



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

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Sept. 30, 2008

Mr. Aristotle Hutras, Director  
The Ohio Retirement Study Council  
88 E. Broad Street, Suite 1175  
Columbus, OH 43215-3506

RETIREMENT BOARD CHAIR  
MARY ANN QUILTER CERVANTE

RETIREMENT BOARD VICE CHAIR  
MARK H. MEUSER

EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

Dear Aris:

The State Teachers Retirement System of Ohio (STRS Ohio) has prepared the following materials regarding the STRS Ohio Iran and Sudan Divestment Policy and Program and its objective of reducing investment exposure to the potentially unique risks associated with investments in companies with ties to Iran and Sudan when comparable investments offering similar quality, return and safety are available.

The enclosed documents are as follows:

- Appendix A – STRS Ohio Iran and Sudan Divestment Policy and Program approved by the State Teachers Retirement Board in October 2007 (including screening criteria).
- Appendix B – 2008 Iran and Sudan Divestment Policy and Program Implementation Summary that provides a timeline of executed steps taken to date and planned activities for fiscal year 2009.
- Appendix C – A list of STRS Ohio-owned Scrutinized Companies including the market value of investments (covering period July 1, 2007 to June 30, 2008).
- Appendix D – The complete list of STRS Ohio Scrutinized Companies as of July 1, 2008. This list will constitute the beginning benchmark for the fiscal year 2009 reporting period.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Nehf", with a long horizontal stroke extending to the right.

Michael J. Nehf  
Executive Director

## **State Teachers Retirement System of Ohio Iran and Sudan Divestment Policy and Program**

### **POLICY**

The Board of the State Teachers Retirement System of Ohio (the Board) hereby establishes a policy that subject to the Board's fiduciary responsibilities set forth in Ohio Revised Code Chapter 3307 and when a substitute investment with similar quality, return (taking into account, among other things, transaction costs) and safety can be identified, the Board will divest itself, and restrict the purchase, of public stocks and bonds issued by restricted companies doing business in Iran and Sudan. This policy will be known as the "Iran and Sudan Divestment Policy and Program" (the Policy).

The Policy intends to address the Iran and Sudan divestment mandates contained in legislation currently under consideration by the Ohio General Assembly, while adhering to the Board's obligation to discharge its duties solely in the interest of participants and beneficiaries for the exclusive purpose of providing benefits and defraying reasonable expenses as required by Ohio Revised Code Section 3307.15(A).

### **Time Period**

The Policy will be effective as of October 18, 2007, based on STRS Ohio's international equity and international fixed income portfolio holdings as of June 30, 2007.

### **Investments Affected under the Policy**

The Policy will apply only to STRS Ohio's directly owned, actively managed international equity and international fixed income portfolios.

### **Restricted Companies Doing Business in Iran and Sudan**

Non-US Companies will be considered "restricted companies" if generally they (1) have certain threshold relationships with the governments of Sudan or Iran relating to mineral extraction, oil related activities or power production, (2) are complicit in the Darfur genocide or (3) supply military equipment to Sudan. The Deputy Executive Director, Investments, will have the authority to develop a "restricted company" definition that substantially meets the criteria outlined in Appendix A.

### **Developing Restricted Company List**

STRS Ohio will contract with an independent third party to screen companies based on STRS Ohio's "restricted company" definition and to create a preliminary list of restricted companies. The STRS Ohio investment staff will review the preliminary list with those restricted company lists developed by the other Ohio public pension systems to attempt to achieve consistency in restricted company lists among the Ohio public pension systems. The contracted vendor will update the preliminary restricted company list on a quarterly basis. The Deputy Executive Director, Investments, will have the authority to resolve any conflicts whether a company should appear on the final restricted company list and to remove a company from the restricted company list after such company has ceased restricted business operations in Iran and/or Sudan. Upon the identification of a company on the final restricted company list, this Policy will become effective with respect to that company.

### **Procedures for Engagement/Remedy of Restricted Companies**

If a company appears on the preliminary restricted company list, STRS Ohio or its contracted vendor (in coordination with the other Ohio public pension systems to the extent possible) will contact that company and request a formal explanation of the company's operations in Iran and Sudan. The purpose of the engagement will be to seek verification and to encourage the company to cease operations in Iran and/or Sudan. Each company will be allowed 90 days to respond, and each response will be reviewed to determine if inclusion on the restricted list is warranted. If the company ceases restricted business operations in Iran and/or Sudan, the company will be removed from the restricted company list. If the company neither replies nor ceases restricted business operations in Iran and/or Sudan, the company will be identified on the final restricted company list. If a company has appeared on the restricted company list previously, then STRS Ohio or its contracted vendor may contact them as required under this paragraph only annually.

