

California State Teachers' Retirement System Investment Reports

As of June 30, 2022

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 341, Statutes of 1999 (SB 105-Burton) - Northern Ireland

Background

CalSTRS

With over 100 years of experience and over \$301 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](#).

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.

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. 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, CalSTRS determines which companies potentially meet the criteria of the statute.

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 statute. 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 CalSTRS 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.

On November 24, 2021, the IAEA Director General briefed their Board of Governors noting that technical discussions between the IAEA and Iran had not yielded any progress in clarifying the correctness and completeness of Iran's safeguards.

On December 12, 2021, the U.S. confirmed indirect nuclear talks with Iran would be restarted in Vienna.

On March 5, 2022, Iran and the IAEA agreed to a three-month plan for a series of actions to clarify and resolve issues identified in the briefing provided on November 24, 2021. Subsequent to the announcement, the *Wall Street Journal* reported that Russian Foreign Minister Sergei Lavrov demanded written guarantees that western sanctions “will by no means affect our right to free and full-fledged trading, economic, investment, military and technical cooperation with Iran,” if a deal is reached that would lift U.S. sanctions on Iran.

On March 16, 2022, Russia withdrew its maximalist demands on sanctions carveouts related to the revival of the JCPOA.

On June 8, 2022, the IAEA voted to censure Iran over its failure to provide “credible” explanations about the origins of nuclear material found at three undeclared sites, and Iran responded by removing cameras that were monitoring the country’s nuclear activity.

On June 27, 2022, indirect nuclear talks between Iran and the U.S. restarted with a European Union envoy acting as intermediary.

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 that was in effect at the time, 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 had 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 had 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 maintained 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.

During 2021-22, CalSTRS identified 33 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 seven 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 15 companies in its portfolio as “Being Monitored.”

During 2021-22, CalSTRS removed nine 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, CalSTRS 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.

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. CalSTRS 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 roughly \$4.31 billion. CalSTRS estimates the total compounded cost of all divestments, to date, and the prior restricting of tobacco under the prior benchmark modification policy is approximately \$9.44 billion ([Attachment F](#)).

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 \$15,713,162,929 worth of equity with exposure to Northern Ireland, representing 13.59% of CalSTRS' equity holdings. Additionally, CalSTRS has \$1,615,264,578 worth of bonds with exposure to Northern Ireland, representing 5.10% of its fixed-income portfolio. In total, CalSTRS holds \$17,334,894,293 worth of securities with exposure to Northern Ireland, which represents 5.75% of the total fund.

CalSTRS identified holdings in nine 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](#)).

Company Name	Security Type	Shares / Face Value	Market Value 6/30/2022
FERGUSON PLC	STOCK	401,164	\$44,763,350
GREGGS PLC	STOCK	98,837	\$2,170,189
HILTON WORLDWIDE HOLDINGS INC.	BONDS	3,110,063	\$2,982,158
HILTON WORLDWIDE HOLDINGS INC.	STOCK	463,966	\$51,704,371
JD SPORTS FASHION PLC	STOCK	6,932,445	\$9,715,651
MOHAWK INDUSTRIES, INC.	STOCK	83,996	\$10,423,064
SONOCO PRODUCTS COMPANY	STOCK	126,661	\$7,224,743

SPIRIT AEROSYSTEMS HOLDINGS, INC.	BONDS	2,125,157	\$1,806,243
SPIRIT AEROSYSTEMS HOLDINGS, INC.	STOCK	168,326	\$4,931,952
TECH MAHINDRA LIMITED	STOCK	665,518	\$8,427,212
VEOLIA ENVIRONNEMENT SA	STOCK	1,606,211	\$39,108,873
	BONDS		\$4,788,402
	STOCK		\$178,469,405
	TOTAL		\$183,257,807

CalSTRS identified holdings in 147 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.

Company Name	Security Type	Shares / Face Value	Market Value 6/30/2022
3M COMPANY	BONDS	17,090,000	\$16,016,050
3M COMPANY	STOCK	1,048,733	\$135,716,538
AECOM	BONDS	300,000	\$283,554
AECOM	STOCK	173,177	\$11,294,604
AIB GROUP PLC	STOCK	864,768	\$1,965,452
ALLIANZ SE	STOCK	810,795	\$154,373,206
AMAZON.COM, INC.	BONDS	82,820,000	\$72,886,605
AMAZON.COM, INC.	STOCK	16,037,814	\$1,703,376,225
APPLE INC.	BONDS	122,430,000	\$106,686,410
APPLE INC.	STOCK	27,615,951	\$3,775,652,821
ARJO AB (PUBL)	STOCK	217,834	\$1,375,360
ASSA ABLOY AB	STOCK	1,530,827	\$32,461,767
ASSOCIATED BRITISH FOODS PLC	STOCK	1,849,395	\$35,441,845
ATOS SE	STOCK	105,289	\$1,407,301
AVIS BUDGET GROUP, INC.	BONDS	5,578,000	\$5,072,053
AVIS BUDGET GROUP, INC.	STOCK	40,850	\$6,008,218
AXA SA	STOCK	3,629,928	\$82,197,703
BABCOCK INTERNATIONAL GROUP PLC	STOCK	275,912	\$1,034,731
BANCO SANTANDER, S.A.	BONDS	26,050,000	\$24,282,009
BANCO SANTANDER, S.A.	STOCK	32,692,646	\$91,871,870
BANK OF IRELAND GROUP PLC	STOCK	3,699,735	\$23,331,098
BARCLAYS PLC	BONDS	172,421,520	\$149,774,282
BARCLAYS PLC	STOCK	32,875,389	\$61,133,951
BOUYGUES S.A.	STOCK	1,369,001	\$42,020,676
BRITVIC PLC	STOCK	270,380	\$2,663,024
BT GROUP PLC	STOCK	7,570,908	\$17,129,334

