

# California State Teachers' Retirement System Investment Reports

As of June 30, 2021

## Introduction

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

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

## Background

### CalSTRS

With over 100 years of experience and over \$308 billion of assets under management, CalSTRS is the oldest and largest educator-only pension system in the world. CalSTRS members include California public school educators, pre-kindergarten through community college. CalSTRS members are employed by approximately 1,700 school districts, community college districts, county offices of education, regional occupational programs and charter schools. CalSTRS is administered by the 12-member Teachers' Retirement Board (board). The board sets the policies and is responsible for ensuring that benefits are paid by the system in accordance with the law.

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

In 2020, CalSTRS modified its legislative reporting relating to Iran, Sudan and Northern Ireland to align with the fiscal year. Accordingly, the report issued last year covered the interim period from November 2019 to June 30, 2020, and this report covers the period from July 1, 2020, to June 30, 2021.

### Legislative History

#### Iran

AB 221 (Anderson, Chapter 671, Statutes of 2007), enacting the California Public Divest from Iran Act, prohibits CalSTRS and CalPERS from investing in companies with business operations

in Iran and requires each pension system to sell or transfer any investments in a company with business operations in Iran. The bill also requires, when the U.S. repeals its sanctions against Iran, the boards to notify the Secretary of State and repeal the prohibitions and requirements in this bill.

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

### **Sudan**

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

### **Northern Ireland**

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

## **Policy Review**

CalSTRS contracts with MSCI to provide research relating to companies with operations in Iran and Sudan. In 2020, CalSTRS renewed its contract with MSCI as part of a total contract renegotiation that added research on companies with operations in Northern Ireland, resulting in significantly reduced costs. Prior to 2020, CalSTRS also contracted with IWF as a secondary research provider but discontinued the use of a secondary research provider based on cost and improved internal capabilities.

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

The companies identified are presented to CalSTRS' Committee on Responsible Investment. The Committee on Responsible Investment consists of 21 voting members, including: the Chief Investment Officer, the Deputy Chief Investment Officer, the Chief Operating Investment Officer, and other senior investment staff from each asset class. Additionally, there are five non-voting members. In 2014, the committee adopted a charter, which is reviewed and revised annually,

governing its operation and scope of duties (Attachment B). The committee reviews the companies identified to determine if they meet the requirements of the law. Companies that are determined to meet the requirements of the law and require divestment are placed on restricted or related securities lists, as noted in this report. After placing the companies on the respective lists, the lists of restricted securities are sent out to all of CalSTRS' managers and index providers.

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

CalSTRS also tracks companies it does not hold that potentially meet the criteria of the statutes. If these companies' securities enter the portfolio, the Committee on Responsible Investment is notified, and the engagement process is initiated.

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

## **Planned Actions**

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

## **Response to Iran Risk**

As directed by AB 221, CalSTRS identified and created a list of companies noted as having some level of or possible business ties to Iran, such as operations in the energy, nuclear or defense industries. These distinctions provide the assessment framework and support the qualitative aspect of CalSTRS' process. The initial CalSTRS list was divided into three sections of various levels of involvement and holdings. The list was based on the information provided by independent research providers, NGOs and investment staff engagement work. The list is fluid and subject to change with market fluctuations, and at any time, a company may be under review or monitored.

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

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

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

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

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

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

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

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

On August 14, 2020, the United Nations Security Council rejected a U.S. effort to extend the United Nations global arms embargo on Iran, which was set to expire on October 18, 2020, by triggering a “snapback” provision in the JCPOA. Despite the failed vote and the U.S. withdrawal from the JCPOA, the U.S. unilaterally reimposed sanctions under the “snapback” provision on September 19, 2020.

On October 26, 2020, the U.S. Treasury Department increased sanctions on several entities by designating them as sanctioned entities, including the Ministry of Petroleum, the National Iranian Oil Company and the National Iranian Tanker Company.

## **Investments Identified**

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

As of June 30, 2008, CalSTRS’ had divested from PetroChina, Petronas, Sinopec (Kunlun Energy, formerly CNPC Hong Kong), and MISC Bhd, all of which were restricted under AB 2941, the Sudan divestment bill. In October 2012, the Committee on Responsible Investment added CNOOC (Chinese National Offshore Oil Company) to the list of restricted securities, and CalSTRS divested its holdings accordingly. In June 2013, CalSTRS added China Blue Chemical Ltd. to the restricted list and divested holdings of the company. In December 2014, CalSTRS added China Oilfield Services to the restricted list and divested holdings in the company. In January 2015, the committee added Indian Oil and Oil India to the list of restricted securities. In November 2015, the committee determined to divest and restrict holdings of Doosan Corp as well as Doosan Infracore and Doosan Heavy Industries related companies. In November 2018, CalSTRS received a request from Daelim Industrial to review the company’s “Divested and Restricted” designation. After receiving confirmation that Daelim Industrial has curtailed its ties to Iran and reviewing the company’s internal controls for sanctions compliance, CalSTRS removed the company from the list of Iran-related securities. In October 2019, following OFAC sanctions of a subsidiary, CalSTRS added COSCO Shipping Energy Transportation to the restricted list and divested holdings in the company. In February 2020, OFAC lifted the sanctions on the COSCO Shipping Energy Transportation subsidiary, and CalSTRS subsequently removed the company from the list of Iran-related securities.

Additionally, in February 2020, CalSTRS removed Oil India from the “Divested and Restricted” list after confirming it has curtailed ties to Iran and reviewing the company’s internal controls for sanctions compliance. In May 2020, CalSTRS removed Indian Oil from the “Divested and Restricted” list after confirming it has curtailed ties to Iran and reviewing the company’s internal controls for sanctions compliance. Additionally, in May 2020, CalSTRS removed Doosan as well as Doosan Infracore and Doosan Heavy Industries related companies from the “Divested and Restricted” list but determined to maintain a monitor status due to concerns relating to internal controls for sanctions compliance. In August 2020, Doosan was removed from the “Being Monitored” list as CalSTRS no longer holds the companies’ securities.

In May 2021, CalSTRS divested and restricted Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Vakıflar Bankası T.A.O. Based on their willingness to invoke a

sovereign immunity defense, CalSTRS is not confident that these Turkish state-owned banks intend to comply with U.S. sanctions regardless of internal controls and sanctions compliance programs.

At this time, CalSTRS has identified 36 companies with ties or possible ties to Iran, as shown in Attachment E. Currently, 11 companies are subject to the most severe restrictions under the law and are listed on the “Divested and Restricted” tier. In addition, there are 11 companies listed in the second tier as “Under Review” to determine if the criteria for divestment under the legislation have been met. For companies in the “Under Review” status, CalSTRS engages those companies to evaluate their ties to restricted entities and their internal controls for sanctions compliance. After the review is complete, these companies are classified as “Divested and Restricted,” “Being Monitored” or “Removed.”

Companies classified as “Being Monitored” receive that designation because the Committee on Responsible Investment determined that while their ties to restricted entities do not meet the criteria of the law, there are weaknesses in their internal controls relating to sanctions compliance, or there are concerns they may change their stance on taking on business related to sanctioned areas. CalSTRS has designated 14 companies in its portfolio as “Being Monitored.”

Lastly, over the last 12 months, CalSTRS has removed 18 companies that were in the “Divested and Restricted,” “Under Review” or “Being Monitored” tiers for ties to Iran, including companies that were both identified and removed within the year. While these companies have been removed, they continue to be monitored by CalSTRS’ third-party research firm and will be subject to the law if new information is discovered. Moreover, CalSTRS continues to monitor the portfolio for both investments with new ties or companies with existing ties entering the portfolio. [Attachment E](#) lists the companies in all four tiers.

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

## **Actions Taken**

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

## **Response to Sudan Risk**

Prior to the enactment of AB 2941, CalSTRS identified a list of 24 companies with some level of business operations in Sudan. The legislation defined “active business operations” as a company engaged in oil-related business operations or business operations that provide revenue to the government of Sudan. Those distinctions provide an assessment framework and support the qualitative aspect of CalSTRS’ process. The initial list was divided into four sections of various levels of involvement and holdings. The list is fluid and subject to change with market fluctuations, and at any time, a company may be under review or monitored. The initial list was based on the

list contained in the University of California Regents' April 2006 Investment Committee agenda item. The initial list has been updated based on data provided by CalSTRS' independent research contractors, NGOs and engagement work.

On October 12, 2017, the U.S. formally removed most sanctions on Sudan. While most sanctions were lifted, the country remained on the U.S. Department of State's list of State Sponsors of Terrorism. The restrictions on military equipment and the sanctions related to the Darfur and South Sudan programs remained in place. However, these sanctions represented a small portion of the overall sanctioned entities. While Sudan maintained the State Sponsor of Terrorism designation, CalSTRS did not believe there was sufficient action to fulfill the requirements to sunset AB 2941.

