CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers'
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July 21, 2016

Mr. Brent J. Fields, Secretary
U.S. Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549-1090

Re: File Number **S7-06-16**, Release No. 33-10064; 34-77599 **–** Concept Release –
Business and Financial Disclosure Required by Regulation S-K

Dear Mr. Fields,

I am writing on behalf of the members of the California State Teachers' Retirement System (CalSTRS) in response to the Securities and Exchange Commission's (SEC, Commission) request for comment on the concept release regarding Business and Financial Disclosure Required by Regulation S-K (Concept Release). Thank you for the opportunity to provide a long-term investor's perspective on business and financial disclosures that registrants (issuers) include in their periodic reports to provide information that investors need to make informed investment and voting decisions.

CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We serve the investment and retirement interests of more than 896,000 plan participants.[1] CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately $188.8 billion as of May 31, 2016.[2] The long-term nature of CalSTRS liabilities, the composition of its portfolio and the CalSTRS Board's fiduciary responsibility to its members, makes the fund keenly interested in the rules and regulations that govern the securities market. We have a vested interest in ensuring shareholder protections are safeguarded within the SEC's rules and regulations.

[1] CalSTRS at a Glance, Fact Sheet: http://www.calstrs.com/sites/main/files/file-attachments/calstrsataglance.pdf

[2] CalSTRS Current Investment Portfolio for the period ending May 31, 2016. http://www.calstrs.com/current-investment-portfolio

We commend the SEC on providing a comprehensive concept release on improving business and financial disclosure in Regulation S-K and stress the importance of viewing any changes from the perspective and needs of investors as the main priority within this Concept Release. We agree with many of the letters submitted that this should not be about volume reduction, but rather as stated in the Commission's Strategic Goals and Objectives of the FY 2014-FY 2018 Strategic Plan, specifically Goal 3: "Facilitate access to the information investors need to make informed investment decisions."[3] CalSTRS relies on the ability to access timely, comprehensive, accurate, consistent, and comparable information in our capital allocation decisions on behalf of our beneficiaries.

As outlined in the Concept Release, CalSTRS agrees with the premise of the FAST Act that "emphasizes a company-by-company approach that allows relevant and material information to be disseminated to investors without boilerplate language or static requirements while preserving completeness and comparability of information across registrants."[4] However, we also see the need for guidance on mandatory improved disclosures that are material to each industry.

The Concept Release outlines three main broad categories that we have provided comments. These include:

1. Disclosure Framework
2. Information for Investment and Voting Decisions
3. Presentation and Delivery of Important Information

Within each of these three broad categories, CalSTRS emphasizes five essential areas of improvement that the Commission should focus on, to improve business and financial disclosure in Regulation S-K. These include:

1. Prioritize the needs of investors as the underlying tenant of any additions and changes to business and financial disclosures;
2. Support objective-based standards to include a combination of principle-based and rule-based standards that provide enough detail and structure to meet the objective, be applied consistently, and provide comparability;

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[3] SEC 2016 Agency and Mission Information, Goal 3, Facilitate access to the information investors need to make informed investment decisions, page 8, FY 2016. https://www.sec.gov/about/reports/sec-fy2016-agency-mission-information.pdf

[4] SEC Concept Release Business and Financial Disclosure Required by Regulation S-K, page 21, April 21, 2016. https://www.sec.gov/rules/concept/2016/33-10064.pdf

3. Leverage technology allowing structured data to be interactively data-tagged for filings including financial statements, footnotes, management discussion and analysis through eXtensible Business Reporting Language, specifically use of Inline XBRL;
4. Provide guidance that ensures investors needs are met with improved and enhanced sustainability disclosures that provide decision useful environmental, social and governance (ESG) data that is critical to informed investment and voting decisions;
5. Require industry specific standardized metrics to disclose material ESG risks, requiring robust discussion of an issuer's industry-specific, long-term ESG risks and opportunities.