BUNZL PLC	STOCK	842,692	\$27,826,445
C & C GROUP PLC	STOCK	338,044	\$756,621
CAPITA PLC	STOCK	1,806,721	\$559,953
CATERPILLAR INC.	BONDS	217,250,000	\$215,491,310
CATERPILLAR INC.	STOCK	925,430	\$165,429,867
CITIGROUP INC.	BONDS	440,131,124	\$426,500,991
CITIGROUP INC.	STOCK	3,399,343	\$156,335,785
CK HUTCHISON HOLDINGS LIMITED	STOCK	12,822,077	\$86,684,786
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.	BONDS	7,167,558	\$5,629,217
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.	STOCK	436,220	\$466,755
CLOSE BROTHERS GROUP PLC	STOCK	271,233	\$3,376,339
CME GROUP INC.	BONDS	3,000,000	\$2,873,730
CME GROUP INC.	STOCK	650,291	\$133,114,568
COCA-COLA HBC AG	STOCK	768,086	\$16,995,653
COMPAGNIE DE SAINT-GOBAIN SA	STOCK	945,306	\$40,464,717
COMPASS GROUP PLC	BONDS	1,028,000	\$851,575
COMPASS GROUP PLC	STOCK	2,285,922	\$46,639,118
COWEN INC.	BONDS	2,932,250	\$2,748,984
COWEN INC.	STOCK	122,432	\$2,900,414
CRAWFORD & COMPANY	STOCK	7,199	\$56,152
CRH PLC	STOCK	1,111,357	\$38,341,646
CURRYS PLC	STOCK	1,098,343	\$908,374
DALATA HOTEL GROUP PLC	STOCK	213,983	\$777,387
DANSKE BANK A/S	BONDS	3,880,000	\$3,858,329
DANSKE BANK A/S	STOCK	1,586,625	\$22,371,806
DCC PLC	STOCK	225,270	\$13,947,065
DEUTSCHE POST AG	STOCK	2,205,833	\$82,419,580
DFDS A/S	STOCK	37,259	\$1,124,053
DIAGEO PLC	ADR	24,667	\$4,295,018
DIAGEO PLC	BONDS	2,000,000	\$1,667,540
DIAGEO PLC	STOCK	3,020,977	\$129,527,886
DSV A/S	STOCK	460,493	\$64,166,766
DUPONT DE NEMOURS, INC.	BONDS	13,500,000	\$13,548,560
DUPONT DE NEMOURS, INC.	STOCK	888,756	\$49,397,058
ELIS SA	STOCK	196,701	\$2,611,641
EMERSON ELECTRIC CO.	BONDS	250,000	\$211,543
EMERSON ELECTRIC CO.	STOCK	1,031,118	\$82,015,126
ENTAIN PLC	STOCK	687,066	\$10,388,371
FD TECHNOLOGIES PLC	STOCK	24,098	\$575,366
FERROVIAL, S.A.	STOCK	464,131	\$11,737,610
FIRSTSOURCE SOLUTIONS LIMITED	STOCK	974,871	\$1,270,243

