

California State Teachers' Retirement System

Investment Reports

As of June 30, 2024



CALSTRS

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Introduction

The California State Teachers' Retirement System (CalSTRS) must report specific actions as they relate to particular investments and holdings in certain regions to the California Legislature. 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

CalSTRS is the oldest and largest educator-only pension system in the world. CalSTRS' mission is to secure the financial future of California's more than one million working and retired public school educators and their beneficiaries. CalSTRS has over \$340 billion in assets allocated across a broadly diversified investment portfolio. 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 in accordance with the law. The board is charged with maintaining a strong, stable fund to pay benefits to CalSTRS members and their survivors. To fulfill that responsibility, the board understands that long-term value creation includes incorporating sustainability considerations into the management of the portfolio. The board has adopted the Investment Policy for Mitigating Environmental, Social, and Governance (ESG) Risks. The policy describes how CalSTRS incorporates sustainable considerations into the investment decisions of internal staff and external managers. A copy of the policy is included in Attachment A.

Legislative History

Iran

AB 1151 (Feuer, Chapter 441, Statutes of 2011) amended AB 221 (Anderson, Chapter 671, Statutes of 2007), which enacted the California Public Divest from Iran Act (Iran Act), to specify certain public hearing and notice requirements. Generally, the Iran Act:

- Prohibits CalSTRS and the California Public Employees' Retirement System (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, subject to the fiduciary duties set forth in Section 17 of Article XVI of the California Constitution.

In addition, the Iran Act requires a report to the California State Legislature annually until the sunset provision has been met.

Northern Ireland

SB 105 (Burton, Chapter 341 Statutes of 1999) requires CalSTRS and CalPERS to annually investigate and report to the California State Legislature on the extent to which United States and international corporations operating in Northern Ireland, in which their assets are invested, adhere to the principles of nondiscrimination in employment and freedom of workplace opportunity.

In addition, the statute requires CalSTRS and CalPERS to compile a list of domestic and international corporations that do business in Northern Ireland, and in whose stocks or obligations they have invested, and determine whether each corporation on the list has taken substantial action during the preceding year designed to lead toward the achievement of specified goals related to those principles.

The statute also requires CalSTRS and CalPERS, whenever feasible and consistent with their fiduciary responsibility, to support shareholder resolutions designed to encourage domestic and international corporations in which they have invested to pursue a policy of affirmative action in Northern Ireland.

CalSTRS Report on Iran

Policy Review

CalSTRS contracts with MSCI ESG Research, LLC, (MSCI) to provide research relating to companies with operations in Iran. MSCI maintains robust quality assurance, including full research reviews and a methodology committee that approves all changes to the research methodology and enforces consistent implementation. In addition to the contracted research, CalSTRS also receives information from various sources, such as 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 used to screen 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 voting members, including the Chief Investment Officer, the Deputy Chief Investment Officer, senior investment directors and other senior investment staff from each asset class, as well as non-voting members who provide support. In 2014, the committee adopted a charter, which is reviewed 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' external managers and index providers.

When a company is identified as potentially meeting the requirements of the applicable law, CalSTRS has several engagement strategies that may be used, such as sending a letter request for information on the company's ties to the respective restricted area, meeting with senior executives of the company or both. 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 review process is initiated.

CalSTRS intends to maintain its relationships with independent research providers and continue reviewing publicly available information to identify companies that may be subject to the Iran Act. CalSTRS also plans to continue the research and engagement process indefinitely.

Response to Iran Risk

As directed by the Iran Act, CalSTRS identified and created a list of investments in companies noted as having ties or possible ties to Iran through investment or engagement in business operations with entities in the energy, nuclear or defense sectors of Iran or as having demonstrated complicity with an Iranian organization that has been labeled as a terrorist organization by the United States government. The list is based on the information provided by independent research providers, governmental and nongovernmental organizations, and CalSTRS staff engagement work. The list is fluid and subject to change with market fluctuations at any time.