Disclosure Framework (pages 22-56)

Trust and confidence are the ultimate glue of all financial systems. Since the financial crisis in 2008, the SEC continues its efforts to bolster confidence in the financial markets through enforcement and oversight in order to facilitate capital formation. Former Commissioner Luis A. Aguilar in a speech *Seeing Capital Markets Through Investors Eyes,* states" Facilitating true capital formation means making sure that investors have the information needed to make informed decisions. The goal is for issuers to provide potential investors with appropriate and sufficient information so that investors can assess the risks and potential rewards of investing their capital. For that goal to be reached; the research makes it clear that we need strong and effective securities regulation that fosters appropriate disclosures."[5]

Corporate reporting mandated by federal securities laws is critical to ensuring that issuers provide consistent, comparable business and financial information to a multitude of users, maintaining the focus on the preeminence of investors and investors' needs. Any changes to reporting requirements in Regulation S-K should be viewed as outlined in the Section 108 study with an "objectives-oriented" approach by developing rules that clearly articulate the accounting objective of the standard and provide sufficient detail and structure so that the standard can be applied on a consistent basis.[6]

Although it is fundamental that business and financial disclosures are not static, the SEC should not employ automatic sunset provisions with newly issued disclosure requirements. CalSTRS supports

[5] Former SEC Commissioner Luis A. Aguilar, *Seeing Capital Markets Through Investors Eyes*, presented at the Consumer Federation of America's (CFA) 26th Annual Conference, Dec. 5, 2013. https://www.sec.gov/News/Speech/Detail/Speech/1370540451723

[6] As outlined in the SEC's concept release on Business and Financial Disclosure required by Regulation S-K, page 43, 2016. https://www.sec.gov/rules/concept/2016/33-10064.pdf

a post-implementation and "lessons learned" approach versus automatic sunset of new disclosure requirements.

Overall Narrative Description – Thirteen items – Segment Information - Human Capital – Diversity Disclosures

CalSTRS continues to believe that the thirteen specific items required by Item 101(c) should be required. All thirteen items are necessary in assessing and understanding a company's ability to create long-term value for shareholders. More robust segment information would provide additional information in understanding the components of an issuer.

Specifically regarding a company's human capital, its most valuable resource, CalSTRS supports issuers reporting additional information as it relates to employees and subcontractors. Investors need to understand the management of human capital as it relates overall to the long-term strategy of the company and the effective use of its human capital in fulfilling and implementing this strategy. We believe that companies should be required to report the exact number of employees in various categories and by region, providing trend information.

We strongly support the Commission requiring issuers to disaggregate among their total number of persons employed, such as distinguishing between:

- full-time and part-time or seasonal employees;
- employees and independent contractors; and
- domestic and foreign employees.

Additionally, CalSTRS believes the proposed Commission rule should include information on the company's policy on board diversity and the company's initiatives to implement a diverse board and workforce in terms of gender and ethnicity. It would be helpful to understand the Board's role in the diversity of the organization, as well as the successes or challenges the companies have faced. Diversity disclosure is material and it should include, at minimum, information on representation of women and minorities on the board and among management-level positions, in particular among senior level executives, as well as policies and programs on sexual harassment and respect for diversity.

<u>Information for Investment and Voting Decisions</u> (pages 56-286)

In preparation to reply to the Commission's concept release, we spoke with many of our internal credit analysts and external equity managers to ensure a broad application from CalSTRS' perspective. We found reoccurring themes that allowed for general and specific comments as it related to Core Company Business Information, Non-GAAP metrics, earnings release, management discussion and analysis (MD&A), segment reporting and the need for improved sustainability disclosures that provide investors material information based on specific industry risks and rewards.

Core Company Business Information General Development Information – Item 101(c) (Section A)

Core company business information is fundamental to an analyst's research and understanding of a company. We agree and confirmed with our analysts both internally and externally the continued importance of core business information in assessing and understanding a company, its operations and financial condition. CalSTRS does not support including this information only in initial registration but supports providing this information consistently and in the same place.

Specifically analysts felt it was important to continue with disclosures required in 101(a)(1) describing the general development of the business, the year in which the registrant was organized and its form of organization; the nature and results of any bankruptcy, receivership or similar proceedings with respect to the registrant or any of its significant subsidiaries; the nature and results of any other material reclassification, merger or consolidation of the registrant or any of its significant subsidiaries; the acquisition or disposition of any material amount of assets otherwise than in the ordinary course of business; and any material changes in the mode of conducting the business. CalSTRS believes providing a registrant's description of the general development of a business during the past five years provides useful disclosures and should be maintained in a consistent filing.

Company Performance, Financial Information and Future Prospects (Section B)

Selected Financial Data - Item 301

CalSTRS supports the SEC retaining the requirement of selected financial data that provides a five year summary of unique information that cannot be found when there is a change in accounting standards with a retrospective accounting change. Having trend information is a useful analytical tool for investors and should not be removed in reporting requirements.

