Number of External Managers: 127

External Management: \$17.9 billion (92.2%)

Board Consultant: Meketa Investment Group

Investment Team (19)

Director: Margot Wirth

Portfolio Managers: Deanna Winter, Rob Ross, Seth Hall, Solange Brooks, Tom Baker

Investment Officers: Chris Moore, Chris Singh, Delfina Palomo, Geetika Misra, Jean Kushida Uda, Kathleen Williams, Kristian Altier, Lisa Tagao, Nick Chladek, Tyler Rico, Vanessa Phillips

Support Staff: Cindy Connitt, Ellie Valencia

Transparency and Reporting

[Private Equity Quarterly Report, 3/31/2015](#)

[Private Equity Semi-Annual Performance Report, 9/30/2014](#)

[Private Equity Semi-Annual Performance Report, 3/31/2014](#)

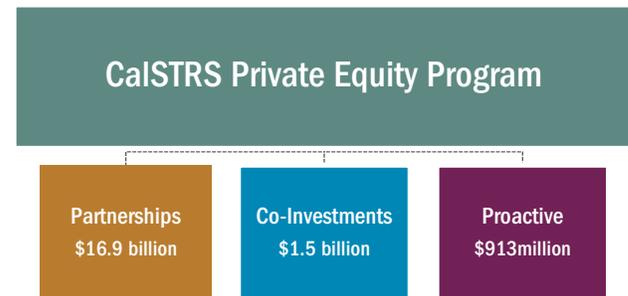
[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the CalSTRS Investments Branch

PROGRAM DESCRIPTION



Established in 1988, the Private Equity Program invests globally in partnerships, separate accounts, general partner interests, secondary interests and co-investments. Partnerships account for 92 percent of the program's exposure. Investments are further broken down into the following categories: buyouts, equity expansion, debt-related and venture capital. Approximately 70 percent of the program's exposure is based in North America and 20 percent in Europe. Remaining exposure is concentrated in Asia but also includes various (other) emerging markets. External advisors support the program by providing investment selection advice, research and gate-keeping services. Cambridge Associates covers the Americas and Asia; Altius Associates covers Europe, Middle East and Africa.

BUSINESS PLAN FOR FISCAL YEAR 2015-16

- Continue developing program capabilities and expertise beyond the basic core private equity sectors. Returns are expected to remain more correlated than long term historical averages might imply. In order to optimize portfolio risk/reward characteristics for the portfolio, the private equity team will continue to deploy capital in less-mainstream sectors such as debt related, special situation, energy and emerging markets.
- Improve analytical tools and information systems. Increasing the capability of the

Attachment B

program's information systems, especially with respect to data at the portfolio company level, will result in better risk control and more refined investment decisions.

- Increase efforts to promote compliance, transparency and fairness in the relationship between private equity general partners and limited partners. Provisions of the Dodd Frank Act pertaining to private equity are a positive development in the industry and the SEC's efforts to provide increased oversight is also positive.

STRENGTHS OF PROGRAM

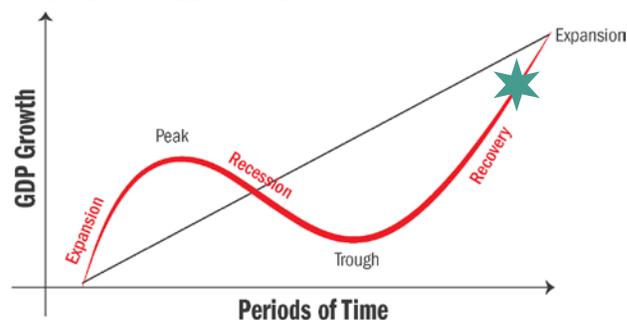
- Cohesive world-class investment team – A mix of tenured professionals plus outside hires with extensive global capital markets and private equity experience.
- Strong teamwork-oriented culture – Emphasizes process driven due diligence and rigorous peer review.
- Advance expertise and natural fit in certain sub-sectors and activities – Namely, large buy-outs, debt and special situations as well as co-investing.

CHALLENGES FOR FISCAL YEAR 2015-16

The private equity portfolio is decreasing in value on both an absolute and relative basis to the overall CalSTRS fund. This phenomenon is the result of several factors, including: (1) a long term trend of general partners returning much more capital than they call; (2) a deliberately cautious investment pace by CalSTRS; and (3) a multi-year period of very

high public market returns which has increased the value of the overall CalSTRS fund. In the meantime, overall fund allocation models will have to be adjusted accordingly. Predicting private equity investment cycles is difficult at best and often counter-productive. With much of the industry in high-harvest mode, managers are fund raising on a more frequent basis. This additional dry powder is being rapidly accumulated during a period of high valuations and plentiful leverage. To “invest through the cycles” staff must remain disciplined and make hard choices to avoid being swept along by the increasing momentum of the fund raising cycle.

MARKET CYCLE STAGE



SUSTAINABILITY / ESG ACTIVITY

The private equity portfolio contains a large exposure (\$ 532.3 million total value) of legacy investments which were specifically targeted at clean technology and energy business sectors. Overall performance has been impaired by both falling fossil fuel prices and lackluster global economic demand. Staff is committed to this sector in the long term. These legacy investments are being carefully monitored and new investment opportunities actively screened and evaluated

CORPORATE
GOVERNANCE



CORPORATE GOVERNANCE

FAST FACTS

Assets: \$4.1 billion as of 3/31/2015

Asset Class Objective: Create alpha and reduce risk in the CalSTRS portfolio by pursuing good corporate governance and sustainability.

FY 15-16 GOAL

Absolute Objective: 9% - difficult

Active Relative Objective: 60 bps - achievable

Benchmark: For Activist Managers: Russell 3000 CalSTRS Custom Index (U.S. Equity) and MSCI ACWI CalSTRS Custom Index (non-U.S. equity). For Sustainability Managers: MSCI World CalSTRS Custom Index.

The chance of meeting return objective may be difficult given current public equity market conditions

Internal Management: \$137 million (3%) (Co-invest)

Number of External Managers: 10

External Assets: \$4.0 billion (97%)

Board Consultant: Pension Consulting Alliance and Meketa Investment Group

INVESTMENT TEAM (10)

Director: Anne Sheehan

Portfolio Managers: Brian Rice

Investment Officers: Philip Larrieu, Aisha Mastagni, Ly Van, Eric Kwong, Travis Antoniono
Support Staff: Laurie Winston, Rabiia Abdul-Ali

TRANSPARENCY AND REPORTING

[CalSTRS Principles for Executive Compensation](#)
[Summary of Fiscal Year 2013-2014 Proxy Votes](#)
[CalSTRS efforts on board diversity](#)
[Green Initiative Task Force 2014 Annual Report](#)
[Corporate Governance 2014 Annual Report](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



The Corporate Governance Program includes proxy voting, portfolio company engagements, securities litigation support, and portfolio management. The Corporate Governance Activist Manager Portfolio consists of ten external managers and multiple side-by-side co-investments. The Sustainability Manager Portfolio consists of two external managers.

BUSINESS PLAN FOR FISCAL YEAR 2015-16

- The Corporate Governance Activist Manager Portfolio outperforms its U.S. and non-U.S. benchmarks.
- The Sustainability Manager Portfolio outperforms its non-U.S. benchmark.
- Staff reinforces CalSTRS reputation as a global leader on Corporate Governance, focusing on executive compensation, majority vote, proxy access and diversity.
- CalSTRS continues to be a leader in sustainability awareness through engagement of financial market participants on environmental and social issues.
- Integrate the Sustainability Manager Portfolio into the Corporate Governance Program.

STRENGTHS OF THE PROGRAM

- CalSTRS continues to be a leader in the field of Corporate Governance, with staff being frequently sought out as speakers, analysts and press references on Corporate Governance topics.
- The integration of the Sustainability Manager Portfolio will deepen staff expertise on engagements and other activities in the ESG space.
- Staff has increased the number of managers in the activist portfolio to ten managers managing approximately \$4.1 billion.
- Staff's ability to do in-depth research and analysis on public equity securities have increased with the growth of our co-investment portfolio.