The CalSTRS list is divided into four categories:

1. "Divested and Restricted" includes companies subject to the most severe restrictions under the law. These companies are determined to meet the criteria of the Iran Act for divestment.
2. "Under Review" includes companies identified as potentially meeting the criteria of the Iran Act and requiring assessment. CalSTRS evaluates the companies' ties to restricted entities and their internal controls for sanctions compliance. After the review is complete, these companies are reclassified into one of the other categories.
3. "Being Monitored" includes companies that, while their ties to restricted entities do not meet the criteria of the law, are determined to have weaknesses in their internal controls relating to sanctions compliance or to cause concern they may change their stance on taking on business related to sanctioned areas.

4. “Removed” includes companies that are determined not to meet the criteria of the Iran Act. These companies are monitored by CalSTRS’ third-party research firm and will be subject to the law if new information is discovered.

Summary of Investments Identified

During the 2023-24 fiscal year, CalSTRS identified 27 companies with ties or possible ties to Iran, as shown in Attachment C. Of those 27 companies, 11 were included in the “Divested and Restricted” category. In addition, there were three companies listed as “Under Review.” CalSTRS designated 13 companies in its portfolio as “Being Monitored.” CalSTRS removed nine companies that were previously included in the “Under Review” or “Being Monitored” categories. CalSTRS continues monitoring the portfolio for investments with new or existing ties with Iran entering the portfolio. Attachment C lists the companies included in all four categories.

All asset classes were reviewed for any investments with ties or potential 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 engages 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.

Cost of Portfolio Restrictions

In addition to research and monitoring, the Committee on Responsible Investment tracks the estimated fiscal impact of portfolio restriction programs on the fund. Between June 2000 and January 2010, CalSTRS divested tobacco in its passive portfolios by removing the sector from benchmarks, as required by board policy. CalSTRS also restricted securities related to Sudan from October 2008 to February 2021, in compliance with statutory requirements. As of June 30, 2024, CalSTRS had portfolio restriction programs for tobacco, Iran, firearms, thermal coal and private prisons. CalSTRS estimates, since fully restricting 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 \$4.44 billion. CalSTRS estimates the total compounded cost of all portfolio restriction programs to date and the restricting of tobacco under the prior benchmark modification policy is approximately \$10.24 billion (Attachment D).

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 to specific equal opportunity goals, including affirmative action and other measures toward inclusiveness. MSCI maintains robust quality assurance, including full research reviews and a methodology committee that approves all changes to the research methodology and enforces consistent implementation. 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.

Summary of Investments Identified

During the 2023-24 fiscal year, our research provider identified 164 U.S. and non-U.S. companies with business operations in Northern Ireland of which CalSTRS had exposure to 141 companies. CalSTRS identified holdings in 12 companies that may not have made substantial action toward the goals of inclusiveness in Northern Ireland. In addition, CalSTRS identified holdings in 129 companies that have exposure to Northern Ireland and 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 (Attachment E). 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.

Actions Taken

During the 2023-24 fiscal year, no shareholder proposals relating to inclusiveness in Northern Ireland were presented for any holdings in the CalSTRS portfolio. In accordance with the law and CalSTRS' fiduciary duty, CalSTRS generally votes for such proposals when placed on the ballot. CalSTRS will continue supporting shareholder proposals related to operations in Northern Ireland when they align 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:

- Achieve a rate of return on the fund's total assets 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.
- Maximize the long-term investment return on assets at a level of risk that is acceptable to the board.
- 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.
- Manage the investments of the fund in a prudent manner, so as to maintain confidence of members, employers and the public in CalSTRS.

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

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

INVESTMENT BRANCH

January 2024

POLICY

The fiduciary responsibility of the Board, as described in detail within the overall Investment Policy Statement, 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 set of principles known as the Statement of Investment Responsibility, SIR, to navigate the complex landscape of ESG issues. In January 2024, the Teachers' Retirement Board approved the change from SIR to Corporate Governance (CG) Principles. The CG Principles will continue to guide CalSTRS proxy voting; however, the ESG Policy is CalSTRS' 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.