Supplementary Information - Items included in selected financial data - Non-GAAP metrics – Earnings Release – Item 302

CalSTRS believes that the use of non-GAAP financial measures may be useful to some investors but also believes that non-GAAP information can be misleading without any consistent standard to ensure comparability from one company to another. One recommendation may be for the SEC to require companies to file and release quarterly GAAP filings prior to quarterly earnings calls and the use of non-GAAP measures.

Although quarterly earnings releases provide needed information, it is worth noting two papers that documented misleading non-GAAP performance numbers by companies in the S&P 500. Published in March and April of this year through the Accounting Observer, Jack Ciesielski, CPA, CFA and his staff published, "Wonder Bread: Non GAAP earnings keep rising in the S&P 500." Major points included:

- There is a lack of comparability, such as stripping out restructuring charges, litigation expenses, and one–time adjustments that keep occurring year after year. Additionally, companies may not always be consistent quarter to quarter in how they calculate a non-GAAP metric.
- Research on 380 of the S&P 500 firms demonstrated that GAAP net income fell 10.9% from 2014 to 2015, compared with non-GAAP earnings that increased by 6.6% over the same period. Fueling the gains were $241.9 billion of excluded expenses.

Concerns of misleading information and inconsistent application prompted the SEC in May of this year to provide Compliance & Disclosure Interpretations ("C&DIs) on the use of non-GAAP financial measures.[7] In 2015, the SEC identified initial concerns of Valeant Pharmaceuticals International Inc. inflating sales through an online pharmacy Philidor.

More recently, the SEC on May 24th reviewed Valeant's use of Non-GAAP financial measures.[8] In comment letters, the SEC asked Valeant to explain why it removed "the impact of acquisition-related expenses" and questioned what it meant by "core" operating results, when operations relied on a series of hefty buys. Valeant stripped out $400 million in "restructuring, integration, acquisition-related and other costs" from its non-GAAP tally in 2015, and nearly $1.3 billion over the last three years.

It is not just a domestic issue either. Earlier in June of this year, the International Organization of Securities Commissions (IOSCO) released a Statement on Non-GAAP Financial Measures.[9]

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[7] SEC Non-GAAP Financial Measures, May 17, 2016.
https://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm

[8] http://www.fiercepharma.com/pharma/sec-raises-red-flags-over-valeant-s-use-non-gaap-measures

[9] IOSCO Statement, June 2016 International Organization of Securities Commissions Statement on Non-GAAP Financial Measures, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD532.pdf

In 2002, IOSCO issued a release entitled "Cautionary Statement Regarding Non-GAAP Results Measures" to alert issuers, investors and other users of financial information about disclosures of earnings measurements other than those prescribed by GAAP. In that release, IOSCO urged issuers, investors and other users of financial information to use care when presenting and interpreting non-GAAP results measures.

In the U.S., Chair Mary Jo White in her address at the June 27, 2016 International Corporate Governance Network Conference stated, "In too many cases, the non-GAAP information, which is meant to supplement the GAAP information, has become the key message to investors, crowding out and effectively supplanting the GAAP presentation."

Then, on June 28th, the WSJ issued an article, "Accounting Blurs Profit Picture"[10] which also talked about the increased number of companies using adjusted non-GAAP earnings and performance measures. The article shared that the number of companies filing financials using only standard US GAAP went from 123 in 1996 to only 29 companies in the 2015-2016 timeframe.

CalSTRS supports the SEC's analysis of requiring 10-Qs to be filed before release of earnings and issuers' earnings calls, allowing analysts to digest GAAP information prior to release of non-GAAP adjustments.

Share Repurchases

CalSTRS believes additional disclosures on share repurchases are needed to determine the overall value of these types of transactions. Disclosures should include the reason for the share repurchase, the source of funds used for the repurchase, the impact on the debt of the company from the repurchase, and provide a discussion on the review and approval process behind capital expenditures as it relates to the decision to repurchase shares.

Content and Focus of Management Discussion& Analysis (MD&A) (Item 303 - Generally)

Management Discussion and Analysis (MD&A) is a critical component of reporting for investors as it provides issuers' analysis of three components: liquidity, capital resources, and results of operations through the eyes of management. Additionally, Item 303(a) also requires disclosure of off-balance sheet arrangements and contractual obligations. MD&A has three principal objectives which include:

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[10] WSJ article, business & tech section, by Tatyana Shumsky and Theo Francis, Accounting Blurs Profit Picture, June 28, 2016.