### **No Change in Performance Benchmark/Calculation of Performance**

Since STRS Ohio will only divest from or restrict investment in restricted companies having business operations in Iran and Sudan if a substitute with an equal risk/return profile can be identified, there will be no changes to the benchmark and performance calculations as a result of the Policy.

### **Reporting Requirements**

The STRS Ohio investment staff will prepare on a quarterly basis a report outlining the effort to comply with the Policy. The STRS Ohio investment staff will prepare a formal report to the Board and the Ohio Retirement Study Council (ORSC) annually and more frequently if the Board or the ORSC so requests. The formal report will adhere to the guidelines established by the ORSC. The formal report will be based on changes to the investment portfolio since June 30, 2007.

### **Additional Purchases of Public Stocks and Bonds Issued by Restricted Companies**

The Deputy Executive Director, Investments, will develop a procedure for documenting the reasons why a substitute investment of similar quality, return and safety is not available and/or why the purchase of any potential substitute investment would not fulfill STRS Ohio's fiduciary responsibilities to its participants and obtaining his approval to purchase, if a portfolio manager desires to purchase public stocks and bonds issued by a restricted company.

### **Implementing and Interpreting the Policy**

The STRS Ohio investment staff will implement the Policy and the Deputy Executive Director, Investments, will have the authority to make any interpretations or create any procedures necessary to fulfill the intent of this Policy. If an issue could be interpreted in multiple ways, the Deputy Executive Director, Investments, should resolve the matter in a way that fulfills STRS Ohio's fiduciary responsibilities to its participants.

### **Termination of the Policy**

The Policy will be terminated by the Board with respect to a country, without the need of any formal vote by the Board, if any of the following events occur with respect to that country:

#### **Sudan**

- a) Congress or the President of the United States determines that the government of Sudan has sufficiently halted the genocide in the Darfur region for at least 12 months;
- b) The federal government revokes all sanctions imposed against the government of Sudan;
- c) Congress or the President of the United States, through resolution, legislation or executive order, declares that divestment of the type provided for in this policy interferes with the conduct of United States foreign policy; or
- d) Congress or the President of the United States declares that the government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allowed for the safe and voluntary return of refugees and internationally displaced persons.

#### **Iran**

- a) Congress or the President of the United States determined that the government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
- b) The federal government revokes all sanctions imposed against the government of Iran; or
- c) Congress or the President of the United States, through resolution, legislation or executive order, declares that divestment of the type provided for in this policy interferes with the conduct of United States foreign policy.

## APPENDIX A

1. Company:
  - (a) has business operations that involve contracts with or provision of supplies or services to:
    - (i) the government of Sudan;
    - (ii) companies in which the government of Sudan has any direct or indirect equity share;
    - (iii) consortiums or projects commissioned by the government of Sudan; **OR**
    - (iv) companies involved in consortiums or projects commission by the government of Sudan; **AND**
  - (b) either (i) or (ii) of the following:
    - (i)
      - (A) More than 10% of its revenues or assets that are linked to Sudan oil-related activities or mineral extraction activities;
      - (B) Less than 75% of its revenues or assets that are linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; **AND**
      - (C) The company has failed to take substantial action specific to Sudan; **OR**
    - (ii)
      - (A) More than 10% of its revenues or assets that are linked to Sudan involve power production facilities;
      - (B) Less than 75% of its power production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; **AND**
      - (C) The company has failed to take substantial action specific to Sudan; **OR**
2. Company is complicit in the Darfur genocide; **OR**
3. Company supplies military equipment within Sudan; **OR**
4. Company has
  - (a) has business operations that involve contracts with or provision of supplies or services to:
    - (i) the government of Iran;
    - (ii) companies in which the government of Iran has any direct or indirect equity share;
    - (iii) consortiums or projects commissioned by the government of Iran; **OR**
    - (iv) companies involved in consortiums or projects commission by the government of Iran; **AND**
  - (b) either (i) or (ii) of the following:
    - (i) More than 10% of its revenues or assets that are linked to Iran oil-related activities, mineral extraction activities or petroleum resources; **OR**
    - (ii) The Company has, with actual knowledge, on or after August 5, 1996, made an investment of \$20M or more, or any combination of investments of at least \$10M each, which in the aggregate equals or exceeds \$20M in any 12 month

period, and which directly or significantly contributes to the enhancement of Iran's ability to develop the petroleum resources of Iran.