FORTIVE CORPORATION	BONDS	6,000,000	\$5,449,260
FORTIVE CORPORATION	STOCK	889,198	\$48,354,587
FRASERS GROUP PLC	STOCK	179,603	\$1,451,581
FUJITSU LIMITED	STOCK	491,915	\$61,428,273
GENERAL ELECTRIC COMPANY	BONDS	4,926,000	\$5,510,568
GENERAL ELECTRIC COMPANY	STOCK	1,877,215	\$119,522,279
GENPACT LIMITED	STOCK	78,501	\$3,325,302
GENUIT GROUP PLC	STOCK	250,522	\$1,163,743
GLANBIA PLC	STOCK	731,333	\$7,898,029
GRAFTON GROUP PLC	STOCK	438,760	\$4,139,195
H & M HENNES & MAURITZ AB	STOCK	791,543	\$9,436,042
HALFORDS GROUP PLC	STOCK	221,335	\$384,116
HARVEY NORMAN HOLDINGS LTD	STOCK	596,708	\$1,522,311
HAYS PLC	STOCK	3,245,093	\$4,398,160
HCL TECHNOLOGIES LIMITED	STOCK	2,266,752	\$27,935,248
HEINEKEN N.V.	STOCK	389,103	\$35,390,529
HOLCIM AG	STOCK	800,288	\$34,148,185
HSBC HOLDINGS PLC	BONDS	83,735,000	\$78,038,350
HSBC HOLDINGS PLC	STOCK	30,661,558	\$199,457,255
HUHTAMAKI OYJ	STOCK	100,156	\$3,957,965
HYSTER-YALE MATERIALS HANDLING, INC.	STOCK	18,045	\$581,410
INDUSTRIA DE DISEÑO TEXTIL, S.A.	STOCK	1,386,833	\$31,302,573
INTERFACE, INC.	STOCK	75,143	\$942,293
IBM CORP.	BONDS	38,150,000	\$35,588,426
IBM CORP.	STOCK	1,542,468	\$217,781,057
ISS A/S	STOCK	642,391	\$10,105,443
J D WETHERSPOON PLC	STOCK	99,510	\$754,104
J SAINSBURY PLC	STOCK	14,244,835	\$35,291,266
JET2 PLC	STOCK	167,873	\$1,846,685
JOHNSON CONTROLS INTERNATIONAL PLC	BONDS	9,150,000	\$8,069,695
JOHNSON CONTROLS INTERNATIONAL PLC	STOCK	1,202,230	\$57,562,772
JUST GROUP PLC	STOCK	1,072,750	\$929,549
KERRY GROUP PLC	STOCK	363,990	\$34,757,912
KIER GROUP PLC	STOCK	490,830	\$404,744
KINGFISHER PLC	STOCK	14,325,814	\$42,503,277
KINGSPAN GROUP PLC	STOCK	407,657	\$24,457,739
KONE OYJ	STOCK	479,854	\$22,755,448
KONINKLIJKE PHILIPS N.V.	STOCK	2,935,985	\$63,092,035
KUEHNE + NAGEL INTERNATIONAL AG	STOCK	106,983	\$25,255,296
KYOCERA CORPORATION	STOCK	1,319,072	\$70,451,485
LIBERTY GLOBAL PLC	STOCK	616,582	\$13,427,297

LLOYDS BANKING GROUP PLC	ADR	292,000	\$595,680
LLOYDS BANKING GROUP PLC	BONDS	40,460,000	\$38,098,403
LLOYDS BANKING GROUP PLC	STOCK	167,489,661	\$86,061,849
MANPOWERGROUP INC.	STOCK	152,966	\$11,688,132
MARKS AND SPENCER GROUP P.L.C.	STOCK	2,008,137	\$3,304,550
MARRIOTT INTERNATIONAL, INC.	BONDS	19,311,000	\$17,509,461
MARRIOTT INTERNATIONAL, INC.	STOCK	468,290	\$63,692,123
MARSH & MCLENNAN COMPANIES, INC.	BONDS	17,000,000	\$15,218,575
MARSH & MCLENNAN COMPANIES, INC.	STOCK	913,881	\$141,880,025
MCDONALD'S CORPORATION	BONDS	18,970,000	\$17,228,888
MCDONALD'S CORPORATION	STOCK	1,266,647	\$312,709,811
MCKESSON CORPORATION	STOCK	346,639	\$113,077,108
MICRO FOCUS INTERNATIONAL PLC	STOCK	338,324	\$1,149,635
MICROSOFT CORPORATION	BONDS	87,100,000	\$77,709,937
MICROSOFT CORPORATION	STOCK	12,710,078	\$3,264,329,333
MITCHELLS & BUTLERS PLC	STOCK	292,102	\$653,437
MITIE GROUP PLC	STOCK	1,549,845	\$1,054,037
NATWEST GROUP PLC	BONDS	25,850,000	\$25,157,341
NATWEST GROUP PLC	STOCK	16,884,505	\$44,763,260
NEWS CORPORATION	BONDS	350,000	\$303,209
NEWS CORPORATION	STOCK	672,707	\$10,497,118
NEXT PLC	STOCK	125,022	\$8,897,412
NIKE, INC.	BONDS	11,040,000	\$10,045,440
NIKE, INC.	STOCK	2,243,714	\$229,307,571
OMNICOM GROUP INC.	BONDS	6,250,000	\$5,263,616
OMNICOM GROUP INC.	STOCK	349,487	\$22,230,868
ORACLE CORPORATION	BONDS	70,583,990	\$66,678,982
ORACLE CORPORATION	STOCK	2,752,882	\$192,343,865
PEARSON PLC	ADR	149,014	\$1,373,909
PEARSON PLC	STOCK	860,681	\$7,837,315
PPG INDUSTRIES, INC.	STOCK	414,835	\$47,432,234
PROVIDENT FINANCIAL PLC	STOCK	246,063	\$596,467
RANDSTAD N.V.	STOCK	776,230	\$37,491,742
RAYTHEON TECHNOLOGIES CORPORATION	BONDS	41,410,000	\$40,163,588
RAYTHEON TECHNOLOGIES CORPORATION	STOCK	2,544,487	\$244,550,646
REACH PLC	STOCK	321,800	\$391,982
RENTOKIL INITIAL PLC	STOCK	1,937,060	\$11,164,787
SALLY BEAUTY HOLDINGS, INC.	STOCK	139,730	\$1,665,582
SANDVIK AKTIEBOLAG	STOCK	2,217,532	\$35,889,853
SEAGATE TECHNOLOGY HOLDINGS PLC	STOCK	258,456	\$18,464,097
SENSATA TECHNOLOGIES HOLDING PLC	BONDS	3,143,000	\$2,774,380