On December 14, 2020, the U.S. lifted all sanctions and formally removed the State Sponsor of Terrorism designation. With the lifting of sanctions, CalSTRS conducted an in-depth review of Sudan and received an opinion from external sanctions counsel confirming that the Sudan divestment legislation was repealed by its terms, and therefore, no companies are subject to restrictions under that law.

## **Investments Identified**

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

CalSTRS removed 15 companies from the "Divested and Restricted" or "Being Monitored" tiers for Sudan ties due to the repeal of the divestment requirements of AB 2941, as shown under the "Removed" tier in [Attachment F](#).

While the sanctions relating to Sudan have been removed, Kunlun Energy Co. and Sinopec, MISC Bhd., Oil and Natural Gas Company of India, PetroChina and Petronas all remain restricted from the CalSTRS portfolio under the Iran divestment program. Additionally, AviChina is among the companies identified by OFAC as having ties to the Chinese military. It remains restricted under Presidential Executive Order 13959 and is restricted from the CalSTRS portfolio.

## **Actions Taken**

CalSTRS continues to monitor the portfolio and holdings under the board's ESG policy but no longer maintains any restrictions specific to Sudan.

## The Cost of Divestment

In addition to research and monitoring, the Committee on Responsible Investment tracks the estimated fiscal impact of divestment programs on the fund. Between June 2000 and January 2010, CalSTRS divested tobacco in the system's passive portfolios by removing the sector from benchmarks, as required by board policy. As of June 30, 2021, CalSTRS had divestment mandates for tobacco, Iran, firearms, thermal coal and private prisons. CalSTRS also divested securities related to Sudan from October 2008 to February 2021. Staff estimates, since fully divesting tobacco in 2010, firearms in 2013, U.S. thermal coal in 2016, non-U.S. thermal coal in 2017 and private prisons in 2018, the CalSTRS Investment Portfolio, which is benchmarked against custom indexes that exclude those sectors, has underperformed standard indexes that include securities restricted by CalSTRS by 1.09%, which represents roughly \$3.37 billion. Staff estimates the total compounded cost of all divestments, to date, and the prior restricting of tobacco under the prior benchmark modification policy is approximately \$8.98 billion.

## CalSTRS Report on Northern Ireland Related Securities

CalSTRS contracts with MSCI to provide a list of companies with business operations in Northern Ireland and those companies' efforts toward substantial action relating specific equal opportunity goals, including affirmative action and other measures toward inclusiveness. In addition, CalSTRS has consistently voted in favor of shareholder proposals relating to inclusiveness in companies' operations in Northern Ireland in order to further those goals.

### **Investments Identified**

The following lists are comprised of companies that have been identified as having ties to Northern Ireland. CalSTRS determined that it holds \$16,382,097,318 worth of equity with exposure to Northern Ireland, representing 10.69% of CalSTRS' equity holdings. Additionally, CalSTRS has \$3,013,211,222 worth of bonds with exposure to Northern Ireland, representing 9.35% of its fixed-income portfolio. In total, CalSTRS holds \$19,395,308,540 worth of securities with exposure to Northern Ireland, which represents 6.29% of the total fund.

CalSTRS identified 16 holdings representing 12 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 action toward inclusiveness in Northern Ireland ([Attachment G](#)).

<b>Company Name</b>	<b>Security Type</b>	<b>Shares / Face Value</b>	<b>Market Value 6/30/2021</b>
ASSA ABLOY AB	Stock	1,446,377	\$ 43,600,263
AVIS BUDGET GROUP, INC.	Bonds	5,099,000	\$ 5,262,094
AVIS BUDGET GROUP, INC.	Stock	71,809	\$ 5,593,203
COWEN INC.	Stock	145,639	\$ 5,978,481
ENTAIN PLC	Stock	937,039	\$ 22,595,021
FIRSTSOURCE SOLUTIONS LIMITED	Stock	1,989,272	\$ 5,003,288
GREGGS PLC	Stock	100,020	\$ 3,585,580



HILTON WORLDWIDE HOLDINGS INC.	Bonds	490,491	\$ 59,163,024
HILTON WORLDWIDE HOLDINGS INC.	Stock	2,220,981	\$ 2,235,816
LA SOCIETE DE GESTION AGF LIMITEE	Stock	103,400	\$ 663,003
MOHAWK INDUSTRIES, INC.	Bonds	3,000,000	\$ 3,132,120
MOHAWK INDUSTRIES, INC.	Stock	99,716	\$ 19,164,418
NIKE, INC.	Bonds	8,900,000	\$ 9,842,621
NIKE, INC.	Stock	2,428,826	\$ 375,229,329
TECH MAHINDRA LIMITED	Stock	1,422,786	\$ 20,968,531
THE RESTAURANT GROUP PLC	Stock	702,598	\$ 1,244,314
	Bonds		\$ 77,399,860
	Stock		\$ 505,861,247
	Total		\$ 583,261,107

CalSTRS identified 195 holdings representing 148 companies that have exposure to Northern Ireland but have taken substantial action towards inclusiveness by adopting the MacBride Principles or adopting a global human rights policy that substantially reflects the values of the MacBride Principles. The MacBride Principles consist of nine fair employment and affirmative action principles and are used as a corporate code of conduct for companies doing business in Northern Ireland.

<b>Company Name</b>	<b>Security Type</b>	<b>Shares / Face Value</b>	<b>Market Value 6/30/2021</b>
3M COMPANY	Bonds	14,090,000	\$ 15,620,230
3M COMPANY	Stock	1,069,662	\$ 212,466,963
AECOM	Bonds	490,000	\$ 524,020
AECOM	Stock	306,520	\$ 19,408,846
AIB GROUP PUBLIC LIMITED COMPANY	Stock	800,722	\$ 2,063,430
AKTIEBOLAGET ELECTROLUX	Stock	308,398	\$ 8,557,245
AMAZON.COM, INC.	Bonds	61,140,000	\$ 67,092,644
AMAZON.COM, INC.	Stock	850,838	\$ 2,927,018,854
APPLE INC.	Bonds	108,880,000	\$ 116,910,056
APPLE INC.	Stock	29,705,462	\$ 4,068,460,076
ARJO AB (PUBL)	Stock	456,195	\$ 4,704,828
ASSOCIATED BRITISH FOODS PLC	Stock	387,286	\$ 11,855,961
ATOS SE	Stock	241,442	\$ 14,688,535
AVIVA PLC	Stock	6,581,137	\$ 36,902,450
AXA SA	Stock	3,594,943	\$ 91,169,495
BABCOCK INTERNATIONAL GROUP PLC	Stock	248,891	\$ 997,108
BANCO SANTANDER, S.A.	Bonds	63,200,000	\$ 64,883,721
BANCO SANTANDER, S.A.	Stock	42,814,919	\$ 163,467,658
BANK OF IRELAND GROUP PUBLIC LIMITED COMPANY	Stock	954,317	\$ 5,112,002
BARCLAYS PLC	Bonds	746,587,000	\$ 731,805,887