- Provide a narrative explanation of a registrant's financial statements that enables investors to see the registrant through the eyes of management;
- Enhance the overall financial disclosure and provide the context within which financial information should be analyzed; and
- Provide information about the quality of, and potential variability of, a registrant's earnings and cash flow, so investors can ascertain the likelihood that past performance is indicative of future performance.

The MD&A provides important information on a company's strategy, risks and performance both historical and possible future performance. Investors need this information in understanding comprehensive risks which should be also included within the MD&A.

CalSTRS believes the two-part test is an important tool for issuers to determine when a disclosure is necessary. As outlined below, the SEC's guidance provides:

1. Is the known trend, demand, commitment, event or uncertainty likely to come to fruition? If management determines that it is reasonably likely to occur, then disclosure is required.
2. If management cannot make that determination, it must evaluate objectively the consequences of the known trend, demand, commitment, event or uncertainty, on the assumption that it will come to fruition. Disclosure is then required unless management determines that a material effect on the registrant's financial condition or results of operations is not reasonably likely to occur.

Investors rely on a consistent approach in determining critical disclosures that may impact the liquidity, capital resources, and results of operations of a company. We do not believe a higher threshold should be required allowing for less disclosures, further hampering investors' analysis of a company.

Sustainability and Public Policy Matters – Sustainability Reporting

The benefits of sustainability reporting go beyond issuers aligning a company's financial risk and opportunity to performance along ESG dimensions. Sustainability disclosures are necessary for CalSTRS in our consideration of ESG risks and opportunities within our portfolio companies and in determining initial and continued capital allocation decisions. CalSTRS utilizes a company's sustainability disclosures in our assessment of management quality, efficiency and whether boards have fully assessed and mitigated ESG risks, as well as taken opportunities of possible rewards, which may be applicable to a company's industry. CalSTRS is an active supporter of ESG disclosure and recommends the Commission provide a directive on robust disclosure of material sustainability information.

As an advocate on the value of sustainability reporting, one study by Ernst & Young and Boston College Center for Corporate Citizenship outlines the value of sustainability reporting.[11] Its appendix outlines many reporting frameworks that have helped improved sustainability disclosures. While Regulation S-K requires disclosure of material sustainability information, more than 40 percent of all 10-K disclosure on sustainability topics consists of vague[12] boiler-plate language which is not helpful to investors in evaluating and valuing companies. Also, many companies provide Corporate Sustainability Reports outside of their filings with the SEC. Although this information is helpful, it is not always consistent and comparable to the peers of the companies we are evaluating. CalSTRS recommends this information be included in the issuer's SEC's filings.

CalSTRS supported the Commission's 2010 guidance regarding the Commission's disclosure requirements as they apply to climate change matters. Arguably, in 2016 all public listed companies should make SEC climate change disclosures. However, we understand only one third of companies made an SEC climate change disclosure on the risks that climate change may pose to their bottom line. The current voluntary approach to climate risk disclosure is not helpful due to inconsistencies, non-comparability across companies, sectors and industries, and the lack of explicit quantitative financial information.

Sustainability issues provide key drivers for both risks and rewards to our portfolio companies. Recently, CalSTRS partnered with Mercer and 17 other participants in a research study to gain further insights into the investment implications of climate change, "Investing in a Time of Climate Change." [13] According to this study, climate change is an environmental, social and economic risk expected to have its greatest impact in the long-term and it strongly supports the need for internal investment staff and our external managers to consider ESG risks of a portfolio company in its evaluation and allocation of capital.

CalSTRS commitment to managing ESG issues is also shown in its 2nd year Sustainability Report prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting

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[11] A study by EY and Boston College Center for Corporate Citizenship, *Value of Sustainability reporting*, 2016. http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf

[12] As outlined in the Sustainability Accounting Standards Board' letter to the SEC, July 1, 2016. https://www.sec.gov/comments/s7-06-16/s70616-25.pdf

[13] Investing in a Time of Climate Change Study, CalSTRS, Mercer and 17 other participants in a research studyon Portfolio Climate Change Risk Assessment, February 23, 2016. http://www.calstrs.com/sites/main/files/file-attachments/climate_change_report.pdf

Guidelines.[14] Also, CalSTRS is a signatory to the Principles for Responsible Investment (PRI),[15] incorporating the six sustainability principles into our investment decisions.[16]

The fiduciary responsibility of CalSTRS Board, described in detail in the CalSTRS Investment Policy and Management Plan, is to discharge its duties 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. As an 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.