SENSATA TECHNOLOGIES HOLDING PLC	STOCK	272,119	\$11,241,236
SERCO GROUP PLC	STOCK	2,500,145	\$5,289,237
SGS SA	STOCK	8,369	\$19,100,919
SIGNET JEWELERS LIMITED	STOCK	131,044	\$7,005,612
SMURFIT KAPPA GROUP PLC	STOCK	232,907	\$7,811,243
SODEXO SA	STOCK	90,823	\$6,367,407
SPIE SA	STOCK	262,612	\$5,683,137
SSE PLC	STOCK	3,214,323	\$63,082,735
STERICYCLE, INC.	BONDS	814,000	\$671,786
STERICYCLE, INC.	STOCK	117,753	\$5,163,469
SYSCO CORPORATION	BONDS	17,500,000	\$15,251,040
SYSCO CORPORATION	STOCK	869,669	\$73,669,661
TATA STEEL LIMITED	STOCK	1,699,197	\$18,655,719
TELEFONICA S.A.	ADR	39,411	\$202,178
TELEFONICA S.A.	STOCK	9,891,812	\$50,279,856
TELEPERFORMANCE SE	STOCK	78,472	\$24,061,905
TEREX CORPORATION	BONDS	1,246,000	\$1,071,672
TEREX CORPORATION	STOCK	180,879	\$4,950,658
TERUMO CORPORATION	STOCK	1,054,130	\$31,719,726
TESCO PLC	STOCK	30,791,387	\$95,543,204
THALES SA	STOCK	146,426	\$17,918,136
THE ALLSTATE CORPORATION	BONDS	9,000,000	\$8,073,750
THE ALLSTATE CORPORATION	STOCK	655,124	\$83,023,865
THE COCA-COLA COMPANY	BONDS	29,568,213	\$34,338,060
THE COCA-COLA COMPANY	STOCK	7,202,249	\$453,093,485
THE ESTEE LAUDER COMPANIES INC.	STOCK	453,076	\$115,384,865
THE GAP, INC.	STOCK	271,034	\$2,233,320
THE RESTAURANT GROUP PLC	STOCK	797,362	\$431,306
THE TJX COMPANIES, INC.	STOCK	2,076,606	\$115,978,445
THYSSENKRUPP AG	STOCK	483,537	\$2,734,829
TP ICAP GROUP PLC	STOCK	785,695	\$1,071,552
TRIGANO SA	STOCK	9,197	\$898,041
TTEC HOLDINGS, INC.	STOCK	24,151	\$1,639,611
TUI AG	STOCK	1,091,666	\$1,755,987
VISA INC.	BONDS	30,960,000	\$27,345,224
VISA INC.	STOCK	2,925,590	\$576,019,415
VODAFONE GROUP PLC	BONDS	27,640,000	\$26,462,361
VODAFONE GROUP PLC	STOCK	58,997,893	\$90,751,880
WH SMITH PLC	STOCK	208,464	\$3,559,558
WILLIS TOWERS WATSON PLC	STOCK	194,962	\$38,483,549
WINCANTON PLC	STOCK	126,536	\$533,241

XEROX HOLDINGS CORPORATION	BONDS	94,000	\$71,424
XEROX HOLDINGS CORPORATION	STOCK	607,636	\$9,023,395
ZURICH INSURANCE GROUP AG	STOCK	197,489	\$85,650,423
	ADR		\$6,466,786
	BONDS		\$1,610,476,176
	STOCK		\$15,534,693,524
	TOTAL		\$17,151,636,486

During fiscal year 2021-22, no shareholder proposals relating to inclusiveness in Northern Ireland were presented for any holdings in the CalSTRS portfolio.

Actions Taken

In 2021-22, 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.