BARCLAYS PLC	Stock	44,372,281	\$ 104,893,300
BOMBARDIER INC.	Bonds	7,144,000	\$ 7,429,789
BOMBARDIER INC.	Stock	7,144,000	\$ 7,429,789
BOUYGUES S.A.	Stock	537,856	\$ 19,894,347
BT GROUP PLC	Stock	10,198,771	\$ 27,332,842
BUNZL PUBLIC LIMITED COMPANY	Stock	1,006,019	\$ 33,201,489
C & C GROUP PUBLIC LIMITED COMPANY	Stock	392,163	\$ 1,316,461
CAPITA PLC	Stock	1,649,015	\$ 849,934
CATERPILLAR INC.	Bonds	163,000,000	\$ 164,891,991
CATERPILLAR INC.	Stock	1,024,583	\$ 222,979,998
CBRE GROUP, INC.	Stock	1,030,191	\$ 88,318,274
CITIGROUP INC.	Bonds	974,457,822	\$ 998,006,468
CITIGROUP INC.	Stock	4,149,486	\$ 293,576,135
CK HUTCHISON HOLDINGS LIMITED	Stock	12,306,767	\$ 95,876,099
CME GROUP INC.	Bonds	3,000,000	\$ 3,907,320
CME GROUP INC.	Stock	688,848	\$ 146,504,193
COCA-COLA HBC AG	Stock	1,029,208	\$ 37,165,841
COMPAGNIE DE SAINT-GOBAIN SA	Stock	1,418,113	\$ 93,403,898
COMPASS GROUP PLC	Stock	2,346,439	\$ 49,335,456
CRANE CO.	Stock	83,957	\$ 7,755,108
CRAWFORD & COMPANY	Stock	22,212	\$ 201,463
CRH PUBLIC LIMITED COMPANY	Stock	1,326,549	\$ 66,859,098
DALATA HOTEL GROUP PUBLIC LIMITED COMPANY	Stock	198,880	\$ 904,492
DANSKE BANK A/S	Bonds	5,570,000	\$ 5,937,158
DANSKE BANK A/S	Stock	1,487,586	\$ 26,178,743
DCC PUBLIC LIMITED COMPANY	Stock	247,271	\$ 20,215,448
DFDS A/S	Stock	59,822	\$ 3,375,306
DIAGEO PLC	ADR	39,850	\$ 7,638,847
DIAGEO PLC	Bonds	5,000,000	\$ 5,181,050
DIAGEO PLC	Stock	2,841,305	\$ 135,848,447
DIXONS CARPHONE PLC	Stock	1,546,663	\$ 2,781,902
DSV PANALPINA A/S	Stock	506,120	\$ 118,043,951
DUPONT DE NEMOURS, INC.	Bonds	13,500,000	\$ 15,843,610
DUPONT DE NEMOURS, INC.	Stock	975,661	\$ 75,525,918
ELIS SA	Stock	186,692	\$ 3,518,017
EMERSON ELECTRIC CO.	Stock	1,076,181	\$ 103,571,659
FERGUSON PLC	Stock	1,099,683	\$ 152,675,305
FERROVIAL, S.A.	Stock	488,666	\$ 14,342,855
FORTIVE CORPORATION	Bonds	6,000,000	\$ 6,839,040
FORTIVE CORPORATION	Stock	590,856	\$ 41,206,297
FRASERS GROUP PLC	Stock	266,838	\$ 2,220,956

FUJITSU LIMITED	Stock	806,541	\$ 151,149,228
GENERAL ELECTRIC COMPANY	Bonds	51,391,000	\$ 61,957,681
GENERAL ELECTRIC COMPANY	Stock	17,800,756	\$ 239,598,176
GENPACT LIMITED	Stock	312,845	\$ 14,212,548
GENUIT GROUP PLC	Stock	242,766	\$ 2,052,459
GLANBIA PUBLIC LIMITED COMPANY	Stock	729,064	\$ 11,836,339
GRAFTON GROUP PLC	Stock	639,425	\$ 10,131,838
GREAT ELM GROUP, INC.	Stock	210,600	\$ 471,744
H & M HENNES & MAURITZ AB	Stock	1,313,851	\$ 31,186,515
HALFORDS GROUP PLC	Stock	511,112	\$ 3,044,599
HARVEY NORMAN HOLDINGS LTD	Stock	908,693	\$ 3,738,464
HAYS PLC	Stock	1,652,728	\$ 3,621,094
HCL TECHNOLOGIES LIMITED	Stock	5,631,050	\$ 74,507,435
HEINEKEN HOLDING NV	Stock	122,978	\$ 12,389,081
HEINEKEN N.V.	Stock	411,947	\$ 49,927,581
HSBC HOLDINGS PLC	Bonds	164,515,000	\$ 169,917,685
HSBC HOLDINGS PLC	Stock	26,050,617	\$ 150,176,376
HUHTAMAKI OYJ	Stock	95,565	\$ 4,527,557
HYSTER-YALE MATERIALS HANDLING, INC.	Stock	24,955	\$ 1,821,216
IHEARTMEDIA, INC.	Bonds	2,661,107	\$ 2,761,263
IHEARTMEDIA, INC.	Stock	207,149	\$ 5,578,523
INDUSTRIA DE DISEÑO TEXTIL, S.A.	Stock	2,564,623	\$ 90,359,635
INTERFACE, INC.	Stock	80,048	\$ 1,224,734
INTERNATIONAL BUSINESS MACHINES CORPORATION	Bonds	44,150,000	\$ 46,710,754
INTERNATIONAL BUSINESS MACHINES CORPORATION	Stock	1,585,114	\$ 232,361,861
ISS A/S	Stock	1,512,828	\$ 35,513,357
J D WETHERSPOON PLC	Stock	95,362	\$ 1,551,872
J SAINSBURY PLC	Stock	11,919,451	\$ 44,754,935
JACOBS ENGINEERING GROUP INC.	Stock	229,149	\$ 30,573,060
JD SPORTS FASHION PLC	Stock	1,081,655	\$ 13,732,180
JET2 PLC	Stock	158,530	\$ 2,591,880
JOHNSON CONTROLS INTERNATIONAL PLC	Bonds	9,150,000	\$ 10,108,918
JOHNSON CONTROLS INTERNATIONAL PLC	Stock	1,277,469	\$ 87,672,697
JUST GROUP PLC	Stock	1,966,196	\$ 2,530,142
KERRY GROUP PLC	Stock	257,739	\$ 36,005,904
KINGFISHER PLC	Stock	12,223,048	\$ 61,547,763
KINGSPAN GROUP PUBLIC LIMITED COMPANY	Stock	429,640	\$ 40,485,289
KONE OYJ	Stock	635,740	\$ 51,870,002
KONINKLIJKE PHILIPS N.V.	ADR	84,244	\$ 4,186,927
KONINKLIJKE PHILIPS N.V.	Stock	2,166,957	\$ 107,391,758
KUEHNE + NAGEL INTERNATIONAL AG	Stock	114,964	\$ 39,376,429

KYOCERA CORPORATION	Stock	1,263,972	\$ 78,213,890
LAFARGEHOLCIM LTD	Stock	1,120,995	\$ 67,306,997
LIBERTY GLOBAL PLC	Stock	50,492	\$ 1,366,390
LLOYDS BANKING GROUP PLC	Bonds	35,460,000	\$ 39,189,892
LLOYDS BANKING GROUP PLC	Stock	178,158,664	\$ 114,912,175
MANPOWERGROUP INC.	Stock	144,301	\$ 17,158,832
MARKS AND SPENCER GROUP P.L.C.	Bonds	100,000	\$ 147,781
MARKS AND SPENCER GROUP P.L.C.	Stock	2,792,938	\$ 5,650,487
MARSH & MCLENNAN COMPANIES, INC.	Bonds	13,000,000	\$ 15,297,875
MARSH & MCLENNAN COMPANIES, INC.	Stock	969,787	\$ 136,429,635
MCDONALD'S CORPORATION	Bonds	19,060,000	\$ 21,067,517
MCDONALD'S CORPORATION	Stock	1,367,268	\$ 315,825,235
MCKESSON CORPORATION	Bonds	6,000,000	\$ 6,196,020
MCKESSON CORPORATION	Stock	381,961	\$ 73,046,222
MICRO FOCUS INTERNATIONAL PLC	Stock	388,344	\$ 2,934,534
MITCHELLS & BUTLERS PLC	Stock	264,653	\$ 1,018,575
MITIE GROUP PLC	Stock	1,390,299	\$ 1,306,028
NATWEST GROUP PLC	Bonds	26,350,000	\$ 28,845,034
NATWEST GROUP PLC	Stock	17,364,968	\$ 48,745,319
NEWS CORPORATION	Bonds	430,000	\$ 434,270
NEWS CORPORATION	Stock	1,036,117	\$ 26,335,923
NEXT PLC	Stock	158,030	\$ 17,150,478
ORACLE CORPORATION	Bonds	85,500,000	\$ 92,987,085
ORACLE CORPORATION	Stock	3,563,569	\$ 277,388,211
ORANGE SA	Bonds	3,000,000	\$ 4,176,180
ORANGE SA	Stock	4,016,904	\$ 45,802,483
PEARSON PLC	ADR	149,014	\$ 1,730,053
PEARSON PLC	Stock	993,519	\$ 11,391,725
PPG INDUSTRIES, INC.	Stock	455,731	\$ 77,369,452
PROVIDENT FINANCIAL PLC	Stock	251,010	\$ 804,478
RANDSTAD N.V.	Stock	181,965	\$ 13,918,610
RAYTHEON TECHNOLOGIES CORPORATION	Bonds	48,410,000	\$ 58,470,776
RAYTHEON TECHNOLOGIES CORPORATION	Stock	2,675,012	\$ 228,205,274
REACH PLC	Stock	292,519	\$ 1,111,276
RENTOKIL INITIAL PLC	Stock	2,128,316	\$ 14,553,804
RYOBI LIMITED	Stock	23,278	\$ 325,292
SALLY BEAUTY HOLDINGS, INC.	Bonds	100,000	\$ 103,245
SALLY BEAUTY HOLDINGS, INC.	Stock	155,300	\$ 3,427,471
SANDVIK AKTIEBOLAG	Stock	3,299,406	\$ 84,335,536
SCHLUMBERGER N.V.	Bonds	7,086,000	\$ 8,016,004
SCHLUMBERGER N.V.	Stock	2,878,622	\$ 92,144,690
SENSATA TECHNOLOGIES HOLDING PLC	Bonds	1,516,000	\$ 1,580,855