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.

<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>

*Statement of Investment Responsibility approved by the Teachers' Retirement Board 1978
Revised to align with the Investment Policy and Management Plan and added CalSTRS 20
ESG Risk Factors 2006
Investment policy for mitigating Geopolitical, Environmental and Social Risk adopted by the
Teachers' Retirement Board on April 3, 2008
Revised to add 21st Risk Factor for Human health September 2008
Revised to improve the language used to describe the role that ESG criteria play in investment
decisions, add Respect for Cultural and Ethnic Identities and Respect for Property Rights risk
factors on May 9, 2018
When the IPMP transitioned to the Investment Statement Policy (IPS) this policy was removed
as an attachment and become a stand-alone Policy on September 13, 2023
Revised to replace Statement of Investment Responsibility reference to Corporate Governance
Principles on January 11, 2024*

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

Portfolio Restrictions 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

Attachment C: 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 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
1	China Blue Chemical Ltd. (China)	China Blue Chemical Ltd. is a majority-owned subsidiary of China National Offshore Oil Corporation (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 2023-24.	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 that status in 2023-24.	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
3	China National Offshore Oil Corporation (China)	<p>According to China National Offshore Oil Corporation (CNOOC) 20-F filings, the company cites the potential for U.S. sanctions related to its affiliates' operations in Iran 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 designated CNOOC as "Divested and Restricted" and maintained that status in 2023-24.</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 2023-24.	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary of Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
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 2023-24.	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 2023-24.	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 2023-24.	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” and maintained that status in 2023-24.	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
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 2023-24.	0	\$0
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 2023-24.	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 2023-24.	0	\$0

Companies Under Review					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
1	Chennai Petroleum Corporation Limited (India)	Chennai Petroleum Corporation Limited is reportedly linked to an Iranian state-owned entity.	In 2023-24, CalSTRS identified Chennai Petroleum Corporation Limited as potentially having ties to Iran and initiated the review process.	814,017	\$9,587,122
2	Harbin Electric Company Limited (China)	Harbin Electric Company Limited reportedly provides power equipment and engineering services to Iran.	In 2023-24, CalSTRS identified Harbin Electric Company Limited as potentially having ties to Iran and initiated the review process.	266,000	\$82,791
3	Indian Oil Corporation Limited (India)	Indian Oil Corporation held a majority stake in Chennai Petroleum Corporation Limited, which is reportedly linked to an Iranian state-owned entity.	In 2023-24, CalSTRS identified Indian Oil Corporation Limited as potentially having ties to Iran and initiated the review process.	7,999,068	\$15,888,300

Companies Being Monitored					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
1	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, while performing sanction compliance. In 2023-24, CalSTRS maintained the “Being Monitored” status due to a lack of transparency since the company no longer discloses this information.	A Shares 30,200 H Shares 1,259,101	A Shares \$1,040,118 H Shares \$37,414,688
2	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 and has maintained the “Being Monitored” status due to ongoing business ties in Iran through subsidiaries.	105,187	\$1,791,617
3	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 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act. In 2023-24, CalSTRS moved Kardex Holding AG to “Being Monitored” status due to a lack of transparency since the company no longer discloses sanction compliance information.	6,756	\$1,714,187