<p>Payment System: Principles</p> <p>The investment's long-term profitability by whether a country complies with the 10 Core Principles for Systemically Important Payment Systems, which includes operational reliability, efficiency, real time settlement, final settlement in central bank money; and whether rules and procedures are clear and permit participants to understand the financial risks resulting from participation in the system.</p>
<p>Insolvency Framework</p> <p>The investment's long-term profitability from its business operations and activities in specific countries with regard to bankruptcy reform or insolvency legislation.</p>
<p>Money Laundering</p> <p>The investment's long-term profitability from exposure and whether or not a country has implemented an anti-money laundering regime in line with international standards; consideration should be given to compliance with the 40 recommendations in the Financial Action Task Force, FATF, on Money Laundering; and whether it is a member of FATF.</p>
<p>Insurance Supervision</p> <p>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.</p>
<p>Respect for Human Rights</p> <p>The investment's long-term profitability from its business operations and activities in countries that lack or have a weak judicial System. Assess the risk to an investment's long-term profitability from its business operations and activities in a country that engages in or facilitates the following: arbitrary or unlawful deprivation of life, disappearance, torture and other cruel, inhuman, or degrading treatment or punishment, arbitrary arrest, detention, or exile, arbitrary interference with privacy, family, home, or correspondence, use of excessive force and violations of humanitarian law in internal conflicts. Consideration should be given to governmental attitude regarding international and non-governmental investigation of alleged violations of human rights.</p>
<p>Respect for Civil Liberties</p> <p>The investment's long-term profitability from operations, activities, and business practices in countries or regions that do not allow freedom of speech and press, freedom of peaceful assembly and association, freedom of religion, freedom of movement within the country, allowance for foreign travel, emigration, and repatriation.</p>
<p>Respect for Cultural and Ethnic Identities</p> <p>The investment's long-term profitability from operations, activities and business practices that do not adequately respect cultural values and ethnic identities.</p>
<p>Respect for Property Rights</p> <p>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.</p>

<p>Respect for Political Rights</p> <p>The investment's long-term profitability from business practices and activities in countries that do not allow their citizens the right to advocate for change to their government.</p>
<p>Discrimination Based on Race, Sex, Disability, Language, or Social Status</p> <p>The investment's long-term profitability from business practices and activities on discrimination, such as discrimination against women, children, and persons with disabilities, national/racial/ethnic minorities, or indigenous people.</p>
<p>Worker Rights</p> <p>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.</p>
<p>Environmental</p> <p>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.</p>
<p>Climate Change</p> <p>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.</p>
<p>Resource Efficiency</p> <p>The investment's long-term profitability from inadequately managing resource usage in a resource-constrained environment amid growing resource demand.</p>
<p>War/Conflicts/Acts of Terrorism</p> <p>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.</p>
<p>Human Health</p> <p>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.</p>

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

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

December 27, 2021

Edwin van der Geest
Alexandre Muller
Investor Relations
Kardex Holding AG
Thurgauerstrasse 40
CH-8050 Zurich, Switzerland

Dear Edwin and Alexandre,

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 \$325 billion invested across both domestic and international markets. Currently, CalSTRS owns 6,994 shares of Kardex Holding AG.

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.

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 Kardex Holding AG 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 Kardex Holding AG 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

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

5/25/2022

Arif Akmal Saifie (CFA, FCA)
11th Floor – UBL Head Office,
I.I Chundrigar Road, Karachi- 74000 Pakistan

Dear Arif,

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.

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.

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 United Bank Limited 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 United Bank Limited 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

Companies Divested and Restricted					
	Company Name (Domicile)	Summary of Ties to Iran	Summary of Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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's 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 2021-22.	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 2021-22.	0	\$0

Attachment E

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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 drilling and other related services in Iran.</p> <p>In 2011, CalSTRS staff met with company executives in its Beijing offices. 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 that 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 with the country. In 2012, CalSTRS divested holdings of CNOOC and maintained the "Divested and Restricted" status in 2021-22.</p> <p>In 2021-22, CNOOC Energy Technology & Services Ltd was purchased by a CalSTRS external manager. After a review by CalSTRS, it was determined that the company should be restricted as a subsidiary of CNOOC, and the position was liquidated.</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., remained "Divested and Restricted" in 2021-22.	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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 2021-22.	0	\$0
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 designated the company as "Divested and Restricted" for ties to Iran and maintained that status in 2021-22.	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 2021-22.	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 apparently withdrew from Iran, Petronas remained "Divested and Restricted" under previous Sudan sanctions. CalSTRS maintained the "Divested and Restricted" status in 2021-22.	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. CalSTRS maintained the "Divested and Restricted" status in 2021-22.	0	\$0

Attachment E

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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, it was 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. CalSTRS maintained the "Divested and Restricted" status in 2021-22.	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. CalSTRS maintained the "Divested and Restricted" status in 2021-22.	0	\$0

Companies Under Review					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
1	AFRY AB (Sweden)	AFRY AB reportedly provides consultancy services for power and water projects in Iran.	In 2021-22, CalSTRS identified AFRY AB as potentially having ties to Iran and began the review process.	378,823	\$5,190,268
2	Kardex Holding AG (Switzerland)	Kardex Holding AG reportedly 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. CalSTRS maintained the "Under Review" status in 2021-22 while continuing to confirm OFAC compliance procedures.	6,528	\$1,081,465
3	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. CalSTRS maintained the "Under Review" status in 2021-22 while continuing to confirm OFAC compliance procedures.	310,800	\$826,875
4	Shanghai Electric Group Company Limited (China)	Shanghai Electric Group Company Limited reportedly provides power supply and transmission equipment to Iran.	In 2021-22, CalSTRS identified Shanghai Electric Group Company Limited as potentially having ties to Iran and began the review process.	1,789,300	\$1,098,550
5	State Grid Overseas Investments (Virgin Islands)	State Grid Overseas Investments is reportedly 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. CalSTRS maintained the "Under Review" status in 2021-22 while continuing to confirm OFAC compliance procedures.	Bonds 2,140,000	Bonds \$2,164,696

