

Sept. 5, 2012

Ms. Bethany Rhodes, Director  
Ohio Retirement Study Council  
88 E. Broad St., Suite 1175  
Columbus, OH 43215

RETIREMENT BOARD CHAIR  
MARK HILL  
RETIREMENT BOARD VICE CHAIR  
DALE PRICE  
EXECUTIVE DIRECTOR  
MICHAEL J. NEHF

Dear Ms. Rhodes:

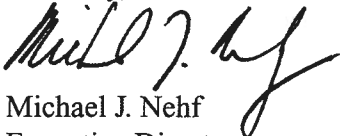
The State Teachers Retirement System of Ohio (STRS Ohio) has prepared the following materials regarding the STRS Ohio Iran and Sudan Divestment Policy and Program and its objective of reducing investment exposure to the potentially unique risks associated with investments in companies with ties to Iran 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 – 2012 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 2013.
- Appendix C – A list of STRS Ohio-owned Scrutinized Companies including the market value of investments (covering period July 1, 2007 to June 30, 2012).
- Appendix D – The complete list of STRS Ohio Scrutinized Companies as of July 1, 2012. This list will constitute the beginning benchmark for the fiscal year 2013 reporting period.

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

Sincerely,



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 Oct. 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 INVESTMENTS, BENCHMARK OR 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.

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 OFAC OFAC HALL 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, 2012**

**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 MSCI
- 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, effective April 1, 2008
- June 2008 – Based on replies and discussions with MSCI, restricted list stands at 78 companies

**FY 2009 Important Dates and Data Points**

- September 2008 – Updated Restricted list provided to internal and external asset managers, effective October 1, 2008.
- January 2009 – STRS Ohio sends engagement letter to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days
- March 2009 – STRS Ohio sends follow-up letter to companies failing to respond to initial inquiry
- March 2009 – Updated Restricted list sent to internal and external asset managers, effective April 1, 2009
- June 2009 – Based on replies and discussions with MSCI, restricted list stands at 72 companies

**FY 2010 Important Dates and Data Points**

- September 2009 – Updated Restricted list provided to internal and external asset managers, effective Oct. 1, 2009.

- January 2010 – STRS Ohio sends engagement letter to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days
- March 2010 – STRS Ohio sends follow-up letter to companies failing to respond to initial inquiry
- March 2010 – Updated Restricted list sent to internal and external asset managers, effective April 1, 2010
- June 2010 – Based on replies and discussions with MSCI, restricted list stands at 68 companies

### **FY 2011 Important Dates and Data Points**

- September 2010 – Updated Restricted list provided to internal and external asset managers, effective Oct. 1, 2010
- January 2011 – STRS Ohio sends engagement letters to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days
- March 2011 – STRS Ohio sends follow-up letter to companies failing to respond to initial inquiry
- March 2011 – Updated Restricted list sent to internal and external asset managers, effective April 1, 2011
- June 2011 – Based on replies and discussions with MSCI, restricted list stands at 83 companies

### **FY 2012 Important Dates and Data Points**

- September 2011 – Updated Restricted list provided to internal and external asset managers, effective October 1, 2011
- January 2012 – STRS Ohio sends engagement letters to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days
- March 2012 – STRS Ohio sends follow-up letter to companies failing to respond to initial inquiry
- March 2012 – Updated Restricted list sent to internal and external asset managers, effective April 1, 2012
- June 2012 – Based on replies and discussions with MSCI, restricted list stands at 58 companies

## **FY 2013 Important Dates and Data Points**

- September 2012 – Provide an updated Restricted list to internal and external asset managers, effective Oct. 1, 2012
- January 2013 – STRS Ohio will send engagement letters to companies on the restricted list with instructions to explain current and expected future business ties to Iran/Sudan within 90 days
- March 2013 – STRS Ohio will send follow-up letter to companies failing to respond to initial inquiry
- March 2013 – Provide an updated Restricted list sent to internal and external asset managers, effective April 1, 2013