CHALLENGES FOR FISCAL YEAR 2015-16

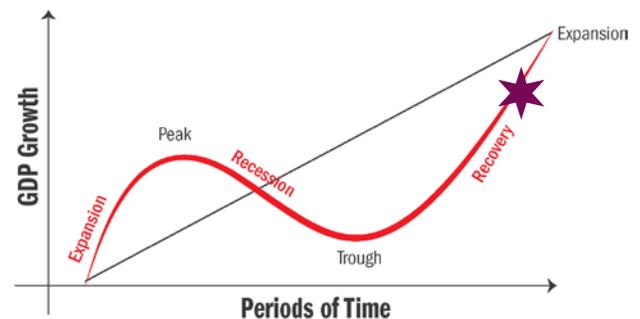
- Limited resources: Resources will become more constrained with the transfer of the Sustainability Manager Program.
- The recent press attention to the role of activism has required staff to respond to inquiries concerning the role that CalSTRS activist program plays in these markets.
- Finding suitable staff to augment the Corporate Governance team.
- Activist managers' returns are largely driven by capital allocation and mergers and acquisitions (M&A) activity which could be less attractive in an overvalued market.

MARKET CYCLE STAGE

- The Corporate Governance unit pursues engagements throughout the market cycle. While markets have traditionally been more

receptive to governance changes during down markets, this appears to be slowly changing.

- Activist managers seek fundamentally sound companies where they can act as a catalyst to affect change and add value.



- The market cycle for activist investing is near a peak. The recent superior performance of activism has attracted many new managers to the space and has gained the attention of public company directors, management, media and regulators.
- The crowded investment arena, rich company valuations and companies trying to prevent activist engagement have resulted in fewer investment opportunities.
- Staff believes they have constructed an appropriate portfolio for this environment by partnering with managers that have a wealth of activism experience, enjoy good reputations and have demonstrated innovative thinking.

SUSTAINABILITY / ESG ACTIVITY, FISCAL YEAR 2015-16

- Integrate the Sustainability Manager Portfolio into the Corporate Governance Program.
- Continued engagement on sustainability topics such as water, energy efficiency, carbon exposure and coal.
- Evaluate potential new sustainability-themed investment strategies such as low-carbon indexes

INFLATION SENSITIVE



INFLATION SENSITIVE

FAST FACTS

Assets: \$1.5 billion as of 3/31/2015

Asset Class Objective: Improve diversification to the overall CalSTRS Investment Portfolio by protecting against inflation, generate enhanced yield and stable cash flows.

FY 15-16 Goal:

Absolute Objective – 3.0% (Global Inflation Linkers) and 8.0% (Infrastructure) - achievable

Relative Objective – Weighted Barclays Inflation Linked Global – Series L Index and CPI +4% - achievable

Benchmark: Weighted Barclays Inflation Linked Global – Series L Index and CPI + 4%

Internal Management: \$553.1 million (38%)

Number of External Managers: 9

External Management: \$909.9 million (62%)

Board Consultants: Pension Consulting Alliance, Meketa

Investment team (7)

Director: Paul Shantic

Portfolio Manager: Diloshini Seneviratne

Investment Officers: Christopher Ellis, Charles Fitzpatrick, John-Charles Gish, and Michael Warmerdam

Support Staff Analyst: Richard Novoa

Transparency and Reporting

[Infrastructure Quarterly Report, 3/31/2015](#)

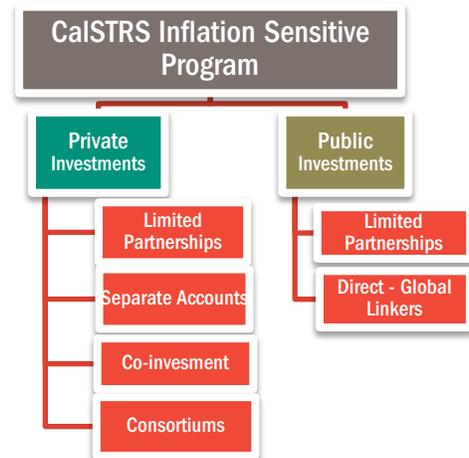
[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the *CalSTRS Investments Branch*

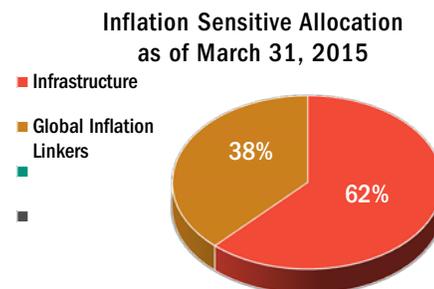
PROGRAM DESCRIPTION



The Inflation Sensitive Portfolio currently consists of: (1) The Global Inflation Linkers Portfolio, and; (2) The Infrastructure Portfolio.

- Inflation linked securities are issued by developed market countries in North America, Europe, and Asia. These securities are linked to national inflation rates.
- Infrastructure's policy objective is to invest in assets that have unique characteristics such as assets that have a long-term life, are monopolistic in nature, provide essential services, and have a form of inflation linkage in the revenue stream.

PORTFOLIO ALLOCATION



Attachment B

BUSINESS PLAN FOR FISCAL YEAR 2015-16

- Present to the Board for review and approval, an Inflation Sensitive Policy.
- Expand into new investment opportunities utilizing both external and internal management expertise.
- Continue to diversify the portfolio within the Inflation Sensitive mandate while managing the risk return objectives for the program.

STRENGTHS OF THE PROGRAM

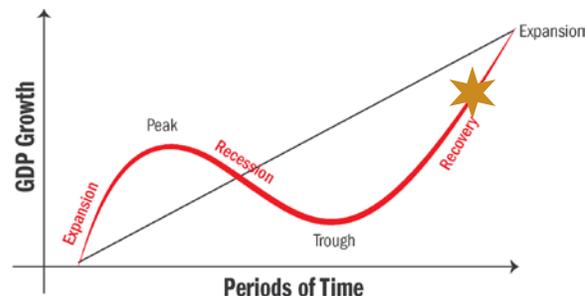
- The program has grown since it was implemented in early 2010 with the allocation of 5 more dedicated staff in 2014. The intention is to grow the team in an orderly fashion so as to build a unique hybrid multi- asset portfolio.
- The Infrastructure policy has been revised over the last four years to strengthen the program objectives and direction.
- The CalSTRS infrastructure program continues to be recognized as a leader in the industry.

CHALLENGES FOR FISCAL YEAR 2015-16

- Portfolio monitoring and reporting will continue to be an important focus as the portfolio acquires new assets and continues to grow.
- Currently, Inflation Sensitive does not have a specialty consultant to provide staff performance measurement.
- Movements in global currency can affect portfolio holdings and valuations. Currency hedging opportunities will be explored and implemented based on market data and long-term forecasts.
- Maintain and develop the investment skill set of the Inflation Sensitive staff so as to be capable of reviewing a broad range of investment opportunities across the asset class.
- The changing macro conditions such as regulatory changes, political uncertainties, and climate

trends are watched closely by staff as they can impact portfolio returns and investment opportunities.

MARKET CYCLE STAGE



SUSTAINABILITY/ ESG ACTIVITY,

FISCAL YEAR 2015-2016

- Continue to maintain a portfolio of diverse, renewable assets.
- Encourage managers to implement energy efficiencies within their businesses.
- Continue to focus on ESG as part of the manager selection due diligence questionnaire process as well as on ESG portfolio execution.