The following definitions will be used for determining inclusion on the STRS Ohio Iran and Sudan Restricted List.

- a. **Military Equipment** – the active business operation must be involved with the production, distribution, leasing, or supply of weapons, arms, military supplies or military equipment in Iran or Sudan; or in the supply of goods and services to any armed force actively participating in the conflict in Sudan.
- b. **Mineral Extraction** – the active business operation must be involved in the exploration, extraction, transporting or wholesale selling or trading of elemental minerals or associated metal alloys oxides; or the facilitation of such operations through service and supply activities.
- c. **Oil Related Activities** – the active business operation must be involved with owning rights to oil blocks, exporting, extracting, producing, refining, processing, exploring for, transporting, or trading of oil; or, constructing, maintaining, or operating a pipeline, refinery, or other oil-filed infrastructure; or facilitating such operations through service and supply activities.
- d. **Power Production Activities** – the active business operation must be involved in any business operation that involves a project commissioned by the national electric corporation of Sudan or other similar entity of the government of Sudan, whose purpose is to facilitate power generation and delivery; or facilitating such operations through service and supply activities.

**Iran and Sudan Divestment Policy and Program  
Progress Summary  
As of June 30, 2008**

**FY 2008 Important Dates and Data Points**

- October 2007 – STRS Ohio board adopts Iran and Sudan Divestment Policy and Program
- November 2007 – STRS Ohio receives an initial list of 80 restricted companies from RiskMetrics
- December 2007 – STRS Ohio sends engagement letter to companies on list with instructions to reply within 90 days; companies were asked to explain current and expected future business ties to Iran/Sudan
- January 2008 – STRS Ohio sends follow-up letter to companies failing to respond to initial inquiry
- March 2008 – Restricted List sent to internal and external asset managers
- June 2008 – based on replies and discussions with RiskMetrics, restricted list stands at 72 companies

**FY 2009 Important Dates and Data Points**

- September 2008 – Provide an updated Restricted list to internal and external asset managers, effective October 1, 2008.
- December 2008 – STRS Ohio will send an engagement letter to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days