Audited STRS Ohio Positions 06/30/2007*				Audited STRS Ohio Positions 06/30/2012**			
Company Name	Sedol	Quantity 6/30/2007	Market Value 6/30/2007	Company Name	Sedol	Quantity 6/30/2012	Market Value 6/30/2012
ABB LTD CHF 2.5	7108899	4,613,803.00	104,679,444.54				
ACS ACTIVIDADES CONS Y SERV	B01FLQ6	465,766.00	29,769,485.70				
AGGREKO PLC	Q147899	1,117,500.00	12,882,458.29				
AKER KVAERNER	B1VLVW7	424,250.00	10,778,344.23				
ALCATEL-LUCENT	5975006	106,593.00	1,485,823.41				
ALSTOM	B0DJ8Q5	374,574.00	62,847,494.23				
AMEC PLC	0028262	596,100.00	7,051,217.51				
BASF SE	5086577	754494	99,096,782.45				
CHINA PETROLEUM +	6291819	24,700,000.00	27,329,998.97	BHARAT HEAVY ELECTRICALS COMMON STOCK INR2.	B65NRV2	400,000.00	1,665,263.72
				CHINA PETROLEUM + CHEMICAL H COMMON STOCK CNY1.	6291819	18,672,000.00	16,561,279.39
				CNOOC LTD HKD 0.02	B00G0S5	5,768,000.00	11,451,452.58
CREDIT AGRICOLE SA EUR 3.0	7262610	859,833.00	35,061,947.51	ELECTRICITY GEN PUB CO FOR R COMMON STOCK THB10. A	6304643	1,100,000.00	4,000,314.86
DAELIM INDUSTRIAL CO LTD	6249584	162,357.00	24,168,114.65	ENI SPA EUR 1.00	7145056	1,483,134.00	31,582,833.46
ENI SPA	7145056	2,716,862.00	98,713,982.32	GAZPROM OAO COMMON STOCK RUB5.	4364928	119,400.00	566,170.92
GAZPROM O A O NPV ADR	5140989	30,000.00	1,257,000.00	GAZPROM OAO SPON ADR ADR	2016629	2,366,500.00	22,481,750.00
GAZPROM OAO RUB 5.0	4364928	800,000.00	8,376,000.00	GAZPROM OAO COMMON STOCK RUB5.0	B59L4L7	800,000.00	3,792,235.98
GEA GROUP AG	4557104	575,000.00	20,045,397.02				
ITOCHE CORP	6467803	387,600.00	4,482,448.98				
JGC CORP	6473468	98,000.00	1,833,333.33				
LINDE AG	5740817	25,912.00	3,123,690.33				
LUKOIL-CLS	4560588	30,000.00	2,301,000.00				
LUKOIL-SPON ADR	2537432	795,458.00	60,255,943.50				
MALAYSIA INT SHIP MYR(A LIEN MKT)	6558031	540,000.00	1,549,565.22	MALAYSIA INT SHIP MYR1	6557997	540,000.00	783,939.54
mitsubishi heavy industries	6597067	6,041,200.00	38,699,297.05				
MITSUI + CO LTD JPY 50.0	6597302	3,518,500.00	69,953,980.40				
MITSUI ENGINEERING + SHIPB JPY 50.0	6597380	884,000.00	4,717,816.65				
NORSK HYDRO ASA	B11HKJ39	1,249,400.00	48,247,552.59				
OIL + NATURAL GAS CORP LTD INR 10.0	6139362	120,000.00	2,658,595.28	OIL + NATURAL GAS CORP LTD INR 10.0	6139362	480,000.00	2,448,786.60
OMV AG NPV	4651459	609,220.00	40,723,999.10				
PETROCHINA CO HKD 0.1	6226576	15,057,000.00	22,187,965.62	PETROCHINA CO HKD 0.1	6226576	8,610,000.00	11,044,367.24
				PETROCHINA CO LTD USD 1.0 ADR	2568841	30,000.00	3,874,200.00
PETROL BRASILEIROS PREF BRL0.12	2684532	3,406,000.00	45,684,633.77				
PETROL BRASILEIROS SPONS ADR-EACH	2683410	150,000.00	4,000,500.00				
PETROLEO BRASILEIRO SA PETR NPV ADR	2616580	1,306,800.00	39,618,909.00				
RELIANCE INDUSTRIES LIMITED	6099626	354,000.00	14,781,586.44				
REPSOL YPF SA	5669354	1,688,091.00	66,693,043.69				
RIO TINTO ADR-EACH CNY INTO 4 ORD	2740434	47,582.00	14,565,801.84				
RIO TINTO LTD	6220103	417,617.00	35,010,152.16				
RIO TINTO PLC	0718875	1,246,260.00	95,703,605.27				
ROLLS ROYCE GROUP 20P	3283648	4,011,535.00	43,346,843.07				
ROYAL DUTCH SHELL A PLC EUR 0.07	B03MLX2	1,855,180.00	75,717,834.09				
ROYAL DUTCH SHELL PLC-B SHS	B03MM40	988,520.00	41,317,678.36				
SAIPEM	4768768	1,199,700.00	41,094,218.06				
SAMSUNG HEAVY INDUSTRIES	6772217	240,000.00	11,744,072.75				
SAOIL LTD	6777450	1,015,347.00	38,325,855.26				
SEMBORP INDUSTRIES LTD	B08X163	1147620	4,277,963.51	SIEMENS AG REG COMMON STOCK NPV	5727973	261,925.00	21,984,666.70
				SNAM SPA COMMON STOCK EUR1	7251470	55,718.00	248,895.43
STATOIL HYDRO ASA NOK 2.5	7133608	148,330.00	4,610,032.69	STATOIL HYDRO ASA NOK 2.5	7133608	2,009,331.00	47,795,742.82
TECHNIP SA	4874160	81,226.00	6,725,341.69				
TOTAL SA EUR 2.5	B15C557	2,174,184.00	176,963,718.62	TOTAL SA COMMON STOCK EUR2.5	B15C557	1,266,733.00	57,067,937.95
WARTSILA B EUR 3.5	4525189	185,074.00	12,223,992.75				
<b>Total</b>		<b>89,316,488.00</b>	<b>1,616,684,461.30</b>			<b>43,962,741.00</b>	<b>237,349,837.19</b>
Add: PETRONAS GAS Bhd (Fixed Income)			970,554.40				
<b>GRAND TOTAL</b>			<b>1,617,655,016.30</b>				<b>237,349,837.19</b>
Change since June 30, 2007							-85.33%
Companies on Restricted List			76				58
Number of Companies Owned			41				13