With this in mind, CalSTRS expects all investment managers, both internal and external to assess material risks and rewards through use of the CalSTRS 21 Risk Factors, along with additional sustainability reporting information, when making an investment on behalf of CalSTRS' beneficiaries. All of our managers need to balance expected return against existing risks which include consideration of the specific investment's exposure to each factor in each country in which that investment or company operates. Therefore, consideration of environmental, social and governance issues (ESG), as outlined by the CalSTRS 21 Risk Factors,[17] are consistent with the Board fiduciary duties and part of CalSTRS Investment Policy.

In order for our portfolio managers to properly analyze ESG risks, CalSTRS recommends that the SEC require disclosure of material ESG information within Regulation S-K through 10-K and 20F filings to be standardized for all companies, pressing companies to avoid boiler-plate language and to provide meaningful, robust disclosures that are consistent and comparable.

Key performance indicators – Industry Standards

Notwithstanding the need for sustainability disclosures, disclosures must be meaningful and viewed through industry metrics which provide consistent and comparable information. This can be seen in the guidance on ESG disclosures frameworks shown in the EY study on the harmonization of

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[14] CalSTRS 2014-15 Sustainability Report, *Fostering a Secure Future*, http://www.calstrs.com/report/2014-15-sustainability-report

[15] CalSTRS became a signatory to the Principles of Responsible Investment on February 25, 2008. https://www.unpri.org/signatory-directory/?co=&sta=&sti=&sts=&sa=join&si=join&ss=join&q=CalSTRS

[16] PRI, Six Principles, https://www.unpri.org/about/the-six-principles

[17] CalSTRS 21 Risk Factors. http://www.calstrs.com/sites/main/files/file-attachments/calstrs_21_risk_factors.pdf

reporting frameworks.[18] Over the years many organizations have contributed to the evolution of sustainability disclosures, including our involvement with Ceres,[19] and have bolstered the perceived value of ESG disclosures. Sustainability would not be at the constructive level it is at today without the work of these organizations.

However, sustainability issues may be material to one industry yet have a less meaningful impact on another industry. As a long-term investor, CalSTRS needs to know which sustainability issues would be considered material, what the potential impacts from that issue are to a specific industry, and what specific metrics can be used to can be used to measure risk exposure and risk exposure to peers when evaluating company performance. Currently the SEC has five Industry Guides that address disclosures. These include bank holding companies, oil and gas programs, real estate limited partnership, property casualty insurance underwriters and mining companies. In addition to these five industries, the Sustainability Accounting Standards Board (SASB) developed standards for 11 sectors which include 79 industries. SASB Standards identify sustainability topics at an industry level which may constitute material information—depending on a company's specific operating context—for a company within that industry. SASB Standards are intended to provide guidance to company management, which is ultimately responsible for determining which information is material and should therefore be included in its Form 10-K or 20-F and other periodic SEC filings as appropriate. SASB Standards provide companies with standardized sustainability metrics designed to communicate performance on sustainability topics.

For example, currently the SEC's Industry guide (expires July 31, 2016) provides guidance to Oil and Gas Operations. This guidance outlines specific disclosures and metrics such as reserves reported to other agencies, production data including the i) the average sales price (including) transfers per unit of oil produced and of gas produced; ii) the average production cost (lifting cost) per unit of production; providing the transfer price of oil and gas produced should be determined in accordance with SFAS no. 69, productive wells and acreage and other metrics such as drilling activity, delivery commitments, etc.[20] In contrast, the Sustainability Accounting Standards Board (SASB) recognizes that normalizing accounting metrics is important for the analysis of SASB Disclosures and provides disclosure topics, activity metrics, as well as metric disclosure guidance,

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[18] Value of sustainability reporting, A study by EY and Boston College Center for Corporate Citizenship, Appendix A: harmonization of reporting frameworks, page 18, 2016. http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf

[19] Ceres, Mobilizing Business Leadership for a Sustainable World, Investor Network, http://www.ceres.org/investor-network

[20] SEC Industry Guides, Guide 2 Disclosure of oil and gas operations, page 3. https://www.sec.gov/about/forms/industryguides.pdf

and reference documents. The SASB Standards Navigator provides industry-specific disclosure topics, metric and technical protocols.[21]

Another example, within the Health Care Sector, the SASB provides a standards navigator on Pharmaceuticals, in addition to a write-up on Pharmaceuticals.[22] Whereas the SEC does ***not*** have an industry guide for Pharmaceuticals, CalSTRS believes that it is important for the Commission to either provide additional industry guides or determine a disclosure framework that will allow for guidance in industries not currently provided for by the SEC.