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	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
6	Steel Authority of India Limited (India)	Steel Authority of India Limited reportedly provides consulting services 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. CalSTRS maintained the "Under Review" status in 2021-22 while continuing to confirm OFAC compliance procedures.	145,490	\$126,289
7	Terna – Rete Elettrica Nazionale Societa per Azioni (Italy)	Terna – Rete Elettrica Nazionale Societa per Azioni reportedly provides power supply and transmission equipment to Iran.	In 2021-22, CalSTRS identified Terna – Rete Elettrica Nazionale Societa per Azioni as potentially having ties to Iran and began the review process.	1,725,956	\$13,511,351

Companies Being Monitored					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
1	Aiphone Co. Ltd. (Japan)	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 sanction compliance went through additional review. CalSTRS maintained the "Being Monitored" status in 2021-22.	15,100	\$191,952
2	Akwel SA (France)	Akwel SA was identified as reportedly distributing automobile parts and providing consultancy services in Iran.	In 2019, CalSTRS identified Akwel SA 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 the "Under Review" status in 2020. In 2020-21, CalSTRS moved Akwel SA to "Being Monitored" status. CalSTRS maintained the "Being Monitored" status in 2021-22.	8,585	\$143,783
3	Bharat Petroleum Corporation Ltd. (India)	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 2021-22 because, while the company is not believed to have any ties that violate sanctions, the fact that it conducted business under a waiver and has historical oil-related ties present a higher risk.	5,849,748	\$22,844,184

Attachment E

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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 sanction compliance went through additional review. CalSTRS maintained the "Being Monitored" status in 2021-22.	A Shares 133,465 H Shares 251,501	A Shares \$6,648,827 H Shares \$10,063,950
5	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. In 2021-22, CalSTRS moved CITIC Limited to "Being Monitored" status while sanction compliance went through additional review.	7,157,700	\$7,251,698
6	Eizo Corporation (Japan)	Eizo Corporation reportedly sells monitors for various industries in Iran, 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. CalSTRS maintained the "Being Monitored" status in 2021-22.	19,590	\$543,626
7	Kanematsu Corp. (Japan)	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. CalSTRS maintained the "Being Monitored" status in 2021-22 as CalSTRS continued engagement on the company's sanctions compliance.	79,087	\$779,489

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
8	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. In 2021-22, CalSTRS designated KEI Industries Limited as "Being Monitored."	51,131	\$746,222
9	Larsen & Toubro Ltd. (India)	CalSTRS service providers identified Larsen & Toubro Ltd. 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." CalSTRS maintained the "Being Monitored" status in 2021-22.	Local 46,330 GDR 39,702	Local \$914,163 GDR \$782,129
10	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. In 2021-22, CalSTRS designated Lonking Holdings Limited as "Being Monitored" as CalSTRS continued engagement on the company's internal sanctions controls.	24,908,600	\$6,031,176
11	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. In 2021-22, CalSTRS designated Mytilineos SA as "Being Monitored" as CalSTRS continued engagement on the company's internal sanctions controls.	2,990	\$43,763

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	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
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 was delayed by shutdowns related to the COVID-19 pandemic, and CalSTRS maintained the "Under Review" status through 2020. CalSTRS designated the Suzuki Motor Corp. as "Being Monitored" in 2020-21 and maintained the "Being Monitored" status in 2021-22 as CalSTRS continued engagement on the company's internal sanctions controls.	476,487	\$14,955,214
13	USI Corp (Taiwan)	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. In 2021-22, CalSTRS maintained the "Being Monitored" status.	1,837,000	\$1,529,109
14	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. In 2021-22, CalSTRS moved VINCI SA to "Being Monitor" status while sanction compliance went through additional review.	598,786	\$53,185,024
15	Woori Bank (South Korea)	Woori Finance Holdings Co. was identified as providing import-export financing services to facilitate trade with Iran. In late 2014, Woori Finance Holdings Co. merged with its subsidiary Woori Bank and changed its name to Woori Bank.	In 2014, CalSTRS designated Woori Finance Holdings Co. as "Under Review" for potentially having ties to Iran. In 2015, CalSTRS designated the company as "Being Monitored." In 2020, Woori Bank was removed as CalSTRS no longer held any of the company's securities. CalSTRS moved the company back to "Being Monitored" status in 2021-22 after securities of the company were repurchased.	1,797,355	\$16,749,842