SENSATA TECHNOLOGIES HOLDING PLC	Stock	1,572,979	\$ 47,645,059
SERCO GROUP PLC	Stock	1,202,277	\$ 2,253,822
SGS SA	Stock	10,844	\$ 33,481,664
SHISEIDO COMPANY, LIMITED	Stock	534,488	\$ 39,348,603
SIGNET JEWELERS LIMITED	Stock	123,288	\$ 9,960,438
SMURFIT KAPPA GROUP PUBLIC LIMITED COMPANY	Stock	245,601	\$ 13,325,070
SODEXO SA	Stock	109,082	\$ 10,180,664
SPIE SA	Stock	318,541	\$ 7,328,504
SSE PLC	Stock	3,844,143	\$ 79,683,932
STERICYCLE, INC.	Bonds	348,000	\$ 348,901
STERICYCLE, INC.	Stock	155,694	\$ 11,139,906
SYSCO CORPORATION	Bonds	14,000,000	\$ 15,484,625
SYSCO CORPORATION	Stock	882,929	\$ 68,647,730
TATA STEEL LIMITED	Stock	585,705	\$ 9,192,566
TELEFONICA S.A.	Stock	5,703,134	\$ 26,654,362
TELEPERFORMANCE SE	Stock	85,495	\$ 34,705,308
TEREX CORPORATION	Bonds	585,000	\$ 609,172
TEREX CORPORATION	Stock	94,298	\$ 4,490,471
TERUMO CORPORATION	Stock	912,330	\$ 37,006,124
TESCO PLC	Stock	38,482,689	\$ 118,524,494
THALES SA	Stock	140,953	\$ 14,382,123
THE ALLSTATE CORPORATION	Bonds	11,000,000	\$ 11,518,070
THE ALLSTATE CORPORATION	Stock	704,564	\$ 91,903,328
THE CARLYLE GROUP INC.	Stock	288,692	\$ 13,418,404
THE COCA-COLA COMPANY	Bonds	19,290,000	\$ 19,628,656
THE COCA-COLA COMPANY	Stock	7,313,958	\$ 395,758,267
THE ESTEE LAUDER COMPANIES INC.	Stock	476,743	\$ 151,642,413
THE GAP, INC.	Bonds	266,000	\$ 307,781
THE GAP, INC.	Stock	360,789	\$ 12,140,550
THE TJX COMPANIES, INC.	Stock	2,257,865	\$ 152,225,258
THYSSENKRUPP AG	Bonds	184,000	\$ 220,735
THYSSENKRUPP AG	Stock	398,644	\$ 4,155,491
TOTAL PRODUCE PUBLIC LIMITED COMPANY	Stock	320,977	\$ 1,004,908
TP ICAP GROUP PLC	Stock	779,047	\$ 2,102,923
TRAVIS PERKINS PLC	Stock	2,408,784	\$ 56,203,418
TRIGANO SA	Stock	18,035	\$ 3,725,740
TTEC HOLDINGS, INC.	Stock	25,477	\$ 2,626,424
TUI AG	Stock	757,067	\$ 3,864,417
VEOLIA ENVIRONNEMENT SA	Stock	667,435	\$ 20,159,799
VISA INC.	Bonds	36,300,000	\$ 38,223,476
VISA INC.	Stock	3,289,295	\$ 769,102,957

VODAFONE GROUP PUBLIC LIMITED COMPANY	ADR	737,766	\$ 12,637,932
VODAFONE GROUP PUBLIC LIMITED COMPANY	Bonds	24,430,000	\$ 28,929,603
VODAFONE GROUP PUBLIC LIMITED COMPANY	Stock	53,148,913	\$ 89,090,952
WALMART INC.	Bonds	41,410,000	\$ 47,352,808
WALMART INC.	Stock	2,621,840	\$ 369,731,877
WH SMITH PLC	Stock	219,077	\$ 4,868,028
WILLIS TOWERS WATSON PUBLIC LIMITED COMPANY	Stock	278,295	\$ 64,013,416
XEROX HOLDINGS CORPORATION	Bonds	344,000	\$ 345,717
XEROX HOLDINGS CORPORATION	Stock	449,843	\$ 10,566,812
ZURICH INSURANCE GROUP AG	Stock	228,887	\$ 91,916,324
	ADR's		\$ 26,193,757
	Bonds		\$ 2,935,811,362
	Stock		\$ 15,850,042,314
	Total		\$ 18,812,047,434

During fiscal year 2020-21, no shareholder proposals relating to inclusiveness in Northern Ireland were presented for any holdings in the CalSTRS portfolio.

## **Actions Taken**

In 2020-21, no shareholder proposals requested the 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 responsibly and prudently. CalSTRS will continue to adhere to California statutes referenced in this report and the board's Investment Policy for Mitigating ESG Risks.

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

- a) Achieve a rate of return on the total assets of the fund that exceeds the actuarial discount rate used to value the liabilities of the State Teachers' Retirement Plan for funding purposes, so as to ensure that sufficient assets are available to meet liabilities in the long run.
- b) Maximize the long-term investment return on assets at a level of risk that is acceptable to the board.

- c) Maintain a certain level of stability in pension contributions, so as not to adversely impact the long-term viability of CalSTRS and its ability to continue to meet pension obligations.
- d) Manage the investments of the fund in a prudent manner, so as to maintain confidence of members, employers and the public in CalSTRS.

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

Investment Branch May 2018

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

## **POLICY**

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

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

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

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

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

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

## **PROCEDURES**

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

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

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

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

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

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

### **Monetary Transparency**

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

### **Data Dissemination**

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

### **Accounting**

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

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

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

### **Securities Regulation**

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

### **Auditing**

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

### **Fiscal Transparency**

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

### **Corporate Governance**

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

### **Banking Supervision**

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

**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**

The investment's long-term profitability from whether or not a country has a regulatory framework in line with International Association of Insurance Supervisors, IAIS, Principles.

**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 violations of human rights.

**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 Cultural and Ethnic Identities**

The investment's long-term profitability from operations, activities and business practices that do not adequately respect cultural values and ethnic identities.

**Respect for Property Rights**

The investment's long-term profitability from operations, activities and business practices that dispossesses or degrades peoples' lands, territories or resources, or does not adequately respect established property rights.

**Respect for Political Rights**

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

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

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

**Worker Rights**

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

**Environmental**

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

**Climate Change**

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

**Resource Efficiency**

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

**War/Conflicts/Acts of Terrorism**

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

**Human Health**

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

# Charter of the CalSTRS Committee on Responsible Investment

## Purpose

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

## Membership and Structure

### Membership

The Committee on Responsible Investment shall consist of at least the Chief Investment Officer, Deputy Chief Investment Officer and Director of Sustainable investments and Stewardship Strategies, and 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 available to all members of the Investment Office through open meetings or recordings.

Meetings are led by the Chair, which shall be determined by Chief Investment Officer and only have voting rights in the event of a tie.

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

### Reporting

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

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

## Responsibilities

## Attachment B

The responsibilities of the Committee on Responsible Investment are:

- Evaluate ESG issues to determine if they violate CalSTRS' ESG Policy
- Carry out CalSTRS Board's directives relating to the CalSTRS ESG and Divestment policies
- Assist the investment office in addressing ESG Issues
- Assist asset classes on the 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

### **CalSTRS Board Related Policies**

**Divestment Policy**

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

**Responsible Contractor Policy**

### **Attachments**

**Attachment 1 - Committee on Responsible Investment Operational Guidelines**

**Attachment 2 - CRI Committee Membership**





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

May 7, 2021

Omar Al Bayaty  
Head, Investor Relations  
Terna  
Roma - Viale Egidio Galbani, 70 - 00156

Omar Al Bayaty,

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 975,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$287 billion invested across both domestic and international markets. Currently, CalSTRS owns 1,589,402 shares of Terna.

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 long-term investors, we are concerned with risks posed by companies in our portfolio that are operating in sensitive areas such as Iran. To address these risks from an investor perspective, the CalSTRS Board has adopted an ESG Risk policy available in the board policy manual at our website [www.calstrs.com](http://www.calstrs.com).

Additionally, In California, Chapter 441 of the 2011 Statutes requires the California Public Employees' Retirement System and the California State Teachers' Retirement System to encourage companies in which they invest in to act responsibly and not to take actions that promote terrorism or that otherwise enable the Iranian pursuit of nuclear weapons. Moreover, the legislation requires that we periodically follow up with identified companies to ensure they are acting responsibly regarding Iran.