INNOVATION & RISK



INNOVATION & RISK

FAST FACTS

Assets: \$2.2 billion as of 3/31/2015

Asset Class Objective: Maximize the risk-adjusted returns to meet CalSTRS obligation to pay benefits

FY 15-16 GOAL

Absolute Objective: Incubate strategies new to CalSTRS that could improve the overall risk and return characteristics of the total fund - achievable

Relative Objective: Outperform the Innovation benchmark by 40 bps over a rolling three-year period - difficult

Benchmark: Custom benchmark based on the weighted-average performance of underlying strategy benchmarks

Internal Management: N/A

Number of External managers: 12

External Assets: \$2.2 billion

Board Consultants: Pension Consulting Alliance, Meketa

Hedge Fund Adviser: Lyxor Asset Management

Investment team (8)

Director: Steven Tong

Portfolio Managers: Carrie Lo, Glen Blacet

Investment Officers: Angela Tran, Josh Diedesch, Matt Lisonbee, Matt Toepel

Support Staff: Nancy Flora

Transparency and Reporting

[Innovation & Risk Quarterly Report, 3/31/2015](#)

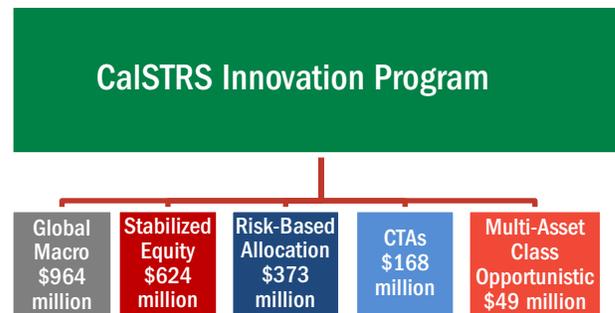
[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Comprehensive Annual Financial Report, 6/30/2014](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



Established in 2009 and organized around two distinct areas: investment strategies new to CalSTRS (Innovation) and risk management.

Innovation:

Our primary goal is to identify, research, and incubate strategies that diversify the total plan. Currently, we have six implemented strategies: global macro, commodity trading advisors (CTAs), risk-based allocation, stabilized equities, commodities and multi-asset class opportunistic.

Risk Management:

We strive to measure and understand risks that span the entire Investments portfolio to inform short- and long-term asset allocation decisions.

BUSINESS PLAN FOR FISCAL YEAR 2015-2016

- Review and analyze additional strategies that diversify returns and lower the fund volatility across economic regimes (e.g., systematic risk premia and agriculture/farmland)
- Conduct joint research with Global Equities on “smart beta” solutions
- Evaluate the first two strategies to reach the three-year incubation period: global macro and risk-based allocation
- Re-evaluate role of commodities
- Develop a risk reporting process for staff and the Investment Committee; begin process for risk system RFP

- Research and develop measures for fund-level liquidity risk
- Coordinate the asset-liability study, including asset class recommendations, capital market assumptions and modeling parameters
- Select hedge fund program adviser via request for proposal process

STRENGTHS OF PROGRAM

- Relatively small capital allocations enable a thorough evaluation of new strategies prior to full integration into the total plan's asset allocation
- Multi-asset class managers provide insights for tactical asset allocation decisions
- Risk management – CalSTRS leverages the expertise and knowledge of internal staff with resources and technology available through external relationships
- The Risk unit's insight into all asset classes enables a more comprehensive and unified approach to measuring and understanding investment risk

CHALLENGES FOR FISCAL YEAR 2015-16

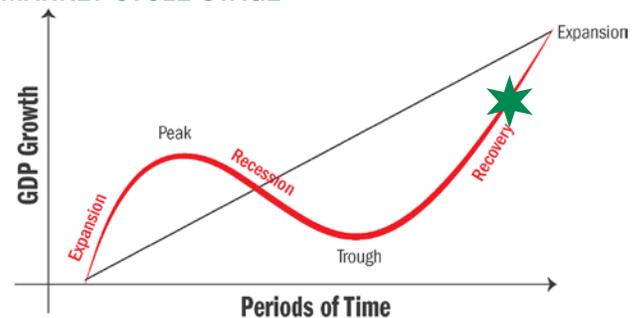
- Limited history – Some Innovation strategies have been developed more recently making evaluation and benchmarking difficult. Additionally, due to the newness and complexity of many of these strategies, due diligence and evaluation is more resource intensive.
- Need for and integration of additional staff – The Innovation team is hiring an IO I for fiscal year 2015-16 to assist with some of the supporting tasks. Additionally, an IO III position will be requested to provide capacity to incubate a greater number of potentially value-adding strategies pending the outcome of the asset liability study.

- Determining where successful incubation strategies will be graduated to
- Risk management execution – Full integration of the enterprise risk platform into the asset allocation and portfolio management processes; continued development of a comprehensive risk framework

Potential threats to achieving our return objectives:

- Continued global interest rate easing may lower volatility and the number of investment opportunities
- Unanticipated market events cause multiple asset classes to become highly correlated and reduce the effectiveness of diversification
- Markets that are range bound or experience frequent, sharp reversals can limit the opportunity set

MARKET CYCLE STAGE



SUSTAINABILITY/ESG ACTIVITY, FISCAL YEAR 2015-16

- Continue to actively participate on the CalSTRS fossil fuels team, diversity team and green team
- Collect information on potential sustainable investing ideas
- Commit more resources towards researching opportunistic ESG investments once the current incubation strategies are fully funded and staffing levels increase

OPERATIONS



OPERATIONS

FAST FACTS

Assets: \$191.1 billion as of 3/31/2015

Investment Summary as of 3/31/2015

Asset Mix	In Millions	%
Global Equity	\$109,955	57.5
Fixed Income	30,510	16.0
Real Estate	23,426	12.3
Private Equity	19,393	10.1
Cash	3,871	2.0
Inflation Sensitive	1,463	0.8
Absolute Return	2,581	1.3
Total	\$191,199	100.0%

Asset Class Objective: Investment Operations' primary objective is to provide middle-office support to the Investment Branch in order to meet our return objective and work in conjunction with our global master custodian to protect investment assets.

FY 15-16 GOAL

Absolute Objective: Total Plan: 7.5%- achievable

Relative Objective: Total Plan: policy benchmark + 40 bps - achievable.

Benchmark: Total Plan benchmark is a policy weighted blend of the asset class benchmarks.

Public Markets:

Internal Management: \$67.5 billion (48%)

Number of External Managers: 51

External Management: \$72.9 billion (52%)

Board Consultants and Advisors: Pension Consultant Alliance, Meketa

Investment Team (20)

Director: April Wilcox

Investment Officers: Kimberly McDonnell, Deborah Kanner, Haytham Sharief, Matthew Schroeder, Melissa DaRonco, Kelly Criss, Steve Kruth, Mami Wong, Diego Sanchez, Mary Ann Avansino, Kate

Wallen, Tiffany Lau, Huy Ngo, Michael Lawrence, Denny Young, Carlos Maciel, Mei Kwee, Stephanie Ledesma

Support Staff: Muriel Dimel

Transparency and Reporting

[Current Investment Portfolio](#)

[Portfolio Holdings by Asset Category, 6/30/2014](#)

[Semi-Annual Performance Report as of December 2014](#)

[Comprehensive Annual Financial Report as of June 30, 2014](#)



Link to the *CalSTRS Investments Branch*

PROGRAM DESCRIPTION



Investment Operations' primary function of providing middle-office support for internal and external portfolio activities is accomplished by performing pre-settlement portfolio controls, cash and trade management, cash flow analysis, portfolio and total fund reporting, as well as trade compliance and ethics. We partner with the asset classes to align operational services for successful implementation of the trustee approved Investment Policy and Management Plan.

BUSINESS PLAN FOR FISCAL YEAR 2015-2016

- Assess and Mitigate Operational Risk - Monitor the operational internal control environment and provide support to the investment enterprise risk management system.

Attachment B

- Internal Investment Support - Provide operational services and support for additional internal investment opportunities across all asset classes (e.g., Global Equity EAFE implementation).
- Continued Education – To support new and complex investment strategies, additional staff, training, continuing education, and cross-training is required.
- Master Custodian and Other Service Providers – Manage the relationship and deliverables of internal and external service providers including the master custodian, our risk management system, and internal stakeholders.
- Cost Effective Measurement, CEM - Continue to participate in this annual survey. Research on private asset cost transparency, hedge funds, and data/systems will be presented at the Global Leaders conference in November.

STRENGTHS OF THE PROGRAM

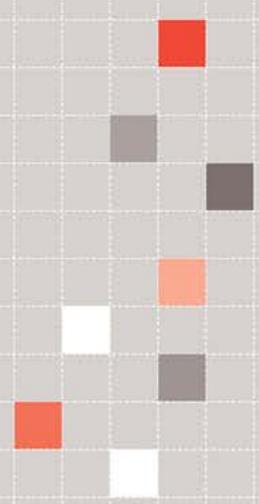
- Investment Operations Team – Staff has a wide breadth of investment experience and institutional knowledge to provide support, services, and operational risk mitigation for portfolio activities across all asset classes. Teamwork is essential as staff integrates new investment strategies into the workflow while concurrently responding to ad-hoc requests.
- Ethics and Risk Management – We promote a culture of high ethical standards, risk management, and internal controls across the branch.
- Cash Flow Analysis – We provide information to investment management to ensure sufficient cash balances are available to pay benefits to our members. Cash management discussions are reviewed at the Tactical Asset Allocation meetings.