Companies Removed					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
1	Chongqing Changan Automobile Company Limited (China)	Chongqing Changan Automobile Company Limited was identified as potentially selling its products in Iran.	In 2021-22 Chongqing Changan Automobile Company Limited was identified for review and subsequently removed after the company's securities were sold.	0	\$0
2	DMG Mori CO. LTD (Japan)	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" and continued that designation through 2020-21. In 2021-22, CalSTRS removed DMG Mori CO. LTD after confirming that the company does not provide products to Iran.	115,592	\$1,429,425
3	Geely Automobile Holdings Limited (Hong Kong)	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 was 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 while CalSTRS continued engagement on company's internal sanctions controls. In 2021-22, CalSTRS removed Geely Automobile Holdings Limited after confirming that the company does not provide products to Iran.	10,226,882	\$23,250,763
4	Hyosung Heavy Industries Corporation (South Korea)	Hyosung Heavy Industries Corporation reportedly provides industrial technology to Iran.	In 2021-22, Hyosung Heavy Industries Corporation was identified for review and subsequently removed after the company's securities were sold.	0	\$0

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	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
5	Lukoil OAO (Russia)	In 2009, LukOil OAO confirmed to CalSTRS that it had no 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 continued to take actions demonstrating a potential to revive business in Iran and continued that status in 2020-21. In 2021-22 CalSTRS determined to divest Russian securities after the Russian invasion of Ukraine and the implementation of OFAC sanctions. CalSTRS stopped engagement efforts with Russian companies and removed the companies from Iran research. The holding in Russian securities reflects market value, but liquidity restrictions prevent the sale or transfer of securities held before the sanctions were put in place.	ADR 598,356 Bonds 3,510,000	ADR \$3,077,550 Bonds \$2,439,415
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. In 2021-22, CalSTRS removed National Aluminum Co. Ltd. after confirming that the company does not provide products to Iran.	10,132,997	\$8,827,759

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
7	OAO 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 Phases 2 and 3 of the South Pars gas field. In December 2017, the company signed an MOU for developing 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. CalSTRS maintained the "Being Monitored" status through 2020-21. In 2021-22, CalSTRS determined to divest Russian securities after the Russian invasion of Ukraine and the implementation of OFAC sanctions. CalSTRS stopped engagement efforts with Russian companies and removed the companies from Iran research. The holdings in Russian securities reflect market value, but liquidity restrictions prevent the sale or transfer of securities held before the sanctions were put in place.	ADR 1,526,053	ADR \$1,234,327

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	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2022	Market Value (\$) of Shares Held by CalSTRS 06/30/2022
8	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 was delayed by shutdowns related to the COVID-19 pandemic. Accordingly, CalSTRS maintained the "Under Review" status in 2020 and designated United Bank Limited as "Being Monitored" status in 2020-21 as CalSTRS reviewed the company's internal sanctions controls. In 2021-22, United Bank Limited was removed as CalSTRS no longer held any of the company's securities.	0	\$0
9	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. In 2021-22, CalSTRS removed Yang Ming Marine Transport Corporation after confirming that the company does not provide restricted services to Iran.	817,000	\$2,261,392

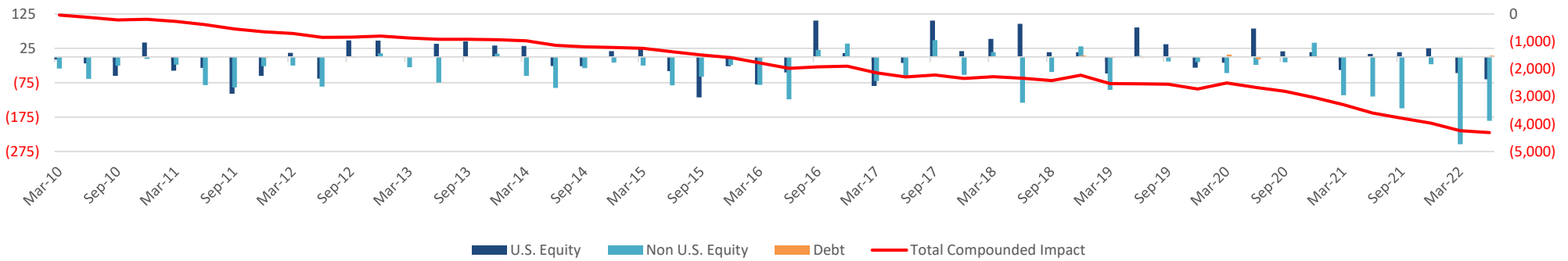
Divestment Policy Cost Analysis

CalSTRS firmly believes that active and direct engagement is the best way to drive long-term value creation. CalSTRS Divestment Policy states that the consideration of divestment only comes after the CIO indicates that all efforts at engagement have been fully exhausted. In these instances, the Investment Committee will receive analysis and determine if continuing investment is imprudent and inconsistent with fiduciary duty.