Our independent research provider has identified Terna as having business in or with Iran. We request that you complete the attached questionnaire disclosing your direct or indirect business activities with Iran, including purchases from and sales to Iran and risk controls Terna has undertaken to prevent sanction violations.

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.

If you have any questions, please feel free to contact Philip Larrieu of the Sustainable Investment and Stewardship Strategies staff at:

Philip Larrieu  
Investments – Sustainable Investment and Stewardship Strategies  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605-2807  
(916)414-7417  
[plarrieu@calstrs.com](mailto: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  
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

June 30, 2021

Sofia Kirsanova,  
OAO Gazprom  
16 Nametkina St., Moscow, GSP-7, 117997, Russian Federation

Sofia,

This letter is sent to you on behalf of the California State Teachers' Retirement System (CalSTRS). As you may be aware, CalSTRS is a public pension fund established for the benefit of California's public school teachers over 100 years ago. CalSTRS serves the investment and retirement interests of nearly 975,000 plan participants and their families. The CalSTRS portfolio is currently valued at approximately \$305 billion invested across both domestic and international markets. Currently, CalSTRS owns 7,411,708 shares of Gazprom.

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's perspective, 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](http://www.calstrs.com).

In several states, legislation has been enacted or publicly discussed to address investments in companies doing business in or with Iran. In California, Chapter 441 of the 2011 Statutes requires the California Public Employees' Retirement System and California State Teachers' Retirement System to encourage companies in which they invest in to act responsibly and not to 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 act responsibly concerning Iran.

CalSTRS has Gazprom in a Monitor status based on information from our independent service providers and our past communications. We are requesting an updated disclosure of your direct or indirect business activities with Iran, including purchases from and sales to Iran and any risk controls Gazprom 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 Sustainable Investments And Stewardship Strategies staff at:

Philip Larrieu  
Investments – SISS  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605-2807  
(916)414-7417  
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  
California State Teachers' Retirement System

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

<b>Companies Divested and Restricted</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary of Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
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 designated it as "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020-21.	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 Limited was identified as being involved in the development of oilfields in Iran.	In 2014, CalSTRS designated China Oilfield Services Limited as "Under Review" for potentially having ties to Iran. The company's activities in Iran were confirmed in CNOOC's 20-F Filing, which stated, "China Oilfield Services Limited (COSL), one of our non-controlled affiliates, continued to provide certain drilling and other related services in Iran in relation to subcontracting agreements entered into in 2009, as it did in 2012."  In 2014, CalSTRS designated China Oilfield Services Limited as "Divested and Restricted" and maintained the "Divested and Restricted" status in 2020-21.	0	\$0

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary of Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
3	CNOOC (China)	<p>According to CNOOC 20-F filings, the company cites the potential for U.S. sanctions related to its affiliates' operations in Iran and Sudan in its risk section. 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 U.S.</p>	<p>In 2009, CalSTRS designated CNOOC as "Under Review." CNOOC was being considered for divestment because of the lack of clarity between it and its parent when it was announced CNOOC was buying 33% 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. In 2012, CalSTRS divested holdings of CNOOC and maintained the "Divested and Restricted" status in 2020-21.</p>	0	\$0
4	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, CalSTRS designated Sinopec and its related companies, including CNPC Hong Kong, as "Divested and Restricted." In February 2010, CNPC Hong Kong changed its name to Kunlun Energy Co. Sinopec and its subsidiaries, including Kunlun Energy Co., remain "Divested and Restricted" in 2020-21.	0	\$0
5	MISC Bhd. (Malaysia)	MISC Bhd. is a Malaysian shipping company that is linked to Iran through its parent company, Petronas, a "Divested and Restricted" company.	In 2009, CalSTRS designated MISC Bhd. as "Divested and Restricted" and maintained that status in 2020-21.	0	\$0

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary of Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
6	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 developing oilfields in Iran. However, through a subsidiary, it remains a large purchaser of Iranian crude.	ONGC was not on CalSTRS' 2009 Iran list but had already been designated as "Divested and Restricted" for ties to Sudan. In early 2010, CalSTRS also designated the company as "Divested and Restricted" for ties to Iran and maintained that status in 2020-21.	0	\$0
7	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 "Divested and Restricted" and maintained that status in 2020-21.	0	\$0
8	Petronas (Malaysia)	Petronas has an interest in multiple gas fields in Iran that are in the production phase. Additionally, in 2010, the company reportedly ceased supplying refined products to Iran. However, the company stated it is due to Iran's lack of demand and has not pledged to cease activities in the country. In 2013, Petronas withdrew from Phase 11 of the South Pars gas field and were in the cost recovery phase of Phases 2 and 3.	In 2009, CalSTRS designated Petronas as "Divested and Restricted." While the company's apparent withdrawal from Iran is promising, Petronas remained "Divested and Restricted" under previous Sudan sanctions. CalSTRS maintained the "Divested and Restricted" status in 2020-21.	0	\$0
9	Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (Turkey)	Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is a state-owned bank of the Republic of Turkey (100% owned by the Turkey Wealth Fund but does issue public debt). Turkey has demonstrated a willingness to violate sanctions under its sovereign immunity.	In 2020-21, CalSTRS designated the Turkish state-owned banks, including Türkiye Cumhuriyeti Ziraat Bankası A.Ş., as "Divested and Restricted" due to concerns regarding their commitment to comply with sanctions on Iran.	0	\$0

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
10	Türkiye Halk Bankası A.Ş. (Turkey)	Türkiye Halk Bankası A.Ş. is a state-owned bank of the Republic of Turkey (approximately 75% ownership). In 2019, Türkiye Halk Bankası A.Ş. was indicted for conspiring to evade U.S sanctions on Iran. The bank made the defense that, as a state-owned enterprise, they were immune from prosecution and sanctions. While the sovereign immunity defense was denied, it has been appealed. Based on the bank's willingness to invoke a sovereign immunity defense, CalSTRS is not confident that it and other Turkish state-owned banks intend to comply with U.S. sanctions regardless of internal controls and sanctions compliance programs.	In 2020-21, CalSTRS designated the Turkish state-owned banks, including Türkiye Halk Bankası A.Ş., as "Divested and Restricted" due to concerns regarding their commitment to comply with sanctions on Iran.	0	\$0
11	Türkiye Vakıflar Bankası T.A.O. (Turkey)	Türkiye Vakıflar Bankası T.A.O. is a state-owned bank of the Republic of Turkey (approximately 74% ownership). Turkey has demonstrated a willingness to violate sanctions under its sovereign immunity.	In 2020-21, CalSTRS designated the Turkish state-owned banks, including Türkiye Vakıflar Bankası T.A.O., as "Divested and Restricted" due to concerns regarding their commitment to comply with sanctions on Iran.	0	\$0



<b>Companies Under Review</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
1	CITIC Limited (Hong Kong)	CITIC Limited reportedly provides loans and financing services to Iran.	In 2020-21, CalSTRS identified CITIC Limited as potentially having ties to Iran and began the review process.	22,622,000	\$24,381,895
2	Kardex Holding AG (Switzerland)	Kardex Holding AG provides logistic and automated storage solutions to Iran.	In 2020-21, CalSTRS identified Kardex Holding AG as potentially having ties to Iran and began the review process.	6,123	\$1,417,560
3	KEI Industries Limited (India)	KEI Industries Limited reportedly provides industrial cables to Iran.	In 2020-21, CalSTRS identified KEI Industries Limited as potentially having ties to Iran and began the review process.	44,778	\$417,749
4	Lonking Holdings Limited (China)	Lonking Holdings Limited reportedly provides construction machinery to Iran.	In 2020-21, CalSTRS identified Lonking Holdings Limited as potentially having ties to Iran and began the review process.	29,552,000	\$9,551,500
5	Mytilineos SA (Greece)	Mytilineos SA reportedly provides pumps and flow control systems to Iran.	In 2020-21, CalSTRS identified Mytilineos SA as potentially having ties to Iran and began the review process.	53,767	\$978,114
6	National Aluminum Co. Ltd. (India)	National Aluminum Co. Ltd. reportedly provides aluminum products to Iran.	In 2020-21, CalSTRS identified National Aluminum Co. Ltd. as potentially having ties to Iran and began the review process.	2,081,341	\$2,193,906
7	SAIC Motor Corp. Ltd. (China)	SAIC Motor Corp. Ltd. reportedly has a joint venture with Iranian state-owned entities.	In 2020-21, CalSTRS identified SAIC Motor Corp. Ltd. as potentially having ties to Iran and began the review process.	310,800	\$1,056,771
8	State Grid Overseas Investments (Virgin Islands)	State Grid Overseas Investments reportedly is involved in the Turkey-Iran Grid Interconnection Back-to-Back Project, a power infrastructure connectivity project.	In 2020-21, CalSTRS identified State Grid Overseas Investments as potentially having ties to Iran and began the review process.	<u>Bonds</u> 2,140,000	<u>Bonds</u> \$2,331,680

Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
9	Steel Authority of India Limited (India)	Steel Authority of India Limited reportedly provides consulting services in Iran for the iron and steel industries.	In 2020-21, CalSTRS identified Steel Authority of India Limited as potentially having ties to Iran and began the review process.	570,480	\$1,002,350
10	VINCI SA (France)	VINCI SA reportedly provides construction services in Iran and has an MOU to expand airports in Iran.	In 2020-21, CalSTRS identified VINCI SA as potentially having ties to Iran and began the review process.	595,511	\$63,552,454
11	Yang Ming Marine Transport Corporation (Taiwan)	Yang Ming Marine Transport Corporation was identified as potentially providing shipping services to Iran.	In 2020-21, CalSTRS identified Yang Ming Marine Transport Corporation as potentially having ties to Iran and began the review process.	542,000	\$3,550,112

<b>Companies Being Monitored</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
1	Aiphone Co. Ltd. (Japan)	In 2019, Aiphone Co. Ltd. was identified as reportedly supplying its communications and security equipment in Iran.	In 2019, CalSTRS identified Aiphone Co. Ltd. as potentially having ties to Iran and began the review process. In 2020, CalSTRS moved Aiphone Co. Ltd. to "Being Monitored" status while CalSTRS staff continues engagement on sanction compliance and maintained the "Being Monitored" status in 2020-21.	5,200	\$95,998
2	Akwel S.A. (France)	In 2019, Akwel S.A. was identified as reportedly distributing automobile parts and providing consultancy services in Iran.	In 2019, CalSTRS identified Akwel S.A. as potentially having ties to Iran and began the review process. The engagement has been delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained an "Under Review" status in 2020. In 2020-21, CalSTRS moved Akwel S.A. to "Being Monitored" status while CalSTRS staff continues engagement on the company's internal sanctions controls.	29,059	\$847,743

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
3	Bharat Petroleum Corporation Ltd. (India)	In 2017, Bharat Petroleum Corporation Ltd. was identified as potentially purchasing Iranian crude.	In 2017, CalSTRS designated Bharat Petroleum Corporation Ltd. as "Under Review" for potentially having ties to Iran. In 2018, CalSTRS changed the status to "Being Monitored" because India is one of eight countries receiving a sanctions waiver that has since expired. CalSTRS maintained the "Being Monitored" status in 2020-21 because, while the company is not believed to have any ties that violate sanctions, the the fact that it conducted business under a waiver and has historical oil-related ties present a higher risk.	2,137,473	\$13,460,932
4	BYD Company (China)	BYD Company was identified as potentially having a contract to distribute automobiles and transfer energy technology into Iran.	In 2020, CalSTRS identified BYD Company as potentially having ties to Iran and began the review process. In 2020-21, CalSTRS moved BYD Company to "Being Monitored" status as compliance goes through additional review.	<u>A Shares</u> 159,765  <u>H Shares</u> 482,820	<u>A Shares</u> \$14,436,385  <u>H Shares</u> \$2,044,912
5	DMG Mori CO. LTD (Japan)	In 2017, DMG Mori CO. LTD was identified as potentially selling automation and production machinery in Iran.	In 2017, CalSTRS designated DMG Mori CO. LTD as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" status in 2018. In 2019, CalSTRS designated DMG Mori CO. LTD as "Being Monitored." CalSTRS maintained the "Being Monitored" status in 2020-21 while engagement continues.	111,892	\$2,010,205
6	Eizo Corporation (Japan)	In 2019, Eizo Corporation was identified as reportedly selling monitors for various industries, including air traffic control, in Iran.	In 2019, CalSTRS identified Eizo Corporation as potentially having ties to Iran and began the review process. In 2020, CalSTRS moved Eizo Corporation to "Being Monitored" status while sanction compliance goes through additional review and maintained the "Being Monitored" status in 2020-21.	14,690	\$657,139

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
7	Geely Automobile Holdings Limited (Hong Kong)	In 2019, Geely Automobile Holdings Limited was identified as potentially selling its products in Iran.	In 2019, CalSTRS identified Geely Automobile Holdings Limited as potentially having ties to Iran and began the review process. The engagement has been delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained the "Under Review" status in 2020 and designated Geely Automobile Holdings Limited as "Being Monitored" status in 2020-21 as CalSTRS staff continues engagement on company's internal sanctions controls.	7,796,999	\$24,548,070
8	Kanematsu Corp. (Japan)	In 2017, Kanematsu Corp. was identified as potentially providing motor vehicles and electronic parts in Iran through its distribution service.	In 2017, CalSTRS designated Kanematsu Corp. as "Under Review" for potentially having ties to Iran. CalSTRS maintained the "Under Review" status in 2018. In 2019, CalSTRS moved Kanematsu Corp. to "Being Monitored" status and maintained the "Being Monitored" status in 2020-21. Although the ties do not meet divestment requirements, CalSTRS has concerns regarding the companies sanctions compliance controls.	75,687	\$1,007,205
9	Larsen & Toubro Ltd. (India)	In 2014, Larsen & Toubro Ltd. was identified by CalSTRS service providers as providing products to Iran. Additionally, Larsen & Toubro Ltd. holds a stake in an Iran-based joint venture, IndIran Engineering Projects and Systems.	In 2014, CalSTRS designated Larsen & Toubro Ltd. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated Larsen & Toubro Ltd. as "Being Monitored" and maintained the "Being Monitored" status in 2020-21.	<u>Stock</u> 20,281  <u>GDR</u> 35,752	<u>Stock</u> \$409,426  <u>GDR</u> \$718,615

Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
10	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% stake in the Shah Deniz field operated by B.P., which has Iran as a partner. The Shah Deniz field operates under exemptions to the Iran sanctions. In 2016, LukOil OAO reportedly signed an agreement for hydrocarbon exploration in Iran.	In 2014, CalSTRS re-evaluated LukOil OAO and its sanction controls and relations with the National Iranian Oil Company (NIOC) relating to the Shah Deniz field. In 2015, CalSTRS designated LukOil OAO as “Being Monitored” due to media speculation that Russian firms sought business in Iran. In 2018, Lukoil OAO put its Iranian-based projects on hold due to U.S. sanctions on Iran. CalSTRS maintained the “Being Monitored” status due to sensitivity around Russian-based investments and further reviewed how the hold status affects the investment. In 2019, CalSTRS maintained the “Being Monitored” status as the company continues to take actions that demonstrate a potential to revive business in Iran and continued the “Being Monitored” status in 2020-21.	<u>ADR</u> \$2,082,379  <u>Bonds</u> \$3,310,000	<u>ADR</u> \$192,266,964  <u>Bonds</u> \$3,509,063

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
11	OAQ Gazprom (Russia)	In July 2008, OAO Gazprom signed an MOU with the NIOC, which expired in July 2010. Additionally, Gazprom Neft, a subsidiary of OAO Gazprom, signed an MOU with the NIOC to explore oilfields in Iran. In 2014, the company reported that Iran had suspended cost recovery payments related to Phase 2 and 3 of the South Pars gas field. In December 2017, the company signed an MOU relating to the development of Iranian gas fields.	In 2009, CalSTRS designated OAO Gazprom as "Under Review." In 2010, CalSTRS designated OAO Gazprom as "Being Monitored" after confirming that the company has no current investments in Iran. In 2011, CalSTRS maintained OAO Gazprom as "Being Monitored" as the U.S. Government Accountability Office (GAO) stated it had insufficient information on the company's activities and the Russian government's reported interest in developing a deal with Iran. In 2014, due to U.S. sanctions on Gazprom Bank, an OAO Gazprom subsidiary, CalSTRS determined to minimize its exposure to the company by restricting managers from making new purchases in OAO Gazprom securities. In 2016, for risk control purposes, CalSTRS revised the restriction on purchasing shares of OAO Gazprom to allow managers underweighted in OAO Gazprom (versus their benchmark) to purchase up to benchmark weight. In 2018, CalSTRS maintained the "Being Monitored" status and removed the benchmark weighting restriction on OAO Gazprom but required managers holding the security to make quarterly updates on their investment rationale. In 2020-21, CalSTRS maintained the "Being Monitored" status.	<u>ADR</u> 7,411,708	<u>ADR</u> \$56,533,669