CHALLENGES FOR FISCAL YEAR 2015-2016

- Succession planning and Staff Resources – Retain and recruit well qualified staff to maintain sufficient operational resources to support our complex global investment portfolio.
- Technology Innovation – An ever changing financial and regulatory environment will result in supporting technologies to manage the complexity of our global investment portfolio. Risk mitigated by leveraging technology of our critical external service providers.
- Investment Portfolio Complexity - Continuous education, knowledge transfer, cross-training, specialized expertise, and compliance are critical to support increased complexity, internal management, and global investment opportunities.

SUSTAINABILITY / ESG ACTIVITY, FISCAL YEAR 2015-16

- Coordinate with the master custodian, investment managers, counterparties, and key stakeholders to establish and support new and transitioning sustainability portfolios.
- Provide operational support and ensure adequate internal controls for ESG investments across all asset classes.
- Provide trade compliance oversight on restricted securities for internally managed portfolios.
- Perform exposure reports and requests for ESG related inquiries or divestments.
- Participate as a member of the ESG Committee to analyze and discuss related risks and best practices across all asset classes.



P.O. Box 15275
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

Charter of the CalSTRS 21 Risk Factor Review Committee

Purpose

The 21 Risk Factor Review Committee (“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 21 Risk Factor Review Committee 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 an 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 21 Risk Factor Review Committee are:

- Evaluate ESG issues to determine if they violate 21 Risk Factors Policy
- Carry out CalSTRS Board’s directives relating to the 21 Risk Factors and Divestment policies

Attachment C

- 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

Appendix A – CalSTRS 21 Risk Factor Policy

Attachment A:

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

PRINCIPLES

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy and Management Plan, is to discharge its responsibility in the sole and exclusive interest of the participants and beneficiaries in a manner that 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. The System's investment activities impact other facets of the economy and the globe. As a significant investor with a very long-term investment horizon and expected life, the success of CalSTRS is linked to global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Therefore, consideration of environmental, social, and governance issues (ESG), as outlined by the CalSTRS 21 Risk Factors, are consistent with the Board fiduciary duties.

Consistent with its fiduciary responsibilities to our members, the Board has a social and ethical obligation to require that the corporations and entities in which securities are held meet a high standard of conduct and strive for sustainability in their operations. As an active owner, CalSTRS incorporates ESG into its ownership policies and practices.

Since CalSTRS is a long-term investor and may hold an investment in a corporation or entity for decade after decade, 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's investment

Since CalSTRS must invest huge sums of moneys for long periods of time to pay for future benefits promised to California Teachers, our actions to invest in securities of a corporation 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

Attachment C

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 or for risk mitigation purposes. 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 its longevity as guidance on proxy voting; however this Policy now replaces the SIR as CalSTRS's preeminent policy on ESG matters.

POLICY

Governance Risks and Social Risks: 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 governance and social issue as identified by the 21 risk factors. It is important to note that fiduciary standards do not allow CalSTRS to select or reject investments based solely on social criteria.

When faced with a corporate decision that potentially violates CalSTRS Policies; the Investment Staff, CIO and Investment Committee will undertake the following actions:

A. The CIO will assess the gravity of the situation both as an ESG risk and as to the System. The extent of the responsibility of the System to devote resources to address these issues will be determined by: 1) the number of shares held in the corporation, and 2) the gravity of the violation of CalSTRS Policies.

B. At the CIO's direction, the Investment Staff will directly engage corporate management to seek information and understanding of the corporate decision and its ramifications on ESG issues.

C. The CIO and investment staff will provide a report to the Investment Committee of the findings 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 21 risk factors that should be included within the financial analysis of any investment decision. This list is not exhaustive and does not attempt to identify all forms of risk that are appropriate to consider in a given investment transaction; however they do provide a framework of other factors that might be overlooked. These risk factors should be reviewed for an investment in any asset class whether within the U.S. or across the globe.

CalSTRS expects all investment managers, both internal and external to assess the risk of each of the following factors when making an 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 21 RISK FACTORS

Monetary Transparency

The 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 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 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 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 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 not 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.

Attachment C

Payment System: Principles

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.

Insolvency Framework

The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.

Money Laundering

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.

Insurance Supervision

Whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors, IAIS, Principles.

Respect for Human Rights

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

Respect for Civil Liberties

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.

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. Consideration should be given to how a company is dealing with the impact of climate change, including whether the government is taking steps to reduce its impact, exacerbating the problem, or oblivious to the risk.

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

Human Health

The risk to an 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.

Appendix B – CalSTRS Divestment Policy

DIVESTMENT POLICY

As set forth in the California Constitution, Article 16, Section 17, and the California Education Code, Section 22250, the CalSTRS Retirement Board, its Investment Committee, and staff have fiduciary duties with respect to the system and the plan. These duties include duties of loyalty and prudence to invest “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.” (Ed. Code, sec. 22250(b).)

This policy sets forth CalSTRS’ policy for responding to external or internal initiatives to divest of individual or groups of securities for purposes of achieving certain goals that do not appear to be primarily investment related. The Investment Committee opposes any divestment effort that would either implicitly or explicitly attempt to direct or influence the Investment Committee to engage in investment activities that violate and breach the Trustees’ fiduciary responsibility. Consistent with its fiduciary responsibility and the concepts of diversification and passive index management, the Investment Committee does not and will not systemically exclude or include any investments in companies, industries, countries or geographic areas, except in cases where: one of the CalSTRS 21 Risk Factors is violated over a sustained time frame to the extent that it becomes an economic risk to the Fund, a potential for material loss of revenue exists, and where it weakens the trust of a significant portion of members to the System.

When pressured to divest, CalSTRS firmly believes that active and direct engagement is the best way to resolve issues. Face to face meetings with shareowners and senior management, or the Board of Directors, are essential to bringing about change in a corporation. No further action will be taken until all efforts at engagement have been fully exhausted; efforts at engagement include, but are not limited to: shareholder resolutions, media campaigns, and other efforts at engagement.

CalSTRS’ commitment to engagement with companies rather than divestment is based on several considerations: (i) divestment would eliminate our standing and rights as a shareowner and foreclose further engagement; (ii) divestment would be likely to have negligible impact on portfolio companies or the market; (iii) divestment could result in increased costs and short-term losses; and (iv) divestment could compromise CalSTRS’ investment strategies and negatively affect investment performance.

If engagement fails to resolve the risk factor sufficiently, the CIO will bring the issue before the Investment Committee for consideration of divestment from the applicable securities. The Investment Committee will receive input from the following, but not limited to: investment managers, investment consultants, investment staff, fiduciary counsel, academics, and experts in the particular field or issue. If the Investment Committee determines that the making of an

investment or continuing to hold a security is imprudent and inconsistent with the fiduciary duty, the Investment Committee will instruct investment staff to remove the security from the portfolio.

Divestment does not apply to segments of the portfolio that track market indices, as CalSTRS policies require those segments to invest in all companies included in an index. Additionally, the policy does not apply to investments in a Limited Partnership due to CalSTRS position of limited liability as a Limited rather than General Partner.

CalSTRS will exclude or eliminate investments that fall within the terms of a State or Federal law regarding divestment, if the Investment Committee finds that divestment is consistent with its fiduciary duties and divestment is determined not to be imprudent.

REPORTING

On at least a quarterly basis, the Chief Investment Officer will prepare a comprehensive report that shows the performance difference between any divestment taken under this Policy and the un modified CalSTRS benchmark of the respective asset class.

Any divestment decision should be reviewed at least annually by the CIO to ensure the key factors and risks continue to warrant divestment. The Investment Committee, at any time, can request a divestment decision be revisited.