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
4	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." CalSTRS maintained the "Being Monitored" status in 2023-24 due to a lack of transparency by the company.	158,030	\$8,376,277
5	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 2023-24 due to ongoing business ties in Iran through a joint venture.	Local 367,925 GDR 77,045	Local \$15,656,585 GDR \$3,282,117
6	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" and maintained that status in 2023-24 due to a lack of transparency since the company no longer discloses sanction compliance information.	22,889,000	\$4,280,290
7	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" and maintained that status in 2023-24 due to ongoing business ties to Iran through subsidiaries.	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
8	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. CalSTRS maintained the "Under Review" status in 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act. In 2023-24, CalSTRS moved Shanghai Electric Group Company to "Being Monitored" status due to ongoing business ties in Iran through subsidiaries.	1,240,700	\$631,786
9	Steel Authority of India Limited (India)	Steel Authority of India Limited reportedly provides consulting services for the iron and steel industries in Iran.	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 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act. In 2023-24, CalSTRS moved Steel Authority of India Limited to "Being Monitored" status due to ongoing business ties in Iran through subsidiaries.	0	\$0
10	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 Suzuki Motor Corp. as "Being Monitored" in 2020-21 and maintained that status in 2023-24 due to ongoing business ties in Iran through subsidiaries that require additional review for sanction compliance.	1,696,048	\$19,516,255

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
11	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. CalSTRS maintained the “Under Review” status in 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act. In 2023-24, CalSTRS moved Terna – Rete Elettrica Nazionale Societa per Azioni to “Being Monitored” status due to potential business ties to Iran through subsidiaries.	Bonds \$100,000 Stock 1,316,120	Bonds \$105,862 Stock \$10,181,366
12	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 and has maintained that status in 2023-24 due to a lack of transparency by the company.	297,000	\$140,071
13	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 Monitored” and maintained that status in 2023-24 due to potential ongoing business ties to Iran through subsidiaries.	765,048	\$80,665,752

Companies Removed					
	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
1	AFRY AB (Sweden)	AFRY AB reportedly provides consultancy services for power and water projects in Iran.	<p>In 2021-22, CalSTRS identified AFRY AB as potentially having ties to Iran and began the review process. CalSTRS maintained the "Under Review" status in 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act.</p> <p>In 2023-24, CalSTRS removed AFRY AB because business ties in Iran have been wound down.</p>	98,996	\$1,776,099
2	Aiphone Co. Ltd. (Japan)	Aiphone, Co. Ltd. was identified as reportedly supplying its communications and security equipment in Iran.	<p>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 2022-23.</p> <p>In 2023-24, CalSTRS removed Aiphone Co. Ltd. due to the company no longer being listed as a distributor in Iran.</p>	15,100	\$290,060

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
3	Akwel SA (France)	Akwel SA was identified as reportedly distributing automobile parts and providing consultancy services in Iran.	<p>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 and maintained that status in 2022-23.</p> <p>In 2023-24, CalSTRS removed Akwel SA after reviewing the company’s internal controls to prevent sanction violations.</p>	0	\$0
4	Bharat Petroleum Corporation Ltd. (India)	Bharat Petroleum Corporation Ltd. was identified as potentially purchasing Iranian crude.	<p>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 2022-23 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.</p> <p>In 2023-24, CalSTRS removed Bharat Petroleum Corporation Ltd. due to the company being identified as no longer having business ties in Iran.</p>	4,624,604	\$16,856,824

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
5	CITIC Limited (Hong Kong)	CITIC Limited reportedly provides loans and financing services to Iran.	<p>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 and maintained that status in 2022-23.</p> <p>In 2023-24, CalSTRS removed CITIC Limited due to the company being identified as no longer having business ties in Iran.</p>	13,941,295	\$12,678,125
6	Eizo Corporation (Japan)	Eizo Corporation reportedly sells monitors for various industries in Iran, including air traffic control.	<p>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 2022-23.</p> <p>In 2023-24, CalSTRS removed Eizo Corporation due to the company being identified as no longer having business ties in Iran.</p>	16,190	\$489,645
7	SAIC Motor Corp. Ltd. (China)	SAIC Motor Corp. Ltd. reportedly has a joint venture with Iranian state-owned entities.	<p>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 2022-23 while reevaluating the procedures for assessing whether a company is subject to the Iran Act.</p> <p>In 2023-24, CalSTRS removed SAIC Motor Corp. Ltd. due to the company being identified as no longer having business in Iran.</p>	0	\$0

