



California State Teachers'
Retirement System
Anne Sheehan, Director of Corporate Governance
100 Waterfront Place, MS-04
West Sacramento, CA 95605-2807

February 1, 2018

Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
110 F Street, N.E.
Washington, D.C. 20549

Re: Resource Extraction Issuers Disclosure of Payments- Section 1504 of Dodd Frank Act

Dear Chairman Clayton,

I am writing on behalf of the California State Teachers' Retirement System (CalSTRS). CalSTRS serves the investment and retirement interests of California's educators consisting of more than [914,454 plan participants and their beneficiaries](#). CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately [\\$225.3 billion as of December 31, 2017](#). The long-term nature of CalSTRS liabilities, the composition of its portfolio and the Teachers Retirement Board's fiduciary responsibility to its members, make the fund keenly interested in the rules and regulations that govern the securities market. We have a vested interest in ensuring shareholder protections are safeguarded within the SEC's rules and regulations.

Our letter is prompted by the inclusion of the Disclosure of Payments by Resource Extraction Issuers rule (implementing Section 13(q) of the Exchange Act of 1934) in the Securities and Exchange Commission's (SEC) regulatory agenda for 2018. CalSTRS' support for strong rules for the implementation of Section 13(q) reaches back to the [attached 2011 letter](#) and [subsequent \(2014\) submissions](#) (2016) during the statute's previous rule-making processes. I am writing to express our continued support to Section 1504 of Dodd Frank which requires resource extraction issuers to include in an annual report, information relating to any payment made by the resource extraction issuer, a subsidiary, or an entity under the control of, for the purpose of the commercial development of oil, natural gas or minerals as more fully described in the Dodd Frank Act. CalSTRS has a significant interest in these rules due to our portfolio exposure to these sectors. CalSTRS' current holdings in the Oil Gas & Consumable Fuels, Metals & Mining and Energy Equipment & Services sectors include approximately six hundred seventeen companies, 606.6 million shares with a market value as of 12/31/17 of \$9.2 billion. We believe the disclosures mandated by Section 1540 are vital and material to CalSTRS' investment analysis and assessment of investment risks and opportunities in the volatile oil, gas, mining and energy equipment & services markets.

We strongly believe that the SEC should continue these disclosure requirements in Section 1504 of Dodd Frank. We understand issuers are in opposition of these disclosures, yet investors like

Chairman Clayton
SEC
2/1/2018
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CalSTRS, believe extractive payment disclosures at the project level will provide substantive information in understanding the many risks involved in these types of projects as well as the impact on cash flows and valuations. You may be aware, in response to investor demand, complementary oil and mining payment disclosures laws in the EU and Canadian the same n followed Section 13(q) and created the opportunity for a global standard for extractives transparency. Hundreds of oil and mining companies are making disclosures pursuant to the EU and Canadian laws that are providing material insights used in investment decisions. We hope that in drafting a new rule for the implementation of Section 13(q) that the Commission makes definitions for project-level disclosure and other key considerations consistent with the EU and Canadian laws. Prioritizing consistency with the EU and Canadian laws would only result in more useful disclosures to investors, as well as enhance the efficiency of compliance for companies that report in different jurisdictions and through the Extractive Industries Transparency Initiative (EITI). We hope the SEC will implement Section 1504 disclosure requirements that will provide a mechanism that ensures transparency on these types of specific disclosures that are useful to investors, while at the same time address issuers' concerns about proprietary information.

We appreciate the opportunity to share our perspective on the rule-making for the Resource Extraction Issuers' Disclosure of Payments. CalSTRS firmly believes that Section 1504 disclosure rules should be maintained as it will assist investors in assessing investment risks and opportunities and will also maintain market efficiency, facilitate capital formation and continue to protect investors.

If you would like to discuss this letter further, please feel free to contact me at my number above or Mary Hartman Morris at [REDACTED], [REDACTED].

Sincerely,



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

Cc: Brent J. Fields, Secretary, SEC - fieldsb@sec.gov
Kara M. Stein, Commissioner – steink@sec.gov
Michael S. Piwowar, Commissioner – piwowarm@sec.gov
Robert J. Jackson Jr., Commissioner – jacksonro@sec.gov
Hester M. Peirce, Commissioner – pierceh@sec.gov

Attachments:

[March 1, 2011 letter on File # S7-42-10 Disclosure of Payments by Resource Extraction Issuers](#)
[April 28, 2014 letter on Section 1504 of Dodd Frank Act – Disclosure of Payments by Resource Extraction Issuers](#)

[March 8, 2016 letter on File No. S7-25-15 Disclosure of Payments by Resource Extraction Issuers](#)



California State Teachers'
Retirement System
Investments
100 Waterfront Place, MS-04
West Sacramento, CA 95605-2807
Fax [REDACTED]