Approved: March 5, 2009

Appendix C – CalSTRS Responsible Contractor Policy

I. Responsible Contractor Policy

The California State Teachers' Retirement System has a deep interest in the condition of workers employed by the CalSTRS and its advisors. CalSTRS, through the CalSTRS Responsible Contractor Policy supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the CalSTRS real estate investments. The CalSTRS endorses small business development, market competition, and control of operating costs. The CalSTRS believes that an adequately compensated and trained worker delivers a higher-quality product and service. CalSTRS requires its real estate managers to abide by the Responsible Contractor policy on all applicable investments.



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

November 23, 2015

Ruisong Tan
Vice Chairman and CEO
AviChina Industry & Technology Co Ltd
9th Fl., Easyhome Twr.
A/3 Dongzhimen South Street
Beijing, 100007
China

Dear Mr. Tan,

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 868,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$185 billion invested across both domestic and international markets. Currently, CalSTRS owns 488,000 shares of AviChina Industry & Technology Co Ltd.

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 a 21-point Geopolitical Risk policy, which is available in the board policy manual at our website www.calstrs.com.

Our independent research providers have identified AviChina Industry & Technology Co Ltd 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

Attachment D

Ruisong Tan

11/23/2015

Page 2

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 AviChina Industry & Technology Co Ltd 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 Beijing.

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

Philip Larrieu
Investments – Corporate Governance
100 Waterfront Place, MS-4
West Sacramento, CA 95605-2807
(916)414-7417
plarrieu@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 23, 2015

Yuichiro Ichikawa
President and Representative Director
Japan Drilling Co., Ltd.
UNIZO Horidomecho Nichome Bldg. 2F • 5F • 6F, 2-4-3
Nihonbashi Horidome-cho, Chuo-ku
Tokyo 103-0012

Dear Mr. Ichikawa,

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 868,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$185 billion invested across both domestic and international markets. Currently, CalSTRS owns 4,509 shares of Japan Drilling Co., Ltd.

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 prospective the CalSTRS Board has adopted a 21-point Geopolitical Risk policy, which is available in the board policy manual at our website 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 Japan Drilling Co., Ltd. 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

Attachment E

Yuichiro Ichikawa

11/23/2015

Page 2

risk controls Japan Drilling Co., Ltd. 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.

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

Philip Larrieu
Investments – Corporate Governance
100 Waterfront Place, MS-4
West Sacramento, CA 95605-2807
(916)414-7417

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 30, 2015

Christer Johansson
Senior Vice President-Investor Relations
Volvo AB Class B
Torslanda
Amazonvägen
Göteborg, Vastra Gotaland, 405 08
SWEDEN

Dear Christer Johansson,

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 879,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$188 billion invested across both domestic and international markets. Currently, CalSTRS owns 1,611,872 shares of Volvo AB Class B.

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 a 21-point Geopolitical Risk policy, which is available in the board policy manual at our website www.calstrs.com.

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

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Christer Johansson

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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.

Currently, CalSTRS has Volvo AB Class B 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 Sudan as well as any risk controls Volvo AB Class B 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 Philip Larrieu of the Corporate Governance staff at:

Philip Larrieu
Investments – Corporate Governance
100 Waterfront Place, MS-4
West Sacramento, CA 95605-2807
(916)414-7417
plarrieu@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 30, 2015

Kan Trakulhoon.
Chief Executive Officer
Siam Cement Public Co. Ltd.
1 Siam Cement Road
Bangsue
Bangkok, Bangkok Metropolis 10800
THAILAND

Dear Kan Trakulhoon,

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 879,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$188 billion invested across both domestic and international markets. Currently, CalSTRS owns 2,199,750 shares of Siam Cement Public Co. Ltd..

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 a 21-point Geopolitical Risk policy, which is available in the board policy manual at our website 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 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.

Currently, CalSTRS has Siam Cement Public Co. Ltd. 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

Attachment G

Kan Trakulhoon

11/30/2015

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including purchases from and sales to Iran as well as any risk controls Siam Cement Public Co. Ltd. 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 Philip Larrieu of the Corporate Governance staff at:

Philip Larrieu
Investments – Corporate Governance
100 Waterfront Place, MS-4
West Sacramento, CA 95605-2807
(916)414-7417
plarrieu@calstrs.com

Sincerely,



Christopher Ailman, Chief Investment Officer

California

State

Teachers'

Retirement

System

Attachment H: CalSTRS Portfolio Companies Subject to the California Public Divest from Sudan Act

9 Companies Divested and Restricted					
Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015	
1 Bharat Heavy Electricals (India)	Bharat Heavy Electricals has contracts to build power plants in Sudan.	In 2009, Bharat Heavy Electricals was designated as "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0	
2 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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0	
3 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 "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 "Restricted" in 2015.	0	\$0	
4 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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0	
5 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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0	
6 PECD Berhad (Malaysia)	PECD Berhad has an ongoing contract to build an oil export terminal in Port Sudan.	In 2009, PECD Berhad was designated as "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0	

Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
7 PetroChina and CNPC - as connected corporations to the Chinese National Oil Company (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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0
8 Petronas (Malaysia)	Petronas has interest in several oil fields in Sudan.	In 2009, CalSTRS designated Petronas as "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0
9 Sudan Telecom Company (Sudatel) (Sudan)	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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0

11 Companies Under Review				
Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1 AviChina Industry and Technology Limited (China)	AviChina was identified as possibly providing military equipment and maintenance services to Sudan.	In 2015, CalSTRS identified AviChina as potentially having ties to Sudan and began the review process.	618,000	\$522,178
2 AON PLC (United Kingdom)	AON PLC has reported that it has direct transactions with parties domiciled in Sudan.	In 2015, CalSTRS identified AON PLC as potentially having ties to Sudan and began the review process.	1,130,855	\$107,137,203

	Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
3	China Communications Construction Company Limited (China)	China Communications Construction Company Limited was involved in several infrastructure projects in Sudan.	In 2015, CalSTRS identified China Communications Construction Company Limited as potentially having ties to Sudan and began the review process.	4,001,938	\$4,625,593
4	Fuji Electric Co. Ltd. (Japan)	Fuji Electric was identified as providing heavy equipment in Sudan.	In 2015, CalSTRS identified Fuji Electric as potentially having ties to Sudan and began the review process.	1,662,843	\$7,647,891
5	HC2 Holdings, Inc. (USA)	HC2 Holdings was identified as providing telecommunication services in Sudan.	In 2015, CalSTRS identified HC2 Holdings as potentially having ties to Sudan and began the review process.	38,048	\$238,180
6	Larsen & Tourbro Ltd. (India)	Larsen & Tourbro was identified as providing consulting services to the government of Sudan.	In 2015, CalSTRS identified Larsen & Tourbro as potentially having ties to Sudan and began the review process.	<u>Stock</u> 477,687 <u>GDR</u> 300,460	<u>Stock</u> \$9,851,152 <u>GDR</u> \$6,159,430
7	Makita Group (Japan)	Makita Group was identified as providing products and equipment to Sudan.	In 2015, CalSTRS identified Makita Group as potentially having ties to Sudan and began the review process.	432,785	\$24,538,994
8	MTN Group Limited (South Africa)	MTN Group was identified providing telecommunications services in Sudan.	In 2015, CalSTRS identified MTN Group as potentially having ties to Sudan and began the review process.	1,561,644	\$15,720,405
9	Qatar National Bank (Qatar)	Qatar National Bank was identified as providing banking services in Sudan.	In 2015, CalSTRS identified Qatar National Bank as potentially having ties to Sudan and began the review process.	299,294	\$13,148,736
10	Wan Hai Lines Ltd. (Taiwan)	Wan Hai Lines was identified as possibly providing shipping services to Sudan.	In 2015, CalSTRS identified Wan Hai Lines as potentially having ties to Sudan and began the review process.	2,377,100	\$1,223,432

Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
11 Wilhelmsen ASA (Norway)	Wilhelmsen ASA was identified as possibly providing shipping services to Sudan.	In 2015, CalSTRS identified Wilhelmsen ASA as potentially having ties to Sudan and began the review process.	22,002	\$84,643