	Company Name (Domicile)	Summary of Ties to Iran	Summary Status	Shares Held by CalSTRS 06/30/2024	Market Value (\$) of Shares Held by CalSTRS 06/30/2024
8	State Grid Overseas Investments (British Virgin Islands)	State Grid Overseas Investments is reportedly involved in the Turkey-Iran Grid Interconnection Back-to-Back Project, a power infrastructure connectivity project.	<p>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 2022-23.</p> <p>In 2023-24, State Grid Overseas Investments was removed after reviewing the company's business with Iran and internal controls to prevent sanction violations.</p>	0	\$0
9	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.	<p>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 the company's securities were repurchased and maintained that status in 2022-23.</p> <p>In 2023-24, Woori Bank was removed after reviewing the company's business with Iran and internal controls to prevent sanction violations.</p>	<p>Local 2,188,995</p> <p>ADR 5,703</p>	<p>Local \$23,360,942</p> <p>ADR \$182,724</p>



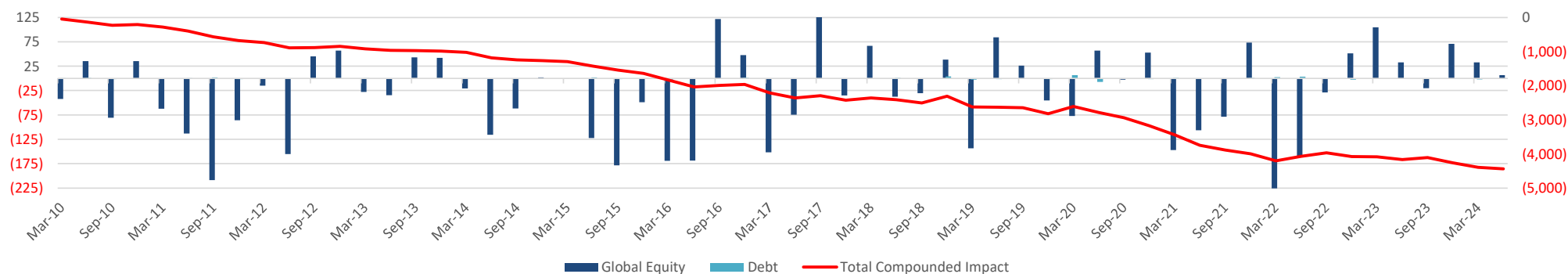
Portfolio Restrictions Cost Analysis

As of June 30, 2024

The Investment Committee views engagement as a strategy for the prudent management of risk adjusted returns and opposes any efforts that would either implicitly or explicitly attempt to direct or influence it to pursue investment activities that would violate and breach its fiduciary duties. Based on its analysis, study, and assessment, the Investment Committee may decide to restrict, exclude, or exit such holdings, sectors, sub-sectors, industries, regions, and/or jurisdictions, or take no action as it deems appropriate and consistent with its fiduciary duties.

Total Restriction Impact ¹	
Tobacco prior to 2010	Portfolio Restriction Policy
(5,802,456,257)	(4,436,715,539)
(10,239,171,796)	

Quarterly Restrictions Gain/Loss (\$MM)



Program Impact	Inception	Quarter		6 Months		1 Year		Restriction Period (Inception)		
		\$ (MM) ²	%	\$ (MM) ²	%	\$ (MM) ²	%	\$ (MM) ²	Cumulative	Annualized
Total Fund Restrictions³		(42.81)	0.001%	(172.92)	0.010%	(268.96)	0.025%	(4,436.72)	-1.112%	-0.077%
Global Equity G/L	Jan-10	(41.27)	0.008%	(167.88)	0.037%	(261.25)	0.088%	(4,396.80)	-1.917%	-0.133%
Fixed Income G/L	Jan-10	(1.54)	-0.003%	(5.05)	-0.009%	(7.71)	-0.014%	(39.91)	-0.103%	-0.007%
Tobacco ⁴	Jan-10	(52.51)	-0.007%	(192.14)	-0.009%	(514.08)	-0.156%	(3,814.79)	-1.057%	-0.073%
Firearms ⁵	May-13	8.29	0.011%	4.88	0.020%	99.66	0.124%	(360.37)	-0.201%	-0.027%
Geo Risk ⁴	Oct-22	5.11	0.004%	21.64	0.015%	94.85	0.083%	130.88	0.117%	0.067%
Thermal Coal	Jul-17	(3.71)	0.001%	(7.30)	0.011%	50.61	0.081%	(392.44)	-0.186%	-0.027%