March 1, 2011

Via E-Mail: rule-comments@sec.gov

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File No. S7-42-10 - Disclosure of Payments by Resource Extraction Issuers

Dear Commissioners:

This letter is sent on behalf of the California State Teachers' Retirement System's (CalSTRS) members. CalSTRS is the second largest public pension system in the U.S., with approximately \$145 billion in assets. CalSTRS manages retirement benefits on behalf of over 830,000 members and beneficiaries. CalSTRS is a strong proponent of heightened transparency and full disclosure of all material risks that the companies in our investment portfolio are exposed to. We would like to take this opportunity to provide our comments on the proposed rules for Disclosure of Payments by Resource Extraction Issuers (File No. S7-42-10) as set forth in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act.)

CalSTRS appreciates the thoroughness of the preparation and presentation of the Commissions proposed rules for the implementation of Section 1504 and we support the Commission in this effort to provide greater transparency to shareholders so that more informed investment decisions can be made. CalSTRS requests the Commission to consider the following comments regarding the implementation of Section 1504 as it finalizes the rules for this important reform, as we believe they would help to ensure that shareholders realize the maximum benefit of these critical disclosures:

- Regarding question 1 (page 12) in the Commissions proposed rules, in recognition of the importance of investment information that is as consistent and comparable as possible, and in recognition that the Congressional intention that the disclosure mandated by Section 13(q) of the Dodd-Frank Act be as broad as possible, CalSTRS suggests that the Commission exercise caution in providing exemptions to smaller reporting companies or foreign

Elizabeth M. Murphy

March 2, 2011

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private issuers. Issuers in both these categories are exposed to significant political and regulatory risks and their exclusion from the Section 13(q) disclosure requirements would undermine the value of this reform to investors. While we appreciate the Commission's concerns about the regulatory burden for smaller issuers we believe that concern needs to be balanced with the Congressional intent of providing greater disclosure of this type of information to shareholders so they have the ability to assess the risks involved in investing in such companies.

- Regarding question 28 (page 28) in the Commission's proposed rules, in recognition of the need for standardization and consistency in reporting, CalSTRS believes the concept of de minimis as set out in Section 13(q) should be more clearly defined and that rules to set a de minimis payment threshold should be consistent with that used by the London Stock Exchange (LSE)'s Alternative Investment Market (AIM) of £10,000 (or about \$15,000) for disclosure of any payment "made to any government or regulatory authority" by an oil, gas or mining company registrant¹.

CalSTRS thanks the Commission for the opportunity to provide comment on the implementation of this very important proposed rule. If you would like to discuss any of these points, please do not hesitate to contact me at (██████████).

Sincerely,



Anne Sheehan

Director of Corporate Governance

¹ London Stock Exchange Alternative Investment Market. "AIM Note for Mining, Oil and Gas Companies." June 2009. Page 4. <http://www.londonstockexchange.com/companies-and-advisors/aim/publications/rules-regulations/guidance-note.pdf>.

April 28, 2014

Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White:

As investors representing more than \$2.85 trillion in assets under management, we applaud the U.S. Securities and Exchange Commission (SEC) for its leadership in producing final rules for the implementation of Section 1504 of the Dodd–Frank Wall Street Reform and Consumer Protection Act [Section 13(q) of the Securities Exchange Act of 1934]. The rules the SEC adopted for the implementation of Section 13(q) on August 22, 2012 would protect investors and promote efficient capital markets by providing investors with valuable factual information on risk profiles and company performance. Delay in implementation of these rules or their significant revision would continue to deny investors this valuable information.

The opportunities and challenges of both operating and investing in the oil, gas and mining industries have changed significantly in recent decades as companies have been increasingly compelled to explore and produce in countries with challenging governance and business environments, including some with pervasive corruption. We believe that Section 13(q) creates a chance for disclosure requirements to evolve in a manner that reflects the changing dynamics of these industries.

Investors' decisions regarding the oil, gas and mining industries and the efficient functioning of markets in general rely on the public disclosure of relevant information from issuers that is comprehensive and consistent. Therefore, we agree with the Commission's August 2012 rules for Section 13(q) that require issuer-by-issuer, government-level, and project-level public disclosures and believe that these are beneficial to investors.

Issuers' annual public Exchange Act reporting is an indispensable factor for investment decision-making. It must be done on a basis that allows investors to make decisions about the securities of individual issuers. An anonymous compilation of the submissions required by Section 13(q) would likely not provide the information necessary to serve this purpose. It is in the interest of both investors and issuers that the data disclosed pursuant to Section 13(q) maintains consistency across each issuer's operations. Following the enactment of Section 13(q), other jurisdictions have responded with complementary regulatory efforts, most notably the European Union Accounting and Transparency Directives¹ and Canada's commitment to establish mandatory payment transparency reporting standards². Consistency with these reporting mandates requires payment information for all countries in which issuers operate, without exception.