8 Companies Being Monitored				
Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1 Bollore SA (France)	Bollore maintains an active interest in a Khartoum-based logistics company.	In 2014, CalSTRS identified Bollore as having ties to Sudan and began the review process. In 2015, CalSTRS moved Bollore to a "Monitor" status.	916,642	\$4,218,063
2 China Railway Group (China)	China Railway Group has two supply contracts and one works contract for railway maintenance in Sudan.	In 2013, China Railway Group was identified as "Review" for potentially having ties to Sudan. In 2014, CalSTRS moved China Railway Group to "Monitor" status and maintained that status in 2015.	3,156,560	\$3,372,290
3 Clariant AG (Switzerland)	A third part distributor is listed as a provider of Clariant AG oil services in Sudan.	In 2014, CalSTRS identified Clariant AG as potentially having ties to Sudan and began the review process. In 2015, CalSTRS moved Clariant AG to a "Monitor" status.	326,382	\$6,023,120
4 Glencore Plc (Switzerland)	Glencore Plc confirmed in a meeting with CalSTRS that it is interested in purchasing oil from South Sudan if it can be done in compliance with U.S. and international sanctions.	In 2012, Glencore Plc was designated as "Review" and was subsequently moved to "Monitor" after meeting with the company. CalSTRS has maintained a "Monitor" status in 2015.	Stock 14,069,566 Bonds \$6,002,499	Stock \$20,482,144 Bonds \$4,722,382

	Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
5	Kawasaki Kisen Kaisha Ltd. (Japan)	Kawasaki Kisen Kaisha lists Port Sudan in its service network.	In 2013, Kawasaki Kisen Kaisha was identified as "Review" for potentially having ties to Sudan. In 2014, CalSTRS moved Kawasaki Kisen Kaisha to "Monitor" status. CalSTRS has maintained a "Monitor" status in 2015.	1,926,266	\$3,953,158
6	Sapurakencana Petroleum Bhd. (Malaysia)	Sapurakencana Petroleum Bhd. has a contract to create drilling access to an oilfield in South Sudan that has restricted entities as a partner.	In 2014, CalSTRS identified Sapurakencana Petroleum Bhd. as potentially having ties to Sudan and began the review process. In 2015, CalSTRS moved Sapurakencana Petroleum to a "Monitor" status.	2,851,314	\$1,431,007
7	Shanghai Electric Group (China)	Shanghai Electric Group reportedly has several contracts relating to power transmission in Sudan.	In 2014, CalSTRS identified Shanghai Electric Group as potentially having ties to Sudan and began the review process. In 2015, CalSTRS moved Shanghai Electric Group to a "Monitor" status.	1,405,715	\$872,231
8	Volvo AB (Sweden)	Volvo AB has been identified as selling trucks and construction equipment to Sudan. The company confirmed its major customer is the state-owned sugar company, which is not a restricted entity.	In 2012, Volvo AB was identified as "Review" for potentially having ties to Sudan. In 2013, CalSTRS moved Volvo AB to "Monitor" status. CalSTRS has maintained a "Monitor" status in 2015.	1,611,872	\$16,671,160

3 Companies Removed					
	Company Name (Domicile)	Summary of Ties to Sudan	Summary of Changes From 2013	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1	Bureau Veritas SA (France)	Bureau Veritas reportedly has business ties with Sudan.	In 2014, CalSTRS identified Bureau Veritas as potentially having ties to Sudan and began the review process. In 2015, CalSTRS removed Bureau Veritas after the company confirmed it had closed and deregistered its offices in Sudan.	274,009	\$5,641,749
2	China National Building Material Company Limited (China)	China National Building Material Company was identified as exporting building products to Sudan.	In 2015, CalSTRS identified China National Building Material Company as potentially having ties to Sudan and began the review process. CalSTRS subsequently removed China National Building Material Company after liquidating the holdings in the company.	0	\$0
3	Elisa Oyj (Finland)	Comptel Oyj, a subsidiary of Elisa Oyj, reportedly has agreements with Sudan Telecom Company, a restricted company.	In 2013, Elisa Oyj was identified as "Review" for potentially having ties to Sudan. In 2014, CalSTRS moved Elisa Oyj to "Monitor" status. In 2015, CalSTRS removed Elisa Oyj after confirming the company has no direct involvement other than possibly providing services for the United Nations.	157,266	\$5,856,563

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

12 Companies Divested and Restricted					
	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1	China Blue Chemical Ltd. (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 determined to add it to the "Restricted" list. CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0
2	China Oilfield Services Limited (China)	China Oilfield Services Limited is a majority owned subsidiary of CNOOC, a restricted company. In 2014, China Oilfield Services was identified as being involved in the development of oilfields in Iran.	In 2014, China Oilfield Services Limited was identified as "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." In 2014, CalSTRS designated China Oilfield Services as "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0

Attachment I

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
3	CNOOC (China)	<p>According to CNOOC's most recent 20-F Filing, 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.</p> <p>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.</p>	<p>In 2009, CalSTRS designated CNOOC as "Further 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."</p> <p>While CNOOC does not appear to have direct ties to Iran, CalSTRS is uncomfortable with its parent company's relations to the country and determined to maintain the "Restricted" designation in 2015.</p>	0	\$0
4	Daelim Industrial Co. Ltd. (South Korea)	<p>In June 2009, Daelim Industrial Co. Ltd. won a contract to build pipelines for an LNG storage facility in Iran. CalSTRS research providers show Daelim Industrial Co. Ltd. continues to be involved in several natural gas related projects in Iran.</p>	<p>In 2009, Daelim Industrial Co. Ltd. was designated as "Restricted From Additional Purchase." In early 2010, CalSTRS divested holdings of the company and designated the company as "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.</p>	0	\$0
5	Doosan Corp. (South Korea)	<p>In 2014, Doosan Corp. was identified by CalSTRS service providers as being a supplier of automotive products to companies in Iran.</p>	<p>In 2014, CalSTRS identified Doosan Corp. as potentially having ties to Iran and began the review process. In 2015, CalSTRS designated Doosan Corp. and related entities as "Restricted" after the company failed to respond to requests for information.</p>	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
6	Indian Oil Corp. (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.	In the past several years, CalSTRS has initiated the review process of Indian Oil Corp. as the company was purchased by CalSTRS external managers. However, the security was always sold before the review process could be completed. In 2015, CalSTRS determined to restrict the company because of the troubling nature of the ties and believed it would be more efficient than continually initiating the review process.	0	\$0
7	Kunlun Energy Co. and Sinopec, a linked company (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, Sinopec and its related companies, including CNPC Hong Kong, were designated as "Restricted." In February 2010, CNPC Hong Kong changed its name to Kunlun Energy Co. Sinopec, and all of its subsidiaries, including Kunlun Energy Co., remain "Restricted" in 2015.	0	\$0
8	MISC Bhd. (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 "Restricted." CalSTRS has maintained the company's "Restricted" designation in 2015.	0	\$0
9	Oil and Natural Gas Company of India (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 the 2009 Iran list but had already been restricted for ties to Sudan. In early 2010, CalSTRS also designated the company as "Restricted" for ties to Iran. CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0

Attachment I

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
10	Oil India (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.	In the past several years, CalSTRS has initiated the review process of Oil India as the company was purchased by CalSTRS external managers. However, the security was always sold before the review process could be completed. In 2015, CalSTRS determined to restrict the company as it would be more efficient than continually initiating the review process.	0	\$0
11	PetroChina and CNPC - as connected corporations to the Chinese National Oil Company (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 "Restricted." CalSTRS has maintained the "Restricted" designation in 2015.	0	\$0
12	Petronas (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 February 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 "Restricted." While the company's apparent withdrawal from Iran is promising, Petronas remains "Restricted" under Sudan sanctions. CalSTRS has maintained the company's "Restricted" designation in 2015.	0	\$0