¹ Total Restriction Impact includes the financial impacts of the current Portfolio Restrictions Policy (effective November 2023) and two legacy programs - the Divestment Policy program (January 2010 - October 2023) and the Benchmark Modification Program (March 2000 - December 2009) - reinvested at the return of the Total Fund

² Assumes gains and losses would have earned the return of the Total Fund

³ Return impact is estimated using average market values for each period

⁴ Tobacco and Geopolitical Risk programs are merged under tobacco from January 2010 until October 2022, due to the unavailability of segregated information. Geo Risk corresponds to the exclusion of Iran and other U.S. sanctioned countries. It also includes the exclusion of U.S. Prisons as of January 2019.

⁵ Segregated restriction data available as of December 2016

CalSTRS' Portfolio Restriction Cost Analysis

Background:

This cost analysis tracks the estimated gains and losses associated with CalSTRS' three investment restriction related programs. The current Portfolio Restrictions Policy (effective November 2023) and two Legacy Programs which include the Benchmark Modification program (2000 - 2009) and the Divestment Policy program (2010 – 2023). CalSTRS has excluded several companies, beginning in 2006, when certain companies were excluded due to geopolitical risk concerns, but for the purposes of this analysis the cost of Portfolio Restrictions Policy is calculated as of January 2010.

Prior to 2010, CalSTRS passive strategies excluded 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 restriction for active managers.

The Portfolio Restrictions Policy outlines six current restrictions 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 2017), U.S private prison companies (January 2019) and geopolitical risk (as of January 2010).

Geopolitical Risk corresponds to the exclusion of Iran and other U.S. sanctioned countries. Included in the exclusion cost calculation is the exclusion 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 excluding Saudi Arabia is captured in the Total Exclusion Impact, but is not tracked separately.

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

Methodology:

This cost analysis is a best-effort historical estimate, based on available information. The gain or loss (potential cost) associated with restriction is captured at the Total Plan level, major asset class (Global Equity and Debt), and by program.

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

The program levels use custom indices which exclude only the restricted assets for each program individually. The difference from the standard index is used to estimate each program's ownership percentage of the gain or loss calculated at the Total Plan level.

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 restriction 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 Portfolio Restriction Policy which combines the Divestment Policy Program (captured as of January 2010), with the Portfolio Restrictions Policy Program (captured as of November 2023), compounded through the present period.*