Company Name	Sedol	Quantity 6/30/2007	Market Value 6/30/2007	Audited STRS Positions 06/30/2008 Company Name	Sedol Sedol	Quantity 6/30/2008	Market Value 6/30/2008
ABB LTD CHF 2.5	7108899	4,613,803	104,679,445				
ACS ACTIVIDADES CONS Y SERV	B01FLQ6	465,786	29,769,486	ACS ACTIVIDADES CONS Y SERV	B01FLQ6	105,190	5,289,011
AGGREKO PLC	0147899	1,117,500	12,882,458				
AKER KVAERNER	B1VLVW7	424,250	10,778,344	AIR LIQUIDE EUR 5.5	B1YXB17	99,648	13,168,869
ALCATEL-LUCENT	5975006	106,593	1,485,823	ALCATEL-LUCENT	5975006	29,476	176,492
ALSTOM	B0DJ8Q5	374,574	62,847,494	ALSTOM EUR 7.0	B0DJ8Q5	323,080	74,666,296
AMEC PLC	0028262	596,100	7,051,218				
BASF SE	5086577	754,494	99,096,782				
CHINA PETROLEUM +	6291819	24,700,000	27,329,999	CHINA PETROLEUM + CNOOC LTD HKD 0.02	6291819 B00G0S3	28,668,000 4,000,000	26,839,943 6,884,523
CREDIT AGRICOLE SA EUR 3.0	7262610	859,833	35,061,948				
DAELIM INDUSTRIAL CO LTD	6249584	162,357	24,168,115				
ENI SPA	7145056	2,716,862	98,713,982	ENI SPA	7145056	3,838,258	143,336,156
GAZPROM O A O NPV ADR	5140989	30,000	1,257,000	GAZPROM O A O NPV ADR	5140989	457,600	26,540,800
GAZPROM OAO RUB 5.0	4364928	800,000	8,376,000	GAZPROM OAO RUB 5.0	4364928	800,000	11,389,684
GEA GROUP AG	4557104	575,000	20,045,397				
ITOCHU CORP	6467803	387,600	4,482,449	GS HOLDINGS CORP	B01RVJ3	111,570	4,266,947
JGC CORP	6473468	98,000	1,833,333	ITOCHU CORP	6467803	353,600	3,773,201
LINDE AG	5740817	25,912	1,123,690	LINDE AG	5740817	127,554	17,948,113
LUKOIL-CLS	4560588	30,000	2,301,000	LUKOIL-CLS	4560588	30,000	3,008,151
LUKOIL-SPON ADR	2337432	795,458	60,255,944	LUKOIL-SPON ADR	2337432	818,891	80,865,486
MALAYSIA INT SHIP MYR (ALIEN MKT)	6558031	540,000	1,549,565	MALAYSIA INT SHIP MYR (ALIEN MKT)	6558031	540,000	1,372,741
MITSUBISHI HEAVY INDUSTRIES	6597067	6,041,200	38,699,297				
MIITSUI + CO LTD JPY 50.0	6597302	3,518,500	69,953,980	MIITSUI + CO LTD JPY 50.0	6597302	2,764,500	61,163,813
MIITSUI ENGINEERING + SHIPB JPY 50.0	6597380	884,000	4,717,817				
NORSK HYDRO ASA	B11HK39	1,249,400	48,247,553				
OIL + NATURAL GAS CORP LTD INR 10.0	6139362	120,000	2,658,595	OIL + NATURAL GAS CORP LTD INR 10.0	6139362	120,000	2,272,524
OMV AG NPV	4651459	609,220	40,723,999	OMV AG NPV	4651459	390,497	30,679,143
PETROCHINA CO HKD 0.1	6226576	15,057,000	22,187,966	PETROCHINA CO HKD 0.1	6226576	11,273,000	14,602,332
PETROL BRASILEIROS PREF BRLO.12	2684532	3,406,000	45,684,634	PETROL BRASILEIROS PREF BRLO.12	2684532	2,053,200	59,690,703
PETROL BRASILEIROS SPONS ADR-EACH	2683410	130,000	4,000,500	PETROL BRASILEIROS SPONS ADR-EACH	2683410	154,200	8,935,890
PETROLEO BRASILEIRO SA PETR NPV ADR	2616580	1,306,800	39,618,909	PETROLEO BRASILEIRO SA PETR NPV ADR	2616580	216,400	15,327,612
RELIANCE INDUSTRIES LIMITED	6099626	354,000	14,781,586	RELIANCE INDUSTRIES LIMITED	6099626	273,000	13,283,525
REPSOL YPF SA	5669354	1,688,091	66,693,044	REPSOL YPF SA	5669354	1,439,031	56,755,015
RIO TINTO ADR-EACH CNV INTO 4 ORD	2740434	47,582	14,565,802				
RIO TINTO LTD	6220103	417,617	35,010,152				
RIO TINTO PLC	0218875	1,246,260	95,703,605				
ROLLS ROYCE GROUP 20P	3283648	4,011,535	75,717,834	ROLLS ROYCE GROUP 20P	3283648	3,331,703	22,646,286
ROYAL DUTCH SHELL A PLC EUR 0.07	B03MLX2	1,855,180	43,346,843	ROYAL DUTCH SHELL A PLC EUR 0.07	B03MLX2	2,060,118	109,229,545
ROYAL DUTCH SHELL PLC-B SHS	B03MM40	988,520	41,317,678	ROYAL DUTCH SHELL PLC EUR 0.07 ADR	B03MM73	10,000	801,100
SAIPEM	4768768	1,199,700	41,094,218	ROYAL DUTCH SHELL PLC-ADR	B03MM62	13,000	1,062,230
SAMSUNG HEAVY INDUSTRIES	6772217	240,000	11,744,073	ROYAL DUTCH SHELL PLC-B SHS	B03MM40	2,683,400	107,888,904
SASOL LTD	6777450	1,015,147	38,325,855	SAIPEM	4768768	1,253,567	58,921,534
SEMBCORP INDUSTRIES LTD	B08X163	1,147,620	4,277,964	SASOL LTD	6777450	582,621	34,332,717
STATOIL HYDRO ASA NOK 2.5	7133608	148,330	4,610,033	SNAM RETE GAS	7251470	230,790	1,579,356
TECHNIP SA	4874160	81,226	6,725,342	STATOIL HYDRO ASA NOK 2.5	7133608	2,752,390	102,653,114
TOTAL SA EUR 2.5	B15CS57	2,174,184	176,963,719	TECHNIP SA	4874160	162,371	15,041,293
WARTSILA B EUR 3.5	4525189	185,074	12,223,993	TOTAL SA EUR 2.5	B15CS57	2,430,473	207,569,400
				TOTAL SA EUR 3.5	B15CS57		
<b>Total</b>		<b>89,316,488</b>	<b>1,616,684,462</b>			<b>75,097,128</b>	<b>1,343,962,449</b>
Add: PETRONAS GAS Bhd (Fixed Income)			<b>970,554</b>				
<b>GRAND TOTAL</b>			<b>1,617,655,016</b>				