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
12	Suzuki Motor Corp. (Japan)	Suzuki Motor Corp. reportedly licenses its products to an Iranian state-owned automobile manufacturing firm.	In 2019, CalSTRS identified Suzuki Motor Corp. as potentially having ties to Iran and began the review process. The engagement has been delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained the "Under Review" status in 2020 and designated the Suzuki Motor Corp. as "Being Monitored" status in 202-21 as CalSTRS staff continues engagement on the company's internal sanctions controls.	1,230,987	\$52,138,660
13	United Bank Limited (Pakistan)	United Bank Limited reportedly provides banking services in Iran.	In 2019, CalSTRS identified United Bank Limited as potentially having ties to Iran and began the review process. The engagement has been delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained the "Under Review" status in 2020 and designated the United Bank limited as "Being Monitored" status in 2020-21 as CalSTRS staff continues engagement on the company's internal sanctions controls.	1,075,600	\$833,999
14	USI Corp (Taiwan)	In 2020-21, USI Corp was identified as potentially providing Polyethylene raw materials in Iran.	In 2020-21, CalSTRS identified USI Corp as potentially having ties to Iran, began the review process and subsequently moved USI Corp to "Being Monitored" status while sanction compliance went through additional review.	1,283,000	\$1,708,364



<b>Companies Removed</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
1	Bouygues S.A. (France)	Bouygues S.A. had previously been identified and reviewed because of a deal to expand the Tehran Airport that was ultimately canceled. In 2020-21, Bouygues was identified as possibly providing new services to Iran.	In 2020-21, CalSTRS identified and subsequently removed Bouygues S.A. after reviewing the company's Iran ties and internal controls.	537,856	\$19,894,347
2	China National Chemical (China)	China National Chemical reportedly has construction projects in Iran.	In 2020-21, CalSTRS identified China National Chemical as potentially having ties to Iran and began the review process. China National Chemical was subsequently removed as CalSTRS no longer holds any of its securities.	0	\$0
3	China Railway Construction Group (China)	In 2020-21, China Railway Construction Group was identified as possibly having construction contracts with Iranian state-owned entities.	In 2020-21, CalSTRS identified China Railway Construction Group as potentially having ties to Iran and began the review process. China Railway Construction Group was subsequently removed as CalSTRS no longer holds any of its securities. Furthermore, China Railway Construction Group is a subsidiary of China Railway Construction Corporation (CRCC), which is a restricted entity under the presidential executive order relating to Chinese companies with military ties.	0	\$0
4	CNH Industrial (Netherlands)	In 2020-21, CNH Industrial was identified as potentially providing products to entities controlled by the Iranian government.	In 2020-21, CalSTRS identified and subsequently removed CNH Industrial after reviewing the company's Iran ties and internal controls.	<u>Stock</u> 2,756,219  <u>Bonds</u> \$8,500,000	<u>Stock</u> \$45,725,493  <u>Bonds</u> \$8,916,295

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
5	CRCC (China)	CRCC reportedly supplies transportation products to Iran through a contract with Iran's state-owned Industrial Development & Renovation Organization.	In 2020-21, CalSTRS identified CRCC as potentially having ties to Iran and began the review process. CRCC was subsequently removed as CalSTRS no longer holds the company's securities, and the company is a restricted entity under the presidential executive order relating to Chinese companies with military ties.	0	\$0
6	Doosan Corp. (South Korea)	In 2014, Doosan Corp. was identified by CalSTRS service providers as a supplier of automotive products to companies in Iran.	In 2014, CalSTRS designated Doosan Corp. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated Doosan Corp. and related entities as "Divested and Restricted" after failing to respond to requests for information and maintained the "Divested and Restricted" status in 2019. In 2020, after reviewing the company's relationship with Iran, CalSTRS moved the company to "Being Monitored" status after confirming that it curtailed its business with Iran and while sanction compliance went through additional review. In 2020-21, CalSTRS removed Doosan Corp. as it no longer holds any of its securities.	0	\$0
7	ENEOS Holdings, Inc. (Japan)	In 2020-21, ENEOS Holdings, Inc. was identified as potentially providing oil and gas services to Iran.	In 2020-21, CalSTRS identified and subsequently removed ENEOS Holdings, Inc. after reviewing the company's Iran ties and internal controls.	6,305,836	\$26,413,039
8	HEG Limited (India)	In 2020-21, HEG Limited was identified as potentially providing products to Iran.	In 2020-21, CalSTRS identified and subsequently removed HEG Limited after reviewing the company's Iran ties and internal controls.	104,321	\$3,074,613

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
9	Huber+Suhner AG (Switzerland)	In 2020-21, Huber+Suhner AG was identified as possibly providing fiberoptic cables and systems to Iran.	In 2020-21, CalSTRS identified and subsequently removed Huber+Suhner AG after reviewing the company's Iran ties and internal controls.	<u>ADR</u> 16,144	<u>ADR</u> \$1,364,036
10	Hero MotoCorp (India)	In 2020-21, Hero MotoCorp was identified as potentially providing their products in Iran.	In 2020-21, CalSTRS identified and subsequently removed Hero MotoCorp after reviewing the company's Iran ties and internal controls.	811,876	\$31,703,905
11	Leoni AG (Germany)	In 2020-21, Leoni AG was identified as potentially providing wires and cables in Iran.	In 2020-21, CalSTRS identified Leoni AG and began the review process. Leoni AG was subsequently removed as CalSTRS no longer holds any of the company's securities.	0	\$0
12	PJSC Tatneft (Russia)	In 2017, PJSC Tatneft was identified as potentially having agreements to develop the Deloran oilfield in Iran and performing studies on the development of the Shadeghan oilfield.	In 2017, CalSTRS designated PJSC Tatneft as "Under Review" for potentially having ties to Iran. In 2018, CalSTRS designated PJSC Tatneft as "Being Monitored" due to potentially ongoing operations in Iran and maintained that status through 2020. In 2020-21, CalSTRS removed PJSC Tatneft from the "Being Monitored" list after an additional review of the company's Iran ties and internal controls.	<u>ADR</u> 94,147	<u>ADR</u> \$4,099,204
13	POSCO (South Korea)	In 2020-21, POSCO was identified as potentially exporting and selling automotive steel sheets and other steel materials to Iranian entities.	In 2020-21, CalSTRS identified POSCO and began the review process. POSCO was subsequently removed after reviewing the company's ties to Iran and internal controls for sanctions compliance.	263,352	\$81,380,363

## Attachment E

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
14	Reliance Industries Ltd. (India)	Reliance Industries Ltd. was reportedly purchasing Iranian crude oil.	Reliance Industries Ltd. had previously been removed from the Iran-related securities list. In 2017, CalSTRS designated Reliance Industries Ltd. as "Under Review" for potentially having new ties to Iran. In 2018, CalSTRS designated Reliance Industries Ltd. as "Being Monitored." While the company announced they plan to halt purchases of Iranian crude, India was one of eight countries receiving a sanction waiver that has since expired. CalSTRS maintained the "Being Monitored" status in 2020 while confirming the company's compliance with current sanctions. In 2020-21, CalSTRS removed Reliance Industries Ltd. after reviewing the company's Iran ties and internal controls.	<u>Stock</u> 7,211,271  <u>Partly Paid Shares</u> 24,404	<u>Stock</u> \$204,768,857  <u>Partly Paid Shares</u> \$486,619
15	Sensata Technologies Holding PLC (Netherlands)	In 2020-21, Sensata Technologies Holding PLC was identified as possibly distributing its contactors, switches, fuses and high voltage relays to Iran.	In 2020-21, CalSTRS identified and subsequently removed Sensata Technologies Holding PLC after reviewing the company's Iran ties and internal controls	<u>Stock</u> 807,979  <u>Bonds</u> \$2,281,000	<u>Stock</u> \$46,838,543  <u>Bonds</u> \$2,387,372
16	Serica Energy PLC (United Kingdom)	In 2020-21, Serica Energy PLC was identified as a partner in the Rhum oilfield, which also has the National Iranian Oil Company group (NIOC) as a partner.	In 2020-21, CalSTRS identified and subsequently removed Serica Energy PLC after reviewing the company's Iran ties and internal controls.	164,760	\$315,464
17	Terna Energy (Italy)	In 2020-21, Terna Energy was identified as possibly selling transformers in Iran.	In 2020-21, CalSTRS identified and subsequently removed Terna Energy after reviewing the company's Iran ties and internal controls.	152,849	\$11,400,740

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Iran</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
18	Wan Hai Lines (Taiwan)	Wan Hai Lines reportedly provides shipping services to Iran.	In 2019, CalSTRS identified Wan Hai Lines as potentially having ties to Iran and began the review process. The engagement was delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained an "Under Review" status in 2020. In 2020-21, CalSTRS removed Wan Hai Lines after reviewing the company's Iran ties and internal controls.	375,000	\$4,320,323

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

<b>Companies Divested and Restricted</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary of Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
No companies were "Divested and Restricted" as of 6/30/2021.					

<b>Companies Under Review</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
No companies were "Under Review" as of 6/30/2021.					