12 Companies Under Review					
Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015	
1 Banco Bilbao Vizcaya Argentaria - BBVA (Spain)	In 2015, Banco Bilbao Vizcaya Argentaria was identified as potentially having banking ties to Iran.	In 2015, CalSTRS identified Banco Bilbao Vizcaya Argentaria as potentially having ties to Iran and began the review process.	7,849,098 Bonds \$600,000	\$65,124,878 Bonds \$635,016	
2 China Communications Construction (China)	In 2015, China Communications Construction was identified as potentially being involved in the development of a harbor in Iran.	In 2015, CalSTRS identified China Communications Construction as potentially having ties to Iran and began the review process.	4,001,938	\$4,625,593	
3 Ericsson (Sweden)	In 2015, Ericsson was identified for possibly not following through on its commitment to withdraw from Iran.	In 2015, CalSTRS reinitiated the review process of Ericsson to determine if the company was keeping with its commitment to curtail involvement in Iran.	<u>Stock</u> 4,775,961 Bonds \$7,000,000	<u>Stock</u> \$46,521,412 Bonds \$7,223,578	
4 Japan Drilling Co. Ltd. (Japan)	In 2015, Japan Drilling Co. was identified as possibly operating in Iran with clients including the Iranian government.	In 2015, CalSTRS identified Japan Drilling Co. as potentially having ties to Iran and began the review process.	4,509	\$108,629	
5 Korea Electric Power Corporation (South Korea)	In 2015, Korea Electric Power Corporation was identified as being involved in the building of power plants in Iran.	In 2015, CalSTRS identified Korea Electric Power Corporation as potentially having ties to Iran and began the review process	87,356 Bonds \$2,000,000	\$3,692,480 Bonds \$2,022,542	
6 LafargeHolcim Ltd. (Switzerland)	In 2014, Holcim Ltd. was identified as having equity interest in an Iranian cement company. In 2015, Holcim merged with Lafarge SA.	In 2014, CalSTRS identified Holcim Ltd. as potentially having ties to Iran and began the review process. In 2015, Holcim Ltd. merged with Lafarge SA to create LafargeHolcim Ltd. CalSTRS reinitiated the review process on the merged company to evaluate its internal controls and compliance procedures.	631,632	\$33,808,474	

Attachment I

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
7	MMC Corp. (Malaysia)	In 2015, MMC Corp. was identified as possibly providing consulting services on energy projects in Iran.	In 2015, CalSTRS identified MMC Corp. as potentially having ties to Iran and began the review process.	362,700	\$173,524
8	MTN Group (South Africa)	In 2015, MTN Group was identified as potentially operating a mobile phone network in Iran with a partner owned by the Iran Ministry of Defense.	In 2015, CalSTRS identified MTN Group as potentially having ties to Iran and began the review process.	1,561,644	\$15,720,405
9	Orient Overseas International (Hong Kong)	In 2015, Orient Overseas International was identified as providing shipping services in Iran.	In 2015, CalSTRS identified Orient Overseas International as potentially having ties to Iran and began the review process.	182,137	\$841,144
10	Qatar National Bank (Qatar)	In 2015, Qatar National Bank was identified as possibly having banking ties to Iran.	In 2015, CalSTRS identified Qatar National Bank as potentially having ties to Iran and began the review process.	299,294	\$13,148,736
11	Sulzer AG (Switzerland)	In 2015, Sulzer AG was identified as possibly selling products in Iran.	In 2015, CalSTRS identified Sulzer AG as potentially having ties to Iran and began the review process.	25,493	\$2,663,503
12	Vittoria Assicurazioni SPA (Italy)	In 2015, Vittoria Assicurazioni was identified as possibly providing insurance services in Iran.	In 2015, CalSTRS identified Vittoria Assicurazioni as potentially having ties to Iran and began the review process.	579	\$6,268

15 Companies Being Monitored

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1	Clariant AG (Switzerland)	In 2014, Clariant AG was identified in news reports as being part of a joint venture that sold products to Iran without government approval.	In 2014, CalSTRS identified Clariant AG as potentially having violated U.S. sanctions. While the company has reported it has stopped the transactions, due to the nature of the violations, CalSTRS has determined to designate Clariant as "Monitor" in 2015.	326,382	\$6,023,120
2	Gazprom (Russia)	In July 2008, Gazprom signed an MOU with the National Iranian Oil Company (NIOC), which expired in July 2010. Additionally, Gazprom Neft, a subsidiary of Gazprom, signed an MOU with the NIOC providing for joint exploration of oil fields in Iran. In 2014, the company reported that Iran had suspended cost recovery payments related to South Pars 2 and 3.	In 2009, CalSTRS designated Gazprom as "Review." In 2010, CalSTRS designated Gazprom as "Monitor" after confirming the company has no current investments in the country. In 2011, CalSTRS maintained Gazprom as "Monitor" as the GAO stated it had insufficient information on the company's activities. CalSTRS maintained Gazprom as "Monitor" due to the Russian government's reported interest in developing a deal with Iran. In 2014, due to U.S. sanctions on Gazprom Bank, a Gazprom subsidiary, CalSTRS determined to minimize its exposure to the company by restricting managers from making new purchases in Gazprom securities. CalSTRS has maintained the restriction on purchasing new shares in 2015.	<u>ADR</u> 8,544,974	<u>ADR</u> \$35,274,804
3	Gemalto NV (Netherlands)	In 2014, Gemalto NV was identified by CalSTRS service providers as providing digital security products to Iran.	In 2014, CalSTRS identified Gemalto NV as potentially having ties to Iran. In 2015, CalSTRS determined to maintain Gemalto as "Monitor."	78,869	\$4,974,527

Attachment I

Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
4 Glencore Plc (Switzerland)	In the past, Glencore Plc has reported that non-U.S. affiliates have made sales to Iranian state entities.	In 2014, CalSTRS identified Glencore Plc as potentially having ties to Iran. In 2015, CalSTRS determined to classify Glencore Plc as "Monitor."	<u>Stock</u> 14,069,566 <u>Bonds</u> \$6,002,499	<u>Stock</u> \$20,482,144 <u>Bonds</u> \$4,722,382
5 Kamigumi Co. Ltd. (Japan)	In 2014, Kamigumi Co. Ltd. was identified by CalSTRS service providers as being a supplier of logistic services in Iran.	In 2014, CalSTRS identified Kamigumi Co. Ltd. as having ties to Iran. In 2015, CalSTRS determined to classify Kamigumi as "Monitor."	351,424	\$3,092,919
6 Larsen & Tourbro Ltd. (India)	In 2014, Larsen & Tourbro Ltd. was identified by CalSTRS service providers as providing products to Iran.	In 2014, CalSTRS identified Larsen & Tourbro Ltd. as potentially having ties to Iran. In 2015, CalSTRS determined to classify Larsen & Tourbro Ltd. as "Monitor."	<u>Stock</u> 477,687 <u>GDR</u> 300,460	<u>Stock</u> \$9,851,152 <u>GDR</u> \$6,159,430
7 Legrand SA (France)	In 2014, Legrand SA was identified by CalSTRS service providers as having a majority owned subsidiary operating in Iran.	In 2014, CalSTRS identified Legrand SA as potentially having ties to Iran. In 2015, CalSTRS determined to classify Legrand as "Monitor."	536,188	\$31,531,310
8 Lukoil OAO (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 2014, CalSTRS determined to re-evaluate Lukoil OAO and its sanction controls and relations with the NIOC relating to the Shah Deniz Field. In 2015, CalSTRS determined to place Lukoil OAO as "Monitor" due to media speculation that Russian firms were seeking business in Iran.	<u>Stock</u> 1,661,006 <u>Bonds</u> \$3,355,000	<u>Stock</u> \$63,817,356 <u>Bonds</u> \$3,049,655

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
9	Mitsubishi Chemical Holding Corp. (Japan)	In 2013, Mitsubishi Chemical Holding Corp. was identified by CalSTRS' service providers as providing analytical instruments in Iran.	In 2013, CalSTRS identified Mitsubishi Chemical Holding Corp. as potentially having ties to Iran and began the review process. In 2014, CalSTRS designated Mitsubishi Chemical Holding Corp. as "Monitor." CalSTRS has maintained a "Monitor" designation in 2015.	2,352,744	\$15,395,511
10	Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) (Poland)	PGNiG has an MOU with NIOC to work on the Lavan Island Oil Field.	CalSTRS has initiated the review process multiple times in the past but liquidated the security before completing the engagement. In 2015, CalSTRS determined to classify PGNiG as "Monitor."	3,435,142	\$4,578,774
11	SGS SA (Switzerland)	In 2011, SGS SA was identified as being engaged in verification and testing of oil and gas in Iran.	In 2011, CalSTRS identified SGS SA as potentially having ties to Iran and began the review process. Staff met with executives of the company and confirmed it has oil-testing relations in Iran within the limits of U.S. sanctions. CalSTRS moved the company to "Monitor" status to ensure the company does not exceed U.S. sanction limits.	30,333	\$58,072,225
12	Siam Cement (Thailand)	Siam Cement holds a 38 percent stake in a HDPE petrochemical plant in Iran. HDPE is a raw material used in the production of consumer products such as shopping bags.	In 2012, CalSTRS identified Siam Cement as potentially having ties to Iran. In 2013, CalSTRS designated Siam as "Monitor." CalSTRS has maintained the "Monitor" status in 2015.	<u>Stock</u> 2,164,150 <u>ADRs</u> 315,200	<u>Stock</u> \$27,172,642 <u>ADRs</u> \$3,957,589
13	State Bank of India (India)	State Bank of India was identified by CalSTRS service providers as possibly providing financial services to Iran, including financing oil purchases.	In 2013, CalSTRS identified State Bank of India as potentially having ties to Iran and began the review process. In 2014, CalSTRS sold all holdings of State Bank of India prior to completing the review process. In 2015, CalSTRS determined to classify State Bank of India as "Monitor" because of the intermittent nature of the holdings in the company.	0	\$0

Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
14 Woori Bank (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 identified Woori Finance Holdings Co. as having ties to Iran. In 2015, CalSTRS determined to classify Woori Bank as "Monitor."	545,086	\$4,466,876
15 ZTE Corp. (China)	In 2014, ZTE Corp. was identified by CalSTRS as possibly having business ties with the Iranian government.	In 2014, CalSTRS identified ZTE Corp. as potentially having ties to Iran. The company subsequently responded that it did not believe it had any ties to Iran but was going to do a more thorough investigation. In 2015, CalSTRS determined to classify ZTE Corp. as "Monitor."	93,200	\$209,437

10 Companies Removed				
Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
1 Baker Hughes (USA)	In 2015, Baker Hughes was identified as potentially having drilling activity in Iran based on disclosures in the company's 10-K filing.	In 2015, CalSTRS identified Baker Hughes as potentially having activities in Iran. CalSTRS subsequently removed Baker Hughes after the company confirmed it has no operations in Iran, and the disclosure in the company's 10-K filing was due to a payment made relating to work completed in 2006.	1,191,023 Bonds \$3,620,000	\$64,398,614 Bonds \$3,909,037
2 Danieli & Co. (Italy)	In 2015, Danieli & Co. was identified as potentially being involved in steel production in Iran.	In 2015, CalSTRS identified Danieli & Co. as potentially having ties to Iran. In 2015, CalSTRS removed Danieli & Co. after the company confirmed it is in compliance with the applicable laws and maintains appropriate internal controls.	<u>Stock</u> 15,439 RSPs 21,607	<u>Stock</u> 301,659 RSPs 303,966

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
3	Evonik Industries (Germany)	In 2015, Evonik Industries was identified as potentially having operations in Iran.	In 2015, CalSTRS identified Evonik Industries as potentially having ties to Iran. CalSTRS subsequently removed Evonik after the company confirmed its operations in Iran were minor, not in a restricted activity, and the company maintained appropriate internal controls.	351,079	\$11,991,419
4	Hitachi Zosen Corp. (Japan)	In 2014, Hitachi Zosen Corp. was identified by CalSTRS service providers as selling products to Iran.	In 2014, CalSTRS identified Hitachi Zosen Corp. as having ties to Iran. In 2015, CalSTRS removed Hitachi Zosen Corp. after the company confirmed it is in compliance with applicable laws.	260,135	\$1,434,878
5	Isuzu Motors Ltd. (Japan)	In 2014, Isuzu Motors Ltd. was identified as having sold products through an entity possibly associated with the Iran Revolutionary Guard, a sanctioned entity.	In 2014, CalSTRS identified Isuzu Motors Ltd. as having ties to Iran. In 2015, CalSTRS removed Isuzu Motors Ltd. after the company confirmed that the entity related to the Iran Revolutionary Guard was no longer a shareholder of manufacturer that sold Isuzu automobiles in Iran.	2,395,192	\$26,908,995
6	Liquefied Natural Gas Limited (Australia)	In 2015, Liquefied Natural Gas (LNG) Limited was identified as possibly being involved in the development of gas fields in Iran.	In 2015, CalSTRS identified LNG as potentially having ties to Iran. LNG was subsequently removed after the company confirmed it has no active involvement in the country.	381,178	\$323,156
7	Mazda Motor Corp. (Japan)	In 2014, Mazda Motor Corp. was identified as having sold products through an entity possibly associated with the Iran Revolutionary Guard, a sanctioned entity.	In 2014, CalSTRS identified Mazda Motor Corp. as potentially having ties to Iran. The company has reported that it has suspended its business with its Iranian distributor, with the exception of the supply of repair parts. In 2015, CalSTRS removed Mazda Motors Corp. after confirming that the entity related to the Iran Revolutionary Guard was no longer a shareholder of manufacturer that sold Mazda automobiles in Iran.	885,475	\$18,369,584

Attachment I

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Changes From 2014	Shares Held by CalSTRS 11/30/2015	Market Value (\$) of Shares Held by CalSTRS 11/30/2015
8	Mediobanca SPA (Italy)	In 2014, Mediobanca SPA was identified as having banking relationships with state-owned Iranian banks.	In 2014, CalSTRS identified Mediobanca SPA as potentially having ties to Iran. In 2015, CalSTRS removed Mediobanca after the company confirmed its involvement was related to insurance policies written in 2007 prior to the introduction of sanctions and the company has appropriate internal controls.	779,688	\$7,468,852
9	SK Networks (South Korea)	In 2015, SK Networks was identified as potentially being involved in supplying steel to state-owned industries in Iran.	In 2015, CalSTRS identified SK Networks as potentially having ties to Iran and began the review process. CalSTRS subsequently removed SK Networks after liquidating the holdings in the company.	0	\$0
10	Toyota Tsusho Corp. (Japan)	In 2014, Toyota Tsusho Corp. was identified by CalSTRS service providers as having a wholly owned trade business in Iran.	In 2014, CalSTRS identified Toyota Tsusho Corp. as potentially having ties to Iran. In 2015, Toyota Tsusho Corp. was removed after the company confirmed that it has no prohibited activities in Iran.	241,983	\$5,668,778



California State Teachers'
Retirement System
Christopher J. Ailman
Chief Investment Officer
100 Waterfront Place, MS-4
West Sacramento, CA 95605-2807

November 20, 2015

Brenton L. Saunders, MBA, President, Chief Executive Officer & Director
Allergan plc
1 Grand Canal Square
Docklands
Dublin, 2
IRELAND

Dear Mr. Brenton L. Saunders, MBA,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). CalSTRS was established for the benefit of California's public school teachers over 100 years ago and is the largest educator-only pension fund in the world. CalSTRS serves the investment and retirement interests of over 879,000 plan participants. The long-term nature of CalSTRS' liabilities, and its responsibilities as a fiduciary to its members, makes the fund keenly interested in governance issues. As of October 31, 2015, the CalSTRS portfolio was valued at approximately **\$188 billion** with approximately **\$99 billion** of the fund's assets invested in the public equity markets, on both a domestic and an international basis. CalSTRS currently holds \$337,843,439 worth of Allergan plc securities in our portfolio.

Under a 1999 California Law, CalSTRS is required to monitor our portfolio for companies that have operations in Northern Ireland. In addition to the law, CalSTRS investments are governed by a 21-point Geopolitical Risk Policy that can be accessed in our Board Policy Manual found on our website www.calstrs.com. CalSTRS has contracted with MSCI Inc., to provide us with information on companies that have operations in Northern Ireland. Furthermore, MSCI reports on the companies' identified efforts towards inclusiveness in Northern Ireland. Allergan plc has been identified as having operations in Northern Ireland and as having not taken substantial action towards inclusiveness. As long-term investors, we encourage Allergan plc to take substantial action such as adopting the MacBride principles to address this issue.

Attachment J

Brenton L. Saunders, MBA

11/20/2015

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If you have any questions, please feel free to contact Philip Larrieu of the CalSTRS corporate governance staff at:

Philip Larrieu
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100 Waterfront Place, MS-4
West Sacramento, CA 95605
plarrieu@calstrs.com

Sincerely,

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

Christopher Ailman
Chief Investment Officer