Attachment E: CalSTRS 2024 Northern Ireland Holdings Report

Companies with operations in Northern Ireland that made substantial action toward the goal of inclusiveness in Northern Ireland.	
COMPANY NAME	DOMICILE
3M COMPANY	UNITED STATES
AECOM	UNITED STATES
AIB GROUP PUBLIC LIMITED COMPANY	IRELAND
ALLIANZ SE	GERMANY
AMAZON.COM, INC.	UNITED STATES
APPLE INC.	UNITED STATES
ARJO AB (PUBL)	SWEDEN
ASSA ABLOY AB	SWEDEN
ASSOCIATED BRITISH FOODS PLC	UNITED KINGDOM
AXA SA	FRANCE
BABCOCK INTERNATIONAL GROUP PLC	UNITED KINGDOM
BANCO SANTANDER, S.A.	SPAIN
BARCLAYS PLC	UNITED KINGDOM
BOUYGUES SA	FRANCE
BT GROUP PLC	UNITED KINGDOM
BUNZL PUBLIC LIMITED COMPANY	UNITED KINGDOM
C & C GROUP PUBLIC LIMITED COMPANY	IRELAND
CATERPILLAR INC.	UNITED STATES
CITIGROUP INC.	UNITED STATES
CK HUTCHISON HOLDINGS LIMITED	HONG KONG
CLEAR CHANNEL OUTDOOR HOLDINGS, INC.	UNITED STATES
CME GROUP INC.	UNITED STATES
COCA-COLA HBC AG	SWITZERLAND
COMPAGNIE DE SAINT-GOBAIN SA	FRANCE
COMPASS GROUP PLC	UNITED KINGDOM
CONCENTRIX CORPORATION	UNITED STATES
CRANE NXT, CO.	UNITED STATES
CRAWFORD & COMPANY	UNITED STATES
CRH PUBLIC LIMITED COMPANY	IRELAND
CURRYS PLC	UNITED KINGDOM
DALATA HOTEL GROUP PUBLIC LIMITED COMPANY	IRELAND
DANSKE BANK A/S	DENMARK
DCC PUBLIC LIMITED COMPANY	IRELAND
DFDS A/S	DENMARK

COMPANY NAME	DOMICILE
DIAGEO PLC	UNITED KINGDOM
DSV A/S	DENMARK
DUPONT DE NEMOURS, INC.	UNITED STATES
EIDP, INC.	UNITED STATES
EMERSON ELECTRIC CO.	UNITED STATES
ENTAIN PLC	UNITED KINGDOM
FD TECHNOLOGIES PUBLIC LIMITED COMPANY	UNITED KINGDOM
FEDEX CORPORATION	UNITED STATES
FORTIVE CORPORATION	UNITED STATES
FRASERS GROUP PLC	UNITED KINGDOM
FUJITSU LIMITED	JAPAN
GENERAL ELECTRIC COMPANY	UNITED STATES
GENUIT GROUP PLC	UNITED KINGDOM
GLANBIA PUBLIC LIMITED COMPANY	IRELAND
GRAFTON GROUP PUBLIC LIMITED COMPANY	IRELAND
GREGGS PLC	UNITED KINGDOM
H & M HENNES & MAURITZ AB	SWEDEN
HALFORDS GROUP PLC	UNITED KINGDOM
HARVEY NORMAN HOLDINGS LTD	AUSTRALIA
HAYS PLC	UNITED KINGDOM
HCL TECHNOLOGIES LIMITED	INDIA
HEINEKEN N.V.	NETHERLANDS
HSBC HOLDINGS PLC	UNITED KINGDOM
HUHTAMAKI OYJ	FINLAND
HYSTER-YALE MATERIALS HANDLING, INC.	UNITED STATES
INDUSTRIA DE DISEÑO TEXTIL, S.A.	SPAIN
INTERFACE, INC.	UNITED STATES
INTERNATIONAL BUSINESS MACHINES CORPORATION	UNITED STATES
ISS A/S	DENMARK
J D WETHERSPOON PLC	UNITED KINGDOM
J SAINSBURY PLC	UNITED KINGDOM
JACOBS SOLUTIONS INC.	UNITED STATES
JD SPORTS FASHION PLC	UNITED KINGDOM
JET2 PLC	UNITED KINGDOM
JOHNSON CONTROLS INTERNATIONAL PLC	IRELAND
JUST GROUP PLC	UNITED KINGDOM
KERRY GROUP PUBLIC LIMITED COMPANY	IRELAND
KIER GROUP PLC	UNITED KINGDOM