¹ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

http://new.eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=oj:JOL_2013_182_R_0019_01&from=EN

² Natural Resources Canada. "Mandatory Reporting in the Canadian Extractive Sector Backgrounder." March 3, 2014. <https://www.nrcan.gc.ca/media-room/backgrounder/2014/15565>

Section 13(q) and its complementing regulations also require project-level disclosure. It would be most beneficial to investors if this disclosure were consistent with best practice for disclosing disaggregated production information that references the legal relationship between individual projects and host governments. Such an approach may be modeled on the project-level disclosures made by Statoil³, the large Norwegian-based international oil company, as well as Tullow Oil⁴.

The SEC has demonstrated great diligence in appreciating the changing needs of investors through the implementation of Section 13(q). We also welcome the parallel comment submitted by Allianz Global Investors et al, and note the common objectives our respective groups of signatories share in promoting high standards of transparency in the extractives sector. We remain confident that the Commission will see the process through to a conclusion that fulfills its obligations and advances the interests of all parties.

Sincerely,

Peter Lundkvist
Senior Strategist & Head of Corporate Governance
AP3/Tredje AP-Fonden (Third Swedish National Pension Fund)

Richard Gröttheim
Chief Executive Officer
AP7/Sjunde AP-Fonden (The Seventh Swedish National Pension Fund)

Steve Waygood
Chief Sustainable Investment Officer
Aviva Investors

Helena Viñes Fiestas
Head of Sustainability Research
BNP Paribas Investment Partners

Brian Rice
Portfolio Manager, Corporate Governance
California State Teachers' Retirement System

Bennett Freeman
Senior Vice President, Sustainability Policy and Research
Calvert Investment Management, Inc.

Dominique Biedermann
Chief Executive Officer
Ethos Foundation, Switzerland

³ Statoil Oil production and entitlement data by license

[http://www.statoil.com/AnnualReport2011/en/OurOperations/BusinessAreas/DevelopmentAndProductionNorway\(DPN\)/FieldsInProductionOnTheNCS/Pages/ProductionOnTheNCS.aspx](http://www.statoil.com/AnnualReport2011/en/OurOperations/BusinessAreas/DevelopmentAndProductionNorway(DPN)/FieldsInProductionOnTheNCS/Pages/ProductionOnTheNCS.aspx)

⁴ Tullow Oil plc. 2013 Annual Report. Pages 175 to 179. http://files.the-group.net/library/tullow/files/pdf_383.pdf.

Matthias Beer
Associate Director, Governance and Sustainable Investment
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Paola Perotti
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Head of Responsible Investments
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CC:

Luis A. Aguilar
Commissioner
U.S. Securities and Exchange Commission

Daniel M. Gallagher
Commissioner
U.S. Securities and Exchange Commission

Michael S. Piwowar
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Kara M. Stein
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Elizabeth M. Murphy
Secretary
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Anne Small
General Counsel, Office of the General Counsel
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Keith Higgins
Director, Division of Corporation Finance
U.S. Securities and Exchange Commission

Barry Summer
Associate Director, Division of Corporation Finance
U.S. Securities and Exchange Commission

March 8, 2016

Chair Mary Jo White
Commissioner Michael Piwowar
Commissioner Kara Stein

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 34-76620; File No. S7-25-15 Disclosure of Payments by Resource Extraction Issuers

Dear Chair White and Commissioners:

We write on behalf of the undersigned institutional investors to convey our support for the leadership the U.S. Securities and Exchange Commission (SEC) has shown in producing strong proposed rules for the implementation of Section 1504 of the Dodd–Frank Wall Street Reform and Consumer Protection Act [Section 13(q) of the Securities Exchange Act of 1934]. This letter follows up on a prior submissions made by many of the undersigned to the SEC on August 14, 2013 and April 28, 2014 on this subject.

By way of introduction, the signatories of this submission manage assets that collectively total more than US\$3.1 trillion, and our mandate is to deliver sustainable long-term returns to our pensions, insurance and savings clients. It is in this spirit that we wish to contribute our views on the value to investors of improving transparency and governance in the extractives sector through regulations such as Section 1504.

The undersigned signatories strongly support the Extractive Industries Transparency Initiative (EITI). As such, we congratulate the U.S. on its inaugural EITI report and note the great importance to investors of consistency in the reporting requirements and resulting disclosures of this initiative as well as those of Section 1504 and its companion laws in European Union (Transparency and Accounting Directives) and Canada (Extractive Sector Transparency Measures Act - ESTMA). We regard the United States' involvement in EITI as instrumental in establishing the *de facto* global standard for transparency in the extractives sector, and see the steady progress being made as a critical factor in helping to reduce volatility in the oil and other vital hard commodity markets, with beneficial impacts on global financial markets and the real economy.