Attachment F

<b>Companies Being Monitored</b>					
	<b><i>Company Name (Domicile)</i></b>	<b><i>Summary of Ties to Sudan</i></b>	<b><i>Summary Status</i></b>	<b><i>Shares Held by CalSTRS 06/30/2021</i></b>	<b><i>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</i></b>
No companies were "Being Monitored" as of 6/30/2021.					



<b>Companies Removed</b>					
	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
1	AviChina Industry and Technology Limited (China)	AviChina Industry and Technology Limited was identified as possibly providing military equipment and maintenance services to Sudan.	In 2016, CalSTRS designated AviChina Industry and Technology Limited as "Divested and Restricted." In 2021, CalSTRS removed the restrictions on AviChina Industry and Technology Limited with the repeal of the provisions of AB 2941. AviChina Industry and Technology Limited remains restricted by CalSTRS under Presidential Executive Order 13959, which restricts investments in companies with ties to the Chinese military.	0	\$0
2	Bharat Heavy Electricals (India)	Bharat Heavy Electricals has contracts to build power plants in Sudan.	In 2009, Bharat Heavy Electricals was designated as "Divested and Restricted." In 2020-21, CalSTRS removed the restrictions on Bharat Heavy Electricals with the repeal of the provisions of AB 2941.	0	\$0
3	Dongfeng Motor Group and Dongfeng Automobile Company Ltd., a linked company (China)	Dongfeng Motor Group and Dongfeng Automobile Company Ltd. have reportedly supplied military vehicles to the Sudanese government.	In 2009, Dongfeng Motor Group and Dongfeng Automobile Company Ltd. were designated as "Divested and Restricted." In 2020-21, CalSTRS removed the restrictions on Dongfeng Motor Group and Dongfeng Automobile Company Ltd., a linked company, with the repeal of the provisions of AB 2941.	0	\$0
4	First Abu Dhabi Bank (United Arab Emirates)	First Abu Dhabi Bank was identified as potentially facilitating banking services in Sudan.	In 2017, CalSTRS designated First Abu Dhabi Bank as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated First Abu Dhabi Bank as "Being Monitored." In 2020-21, CalSTRS removed First Abu Dhabi Bank from "Being Monitored" status with the repeal of the provisions of AB 2941.	<u>Stock</u> 4,475,899	<u>Stock</u> \$20,349,703

## Attachment F

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
5	International Container Terminal Services, Inc. (Philippines)	In 2019, International Container Terminal Services, Inc. signed a 20-year concession with state-owned Sea Ports Corp. to operate, manage and develop the South Port Container Terminal in Sudan.	In 2019, CalSTRS designated International Shipping Container Terminal Services Inc. as "Being Monitored." In 2020-21, CalSTRS removed International Container Terminal Services, Inc. from "Being Monitored" status with the repeal of the provisions of AB 2941.	814,520	\$2,731,474
6	Kunlun Energy Co. and Sinopec, a linked company (China)	While Kunlun Energy Co. has no activity in Sudan, its parent, CNPC, is the largest partner of several oil consortiums that have active oil exploration and production operations in Sudan.	In 2009, Sinopec and its related companies, including CNPC Hong Kong, were designated as "Divested and Restricted." In February 2010, CNPC Hong Kong changed its name to Kunlun Energy Co. In 2020-21, CalSTRS removed the restrictions on Kunlun Energy Co. and Sinopec with the repeal of the provisions of AB 2941. Kunlun Energy Co. and Sinopec remain restricted by CalSTRS under the Iran divestment requirements.	0	\$0
7	Larsen & Toubro Ltd. (India)	Larsen & Toubro Ltd. was identified as providing consulting services to the government of Sudan.	In 2015, CalSTRS designated Larsen & Toubro Ltd. as "Under Review" for potentially having ties to Sudan. In 2016, CalSTRS designated Larsen & Toubro Ltd. as "Being Monitored." In 2020-21, CalSTRS removed Larsen & Toubro Ltd. from "Being Monitored" status with the repeal of the provisions of AB 2941.	<u>Stock</u> 20,281  <u>GDR</u> 35,752	<u>Stock</u> \$409,426  <u>GDR</u> \$718,615
8	Makita Group (Japan)	Makita Group was identified as providing products and equipment to Sudan.	In 2015, CalSTRS designated Makita Group as "Under Review" for potentially having ties to Sudan. In 2016, CalSTRS designated Makita Group as "Being Monitored." In 2020-21, CalSTRS removed Makita Group from "Being Monitored" status with the repeal of the provisions of AB 2941.	1,012,870	\$47,727,814

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
9	Malayan Banking Bhd. (Malaysia)	Malayan Banking Bhd. was identified as potentially providing banking services in Sudan.	In 2017, CalSTRS designated Malayan Banking Bhd. as "Under Review" for potentially having ties to Sudan. In 2018, CalSTRS designated Malayan Banking Bhd. as "Being Monitored." In 2020-21, CalSTRS removed Malayan Banking Bhd. from "Being Monitored" status with the repeal of the provisions of AB 2941.	12,199,902	\$23,832,640
10	MISC Bhd. (Malaysia)	MISC Bhd. is a Malaysian shipping company that is linked to Sudan through its parent company, Petronas, also a "Restricted" company.	In 2009, MISC Bhd. was designated as "Divested and Restricted." In 2020-21, CalSTRS removed the restrictions on MISC Bhd. with the repeal of the provisions of AB 2941. MISC Bhd. remains restricted by CalSTRS under the Iran divestment requirements.	0	\$0
11	Oil and Natural Gas Company of India (India)	Oil and Natural Gas Company of India (ONGC) has interests in multiple Sudanese oil blocks.	In 2009, ONGC was designated as "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020. In 2020-21, CalSTRS removed the restrictions on ONGC with the repeal of the provisions of AB 2941. ONGC remains restricted by CalSTRS under the Iran divestment requirements.	0	\$0
12	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 "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020. In 2020-21, CalSTRS removed the restrictions on PECD Berhad with the repeal of the provisions of AB 2941.	0	\$0

## Attachment F

	<b>Company Name (Domicile)</b>	<b>Summary of Ties to Sudan</b>	<b>Summary Status</b>	<b>Shares Held by CalSTRS 06/30/2021</b>	<b>Market Value (\$) of Shares Held by CalSTRS 06/30/2021</b>
13	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 Sudan.	In 2009, CalSTRS designated PetroChina as "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020. In 2020-21, CalSTRS removed the restrictions on PetroChina with the repeal of the provisions of AB 2941. PetroChina remains restricted by CalSTRS under the Iran divestment requirements.	0	\$0
14	Petronas (Malaysia)	Petronas has an interest in several oil fields in Sudan.	In 2009, CalSTRS designated Petronas as "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020. In 2020-21, CalSTRS removed the restrictions on Petronas with the repeal of the provisions of AB 2941. Petronas remains restricted by CalSTRS under the Iran divestment requirements.	0	\$0
15	Sudan Telecom Company (Sudatel) (Sudan)	Sudan Telecom (Sudatel) provides telecommunication services in Sudan and reportedly cut services to villages in Darfur when attacks were imminent.	In 2009, CalSTRS designated Sudan Telecom as "Divested and Restricted." CalSTRS maintained the "Divested and Restricted" status in 2020. In 2020-21, CalSTRS removed the restrictions on Sudan Telecom Company with the repeal of the provisions of AB 2941.	0	\$0



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

June 23, 2021

Adrian Basaraba, Senior Vice-President & Chief Financial Officer  
AGF Management Limited  
Toronto-Dominion Bank Tower  
66 Wellington Street West  
Toronto, Ontario,  
M5K 1E9, Canada

Dear Adrian,

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 975,000 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 May 28, 2021, the CalSTRS portfolio was valued at approximately **\$305.8 billion**, with approximately **\$152 billion** of the fund's assets invested in the public equity markets on both a domestic and an international basis. CalSTRS currently holds \$292,304 worth of AGF 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 an Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG) that can be accessed in our Board Policy Manual found on our website [www.calstrs.com](http://www.calstrs.com). CalSTRS has contracted with MSCI Inc. to provide us with information on companies with operations in Northern Ireland. Furthermore, MSCI reports on the companies' identified efforts towards inclusiveness in Northern Ireland. AGF has been identified as having operations in Northern Ireland and has not taken substantial action towards inclusiveness. As long-term investors, we encourage AGF to take substantial action, such as adopting the MacBride principles to address this issue.

If you have any questions, please feel free to contact Philip Larrieu of the CalSTRS Sustainable Investment and Stewardship Strategies staff at:

Philip Larrieu  
CalSTRS – Sustainable Investment and Stewardship Strategies  
100 Waterfront Place, MS-4  
West Sacramento, CA 95605  
[plarrieu@calstrs.com](mailto: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