Attachment E

COMPANY NAME	DOMICILE
KINGFISHER PLC	UNITED KINGDOM
KINGSPAN GROUP PUBLIC LIMITED COMPANY	IRELAND
KONE OYJ	FINLAND
KYOCERA CORPORATION	JAPAN
LIBERTY GLOBAL LTD.	BERMUDA
LLOYDS BANKING GROUP PLC	UNITED KINGDOM
L'OREAL SA	FRANCE
MANPOWERGROUP INC.	UNITED STATES
MARKS AND SPENCER GROUP P.L.C.	UNITED KINGDOM
MARSH & MCLENNAN COMPANIES, INC.	UNITED STATES
MICROSOFT CORPORATION	UNITED STATES
MOHAWK INDUSTRIES, INC.	UNITED STATES
NEXT PLC	UNITED KINGDOM
NIKE, INC.	UNITED STATES
OMNICOM GROUP INC.	UNITED KINGDOM
ORACLE CORPORATION	UNITED STATES
OXFORD INSTRUMENTS PLC	UNITED KINGDOM
PEARSON PLC	UNITED KINGDOM
PPG INDUSTRIES, INC.	UNITED STATES
RAPID7, INC.	UNITED STATES
RENTOKIL INITIAL PLC	UNITED KINGDOM
RTX CORPORATION	UNITED STATES
RYOBI LIMITED	JAPAN
SALLY BEAUTY HOLDINGS, INC.	UNITED STATES
SANDVIK AKTIEBOLAG	SWEDEN
SEAGATE TECHNOLOGY HOLDINGS PUBLIC LIMITED COMPANY	IRELAND
SENSATA TECHNOLOGIES HOLDING PLC	UNITED STATES
SERCO GROUP PLC	UNITED KINGDOM
SIGNET JEWELERS LIMITED	BERMUDA
SMURFIT KAPPA GROUP PUBLIC LIMITED COMPANY	IRELAND
SODEXO SA	FRANCE
SPIRIT AEROSYSTEMS HOLDINGS, INC.	UNITED STATES
SSE PLC	UNITED KINGDOM
STERICYCLE, INC.	UNITED STATES
SYSCO CORPORATION.	UNITED STATES
TECH MAHINDRA LIMITED	INDIA
TELEFONICA S.A.	SPAIN
TELEPERFORMANCE SE	FRANCE

Attachment E

COMPANY NAME	DOMICILE
TEREX CORPORATION	UNITED STATES
TERUMO CORPORATION	JAPAN
TESCO PLC	UNITED KINGDOM
THALES SA	FRANCE
THE ALLSTATE CORPORATION	UNITED STATES
THE COCA-COLA COMPANY	UNITED STATES
THE GAP, INC.	UNITED STATES
THE TJX COMPANIES, INC.	UNITED STATES
THYSSENKRUPP AG	GERMANY
TP ICAP GROUP PLC	UNITED KINGDOM
TRIGANO SA	FRANCE
TTEC HOLDINGS, INC.	UNITED STATES
TUI AG	GERMANY
VEOLIA ENVIRONNEMENT SA	FRANCE
VISA INC.	UNITED STATES
WH SMITH PLC	UNITED KINGDOM
WILLIS TOWERS WATSON PUBLIC LIMITED COMPANY	UNITED KINGDOM
XEROX HOLDINGS CORP	UNITED STATES
ZURICH INSURANCE GROUP AG	SWITZERLAND

Companies with operations in Northern Ireland that may NOT have made substantial action toward the goal of inclusiveness in Northern Ireland.

COMPANY NAME	DOMICILE
ADECCO GROUP AG	SWITZERLAND
CLOSE BROTHERS GROUP PLC	UNITED KINGDOM
ECOLAB INC.	UNITED STATES
HILTON WORLDWIDE HOLDINGS INC.	UNITED STATES
KAO CORPORATION	JAPAN
KUEHNE + NAGEL INTERNATIONAL AG	SWITZERLAND
MCDONALD'S CORPORATION	UNITED STATES
MITIE GROUP PLC	UNITED KINGDOM
NEWS CORPORATION	UNITED STATES
RANDSTAD N.V.	NETHERLANDS
THE ESTEE LAUDER COMPANIES INC.	UNITED STATES
VODAFONE GROUP PUBLIC LIMITED COMPANY	UNITED KINGDOM