\*Using June 2007 Iran/Sudan List

\*\*Using April 2012 Iran/Sudan List

**Iran and Sudan Combined Restricted List**  
**As of July 1, 2012**

Entity Name	Ticker	Number
Aref Energy Holding Company KSCC	AREFENRGY	1
AREF Investment Group S.A.K	AIG	2
ASEC Co for Mining SAE	ASCM	3
AviChina Industry & Technology Company Limited	2357	4
Bharat Heavy Electricals Limited	BHEL	5
Chennai Petroleum Corporation Limited	CHENNPETRO	6
China Oilfield Services Limited	601808	7
China Petroleum & Chemical Corporation	600028	8
CNOOC Ltd	883	9
Daelim Industrial Co., Ltd	000210	10
Daqing Huake Company Limited	000985	11
Dongfeng Motor Group Company Limited	489	12
Egypt Kuwait Holding Co (SAE)	EKHO	13
El Sewedy Electric Co	SWDY	14
Electricity Generating Public Company Limited	EGCO	15
ENI SpA	ENI	16
Harbin Electric Company Limited	1133	17
Hyundai Heavy Industries Co., Ltd	009540	18
Indian Oil Corporation Ltd.	IOC	19
Jiangxi Hongdu Aviation Industry Co., Ltd	600316	20
Jinan Diesel Engine Company Limited	000617	21
Kuwait Finance House KSC	KFIN	22
LANKA IOC PLC	LIOC.N0000	23
LS INDUSTRIAL SYSTEMS CO.,LTD	010120	24
Maire Tecnimont S.p.A.	MT	25
Managem S.a.	MNG	26
Mangalore Refinery and Petrochemicals Ltd	MRPL	27
MISC Berhad	MISC	28
Muhibbah Engineering Bhd	MUHIBAH	29
OAo "Gazprom neft' "	SIBN	30
OAo "Gazprom"	GAZP	31
OAo energetiki i elektrifikatsii "Mosenergo"	MSNG	32
Oil and Natural Gas Corporation Limited	ONGC	33
Oil India Ltd	OIL	34
Otkrytoe aktsionernoe obshchestvo "Arzamasskii mashinostroitel'ny	armz	35
Otkrytoe aktsionernoe obshchestvo "GAZ'	GAZA	36
PetroChina Company Limited	601857	37
Petronas Chemicals Group Bhd	PCHEM	38
Petronas Dagangan Bhd	PETDAG	39
Petronas Gas Berhad	PETGAS	40
Petrovietnam Drilling and Well Services Joint Stock Co	PVD	41
Petrovietnam Fertilizer and Chemicals Corp	DPM	42
Petrovietnam Transportation Corporation	PVT	43
Rosier SA	ENGB	44
Scomi Engineering Berhad	SCOMIEN	45
Siemens Aktiengesellschaft	SIE	46
Siemens dd	SMNS-R-A	47
Siemens Ltd	SIEMENS	48
Snam S.p.A.	SRG	49
Societe Metallurgique D'Imitec	SMI	50
Statoil ASA	STL	51
Sudatel Telecom Group Limited	SUDATEL	52
Tong Cong Ty Tai Chinh Co Phan Dau Khi Viet Nam	PVF	53
Total Gabon SA	EC	54
Total Kenya Limited	TOPL	55
Total Nigeria PLC	TOTAL	56
Total S.A.	FP	57
Waertsilae Ovi Abn	WRT1V	58