CalSTRS also reinforces the SASB recommendation to the SEC, "To evaluate sustainability performance, an industry lens is needed."[23] Other industry standards include CDP reporting[24] and GRI Reporting Standards.[25] The SEC should determine the appropriate market standard viewed through an industry lens to provide investors comparable metrics to ensure consistent comparable disclosures.

Scaled Requirements

CalSTRS does not support or agree with scaling through different disclosure requirements based on type or size of entities, i.e. emerging growth company, smaller reporting companies, etc. The provision of greater transparency and visibility to investors is critical. Transparency should apply to reporting entities, whether smaller reporting companies, emerging growth companies or foreign private issuers. We believe different application guidance results in unnecessary complexity, potential inconsistencies, and may not provide information necessary to investors.

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[21] Sustainability Accounting Standards Board, Non-Renewable Resources Sector Guide/ Oil & Gas Exploration & Production. https://navigator.sasb.org/non-renewable-resources/oil-and-gas-exploration-and-production

[22] SASB, Pharmaceuticals. https://navigator.sasb.org/health-care/pharmaceuticals and earlier write-up on Pharmaceuticals, Guidance for Disclosure of Material Sustainability topics in SEC filings, August 2013. http://www.sasb.org/wp-content/uploads/2013/07/SASB_Standard_Pharmaceuticals.pdf

[23] SASB letter to the SEC in response to the Concept Release on Business and Financial Disclosure Required Regulation S-K, July 1, 2016 https://www.sec.gov/comments/s7-06-16/s70616-25.pdf

[24] CDP, Reports and Data https://www.cdp.net/en-US/Results/Pages/overview.aspx

[25] GRI, Empowering Sustainable Decisions, Reporting Standards. https://www.globalreporting.org/standards/Pages/default.aspx

<u>Presentation and Delivery of Important Information</u> (Pages 286-340)

Structured Disclosures

CalSTRS emphasizes the need for the SEC to leverage technology allowing structured data to be interactively data-tagged for filings including financial statements, footnotes, and management discussion and analysis through eXtensible Business Reporting Language (XBRL), specifically use of Inline XBRL. Since 2009, the SEC requires issuers to file in XBRL, though users have not embraced this technology. We agree with the SEC Investor Advisory Committee's letter[26] that more needs to be done both in the short and long-term to ensure technology such as Inline XBRL be accelerated in the development and implementation to provide needed information in a format where investors can drill-down and contrast peer information through robust technology.

Layered Disclosures - Cross-Referencing – Hyperlinks

CalSTRS sees the benefit of issuers providing upfront summary information regarding the key elements of disclosure within a document that would not have to be repeated. CalSTRS supports issuers to use tools such as cross-referencing and incorporation by reference to reduce repetitive disclosure and present more streamlined information in each filing. However, we want the SEC to ensure that investors are not losing ease of access of information or substantive disclosures through boiler-plate language. We feel strongly that the use of technology may assist the SEC in this initiative.

Lastly, CalSTRS concurs with the Council of Institutional Investors' letter, "Six years after Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), final rules remained unfinished for 20 of the SEC's 66 mandatory rulemaking provisions under the Act."[27] Although we highlight improvements that we believe are essential to improved business and financial disclosure, we also respectfully urge the SEC to continue the implementation of Dodd-Frank.

We hope our summary perspective as a long-term investor provides insight to what we deem critical to the concept release on Regulation S-K. If you would like to discuss this letter further, please feel free to contact me at my number above or Mary Hartman Morris at 916-414-7412, MMorris@CalSTRS.com.

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[26] SEC Investor Advisory Committee letter regarding Regulation S-K, June 15, 2016
[27] Council of Institutional Investors' Comment letter on Regulation S-K, signed by Kenneth A. Bertsch, Executive Director, July 8, 2016. https://www.sec.gov/comments/s7-06-16/s70616-49.pdf

Sincerely,

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

Cc: Brian Rice, Portfolio Manager, CalSTRS