Change since June 30, 2007  
Companies on Restricted List  
Number of Companies Owned

76  
41

-16.92%  
72  
28

**STRS Ohio**  
**Restricted List**  
**Iran and Sudan Combined List**  
**As of July 01, 2008**

**COMBINED IRAN AND SUDAN LIST**

Entity name	Ticker	1-Jul-08
		Number
Acs, Actividades de Construccion y Servicios S.A	ACS	1
Aker ASA	AKER	2
Alcatel-Lucent	ALU	3
Alstom	ALO	4
AREF Investment Group Co	AIG	5
Areva	CEI	6
AVICHINA INDUSTRY & TECHNOLOGY	02357	7
Bharat Electronics Ltd	500049	8
Bharat Heavy Electricals Ltd.	BHEL IN	9
Bollere (Formerly Bollere Investissement)	BOL	10
Bow Valley Energy Ltd	BVX	11
China Petroleum & Chemical Corp.	SNP	12
CNOOC LTD	CEO	13
CNPC Hong Kong Ltd.	00135	14
Costain Group PLC	COST	15
Daelim Industrial Co.	00210	16
Dongfeng Motor Group Company Ltd	00489	17
Electricity Generating Public Co Ltd	EGCO	18
ENI Spa	E	19
Gazprom OAO	GAZP	20
GS Holdings Corp.	078930	21
Harbin Power Equipment Co.	01133	22
I.C.S.A (INDIA) LTD	531524	23
Indian Oil Corporation Ltd	IOC	24
Inpex Holdings Inc.	1605	25
Itochu Corp.	ITOCY	26
JGC Corp.	1963	27
Kejuruteraan Samudra Timur BHD	SAMUDRA	28
Kencana Petroleum Bhd	KENCANA	29
La Mancha Resources Inc.	LMA	30
L'air Liquide	AIQUY	31
Linde AG	LIN	32
Liquefied Natural Gas Ltd	LNG	33
Lukoil Oao	LUKOY	34
Lundin Petroleum A	LUPE	35
Mangalore Refinery & Petrochemicals Ltd.	500109	36
MISC Berhad (Formerly Malaysia International Shipping Corpor	MISC	37
Mitsui & Co.	MITSY	38
Mitsui Engineering & Shipbuilding Co. Ltd.	7003	39
MMC Corporation Bhd (frmly Malaysia Mining Corp. Bhd)	MMC	40
Muhibbah Engineering (M) Berhad	MUHIBAH	41
Nam Fatt Corporation Berhad	NAF	42
Oil & Natural Gas Corporation Ltd.	500312	43
OMV AG	OMVKY	44
PECD BHD	PECD	45
Petrochina Company Limited	PTR	46
Petrofac Ltd	PFC	47
Petroleo Brasileiro	PBR	48
Petronas Dagangan Bhd	PETDAG	49
Petronas Gas Bhd	PETGAS	50
PSL Ltd.	526801	51
Reliance Industries Ltd.	500325	52
Repsol YPF S.A	REP	53
Rolls-Royce Group plc	RYCEY	54
Royal Dutch Shell PLC	RDS	55
Saipem	SPM	56
Samsung Engineering Co. Ltd.	28050	57
Sarawak Energy Bhd (Formerly Sarawak Enterprise Corp. Bhd.)	2356K	58
Sasol Ltd.	SSL	59
Schlumberger Ltd.	SLB	60
Scomi Engineering Bhd. (Formerly Bell & Order Bhd *B&O)	SCOMIEN	61
SCOMI GROUP BERHAD	SCOMI	62
Sinopec Kantons Holdings Ltd	00934	63
Sinopec Shanghai Petrochemical Co. (formerly Shanghai Petrochemical Co Ltd)	SHI	64
Snam Rete Gas	SRG	65
Snac-Lavalin Group Inc.	SNC	66
StatoilHydro ASA (formerly Statoil ASA)	STO	67
Sudan Telecom Co. Ltd. (SUDATEL)	SDTL	68
Technip	TKPPY	69
The Weir Group plc	WEIR	70
Total SA	TOT	71
Wartsila Oyj (Formerly Metra Oy)	WRTBV	72