We wish to highlight that our portfolios have substantial exposure to the global extractives sector, through both equity and fixed income instruments, and that many of the undersigned also invest actively in the sovereign debt of resource-dependent emerging nations whose fiscal governance has a direct bearing on the quality of the credits they hold. As noted in an April 28,

2014 submission endorsed by many of the undersigned,¹ we view Section 1504 as entirely consistent with the broader purpose of the Dodd Frank Act, i.e. mitigating systemic financial market risk. As such, we believe its implementation as set out in the proposed rules responds to the interests of investors, not of what has been referred to as “special interests”. It is in that spirit and with great appreciation for the diligence with which the proposed rules have been developed that we provide the following comments on issues set out in the proposed rules that are of particular interest to us as investors.

Our strong interest as investors is to achieve both consistency in disclosure across jurisdictions and high standards, rather than regarding them as necessarily mutually exclusive. For this reason, we applaud the proposed rule’s provision indicating that resource extraction issuers could use a report prepared for foreign regulatory purposes to comply with the proposed rules. We would recommend that any alternative reporting determinations reflect the compelling interest of providing disclosure that is equivalent with the EU Directives and Canada’s ESTMA and, thereby, supports a global standard for extractives transparency.

As noted in the April 28, 2014 submission referenced above,² we fully support the SEC’s decision to define ‘project’ consistently with the EU Directives and the draft Canadian definitions as ‘operational activities that are governed by a single contract, license, lease, concession, or similar legal agreement, which form the basis for payment liabilities with a government’. We appreciate that this standard responds to our stated interest in uniform disaggregation of project payment information. Further, we trust the SEC will be thorough in its evaluation of whether disclosures made in compliance with other regulations include project-level disclosure that is equivalent to the rule’s requirements.

The value of a global standard for extractives payment transparency lies in its consistent application across all global markets: this means that country exemptions should not be granted in cases where foreign jurisdictions wish to impose secrecy – otherwise, such exemptions, often referred to as the “tyrant’s veto”, will merely serve to encourage such governments to introduce anti-transparency standards, thereby undermining the very object of this regulation. We respect the SEC’s decision to consider using its existing exemptive authority on a case-by-case basis. However, we urge the Commission to undertake any such process in a public manner and in a way that maintains consistency and equivalency with the EU Directives and Canada’s ESTMA.

Finally, as the SEC evaluates the investor benefits of the proposed rule we recommend for your consideration the submission made by Jeffrey Sachs and the Columbia Center for Sustainable Investment (CCSI), which includes several clear demonstrations of the

¹ Comment submitted by Allianz Global Investors, et al. (April 28, 2014) p. 4. Available at: <http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-35.pdf>.

² Ibid.

usefulness of the current Section 13(q) proposed rule in investment analysis for differing asset classes and methodologies.³

In conclusion, we are pleased to signal our strong support for the SEC's leadership in establishing a mandatory reporting standard in the extractives sector that is complementary to EITI, aligned with equivalent standards in the EU and Canada, and designed pragmatically to deliver the very real benefits that we see coming from enhancing fiscal transparency and accountability in resource-dependent nations. The SEC has demonstrated great diligence in appreciating the changing needs of investors through the implementation of Section 1504. We remain confident that the Commission will see the process through to a conclusion that fulfills its mission and advances the interests of all its stakeholders. We thank you for your attention to this submission, and remain at your disposal for any further information or clarification.

Sincerely,

Erik Jan van Bergen
Chief Investment Officer
ACTIAM NV

Ossian Ekdahl
Head of Communication and ESG
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Ulrika Danielson
Head of Communications/Coordinator of Corporate Governance
Andra AP2-Fonden (Second Swedish National Pension Fund)

Peter Lundkvist
Head of Corporate Governance
AP3/Tredje AP-Fonden (Third Swedish National Pension Fund)

Arne Lööv
Head of Corporate Governance
AP4/Fjärde AP-fonden/(Fourth Swedish National Pension Fund)

Steve Waygood
Chief Responsible Investment Officer
Aviva Investors

François Meloche
Extrafinancial Risks Manager
Bâtirente

³ Comment submitted by Columbia Center of Sustainable Investment (October 30, 2015). Available at: <http://www.sec.gov/comments/df-title-xv/resource-extraction-issuers/resourceextractionissuers-17.pdf>.

Vicki Bakhshi
Head of Governance and Sustainable Investment
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Tim Goodman
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Michelle Kelner
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