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

Total Divestment Impact*	
Tobacco prior to 2010	Divestment Policy
(5,125,523,389)	(4,312,933,466)
(9,438,456,856)	

Quarterly Divestment Gain/Loss (\$MM)



Program Impact	Inception	Quarter			6 Months			1 Year			Divestment Period (Inception)			
		Discount = 0	Discount = Total Fund**		Discount = 0	Discount = Total Fund**		Discount = 0	Discount = Total Fund**		Discount = 0	Discount = Total Fund**		
		\$ (MM)	\$ (MM)	%	\$ (MM)	\$ (MM)	%	\$ (MM)	\$ (MM)	%	\$ (MM)	\$ (MM)	Cumulative	Annualized
Total Fund Divestment***		(247.32)	56.34	-0.069%	(545.70)	(339.89)	-0.140%	(677.83)	(712.39)	-0.182%	(2,412.20)	(4,312.93)	-2.141%	-0.178%
US Equity G/L	Jan-10	(65.00)	(40.26)	-0.077%	(112.12)	(70.26)	-0.119%	(73.74)	(50.50)	-0.088%	(56.38)	(363.61)	-0.587%	-0.047%
Non-US Equity G/L	Jan-10	(185.75)	91.08	-0.347%	(439.48)	(277.24)	-0.716%	(610.51)	(667.92)	-0.944%	(2,344.07)	(3,923.31)	-10.001%	-0.834%
Fixed Income G/L	Jan-10	3.43	5.51	0.010%	5.89	7.61	0.016%	6.42	6.03	0.017%	(11.75)	(26.02)	-0.058%	-0.005%
Tobacco****	Sep-00													
Firearms	May-13													
Geo Risk****	Oct-08													
US Thermal Coal	Jul-20													
Non-US Thermal Coal	Jul-20													

* Total Divestment Impact includes the impacts of the Divestment Policy as of January 2010 and the Benchmark Modification Program (passive strategy divestment) as of March 2000 - reinvested at the return of the Total Fund

** Assumes gains and losses would have earned the return of the Total Fund

*** Return impact is estimated using average market values for each period

**** Tobacco and Geopolitical Risk programs captured as of January 2010. Geo Risk includes the divestment from U.S. Prisons as of January 2019.

CalSTRS' Divestment Policy Cost Analysis

Background:

This cost analysis tracks the estimated gains and losses associated with CalSTRS' two divestment related programs: The Legacy Benchmark Modification program (2000 - 2009) and The Divestment Policy Program beginning in 2010. CalSTRS has divested from several companies, beginning in 2006, when certain companies were divested due to geopolitical risk concerns, but for the purposes of this analysis the cost of The Divestment Policy Program is calculated as of January 2010.

Prior to 2010, CalSTRS passive strategies divested from all tobacco companies, when they were removed from CalSTRS benchmarks "Benchmark Modification" (Equity as of September 2000 and Debt as of July 2002). During this time there was not a policy requiring divestment for active managers.

The divestment policy outlines six current divestment-related actions that are tracked in this analysis based on their implementation dates: tobacco companies (January 2010), firearms companies (May 2013), thermal coal companies (U.S. and Non-U.S. as of July 2020), U.S private prison companies (January 2019) and Iran (as of January 2010). Included in the divestment policy cost calculation is the divestment of Sudan from October 2008 until restrictions were lifted in February 2021. Additionally, in 2018, MSCI added Saudi Arabia to their benchmarks, but CalSTRS chose not to include Saudi Arabia in the custom benchmarks - therefore the cost of divestment in Saudi Arabia is captured in the Total Divestment Impact, but is not tracked separately.

Divestment cost is reported at The CalSTRS' Board's request, as a policy requirement.

Methodology:

This cost analysis is an estimate. The gain or loss (potential cost) associated with divestment is captured at three levels: U.S. Equity, Non-U.S. Equity and Debt.

To calculate a gain/loss, a return difference is calculated by comparing the monthly return of each levels fully inclusive benchmark versus the CalSTRS' custom version which excludes divested assets. This return difference is applied to the levels beginning balance to understand that months gain or loss. The cumulative gain or loss is then compounded each month at the Total Fund's return, net of manager fees.

The Total Fund return serves as the discount rate: the rate of return we would expect had the gain been available to invest, or the return we would have lost had the loss reduced the Total Fund's value. Using a discount / re-investment rate is required to estimate the true value gained or lost over the period and is consistent with industry standard cash flow modeling.

The total divestment impact is captured in terms of two components:

- 1) The Legacy Benchmark Modification Program (the removal of tobacco companies from the CalSTRS' benchmarks -passive strategy divestment), which ran from March 2000 to December 2009, compounded through the present period.*
- 2) The Divestment Policy Program, captured as of January 2010, compounded through the present period.*



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

May 25, 2022

HILTON WORLDWIDE HOLDINGS INC.
7930 Jones Branch Drive
McLean, Virginia 22102

Investor Relations,

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 \$77,714,000 worth of HILTON WORLDWIDE HOLDINGS INC. 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. 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. HILTON WORLDWIDE HOLDINGS INC. has been identified as having operations in Northern Ireland and has not taken substantial action towards inclusiveness. As long-term investors, we encourage HILTON WORLDWIDE HOLDINGS INC. 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
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100 Waterfront Place, MS-4
West Sacramento, CA 95605
plarrieu@calstrs.com

Sincerely,

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

Christopher Ailman
Chief Investment Officer