

**California Public Employees' Retirement System**  
2023 California Public Divest from Iran Act  
Legislative Report

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## CalPERS 2023 California Public Divest from Iran Act Legislative Report

### Executive Summary

This report is provided by the California Public Employees' Retirement System (CalPERS) pursuant to the requirements of California Government Code (G.C.) §7513.7, also known as the "California Public Divest from Iran Act" (the Act).

The Act requires the CalPERS Board of Administration (Board), consistent with its fiduciary responsibilities, to identify, engage, and potentially divest from companies meeting the criteria specified in the Act. Further, the Act requires ongoing annual reporting by CalPERS to the California Legislature until the sunset provision has been satisfied.

For the 2023 reporting period:

1. CalPERS screened for companies potentially meeting the criteria for consideration under the Act that may be held in the Public Employees' Retirement Fund.
2. No new companies were added for further review under the California Public Divest from Iran Act.
3. There are no related holdings within CalPERS' private equity portfolio, based on the latest available holdings information available at the time of this report (as of March 31, 2023).
4. No new companies have been proposed for divestment.
5. CalPERS has ceased monitoring companies that no longer meet the Act's threshold criteria. Additional information on those companies is available in Table 5 of this report.

All holdings information is as of June 30, 2023 unless otherwise noted.

### Background Information – Inception of the Act

In 2007, Assembly Bill 221 (California Public Divest from Iran Act) was enacted to prohibit CalPERS and the California State Teachers' Retirement System from investing in companies with specified business activities in Iran, subject to the fiduciary duties of the Board as described in Section 17 of Article XVI of the California Constitution. In October 2011, Assembly Bill 1151 was passed, amending AB 221 to its current form.

### CalPERS Compliance with the Act

Among other things, the Act requires CalPERS to use publicly available information to identify public portfolio companies that may be subject to the Act and to make a good faith effort to identify potential private equity exposures.

CalPERS reviews a variety of information sources to identify the companies in its portfolio that may potentially meet the threshold criteria for divestment. There may be instances in which CalPERS has not engaged a company that was identified by other agencies. Reasons for this may include, but are not limited to:

- Portfolio holdings – Companies identified by other sources may not be held in the CalPERS Public Employees' Retirement Fund (PERF) during the reporting period.
- Timing – Differences may occur due to the timing of each respective organization's engagement with individual companies.

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- Firm not identified by third party vendor used to screen for this Act.

Additional information on CalPERS' compliance with the specific reporting requirements of the Act is included in the sections below.

## CalPERS 2023 Report – G.C. 7513.7 (California Public Divest From Iran Act)

CalPERS groups companies into several categories for G.C. §7513.7(i):

1. **Divested/Restricted** – These are companies that were determined to have satisfied the threshold criteria for divestment defined by §7513.7 as to which the CalPERS Board determined divestment would be consistent with its fiduciary obligations.
  - This category addresses requirements §7513.7(i)(1),(2),(3), and (4) should divestment of a company be in progress with restrictions on new purchases
2. **Under Review** – These are companies that have been identified as possibly subject to the Act that are 1) undergoing review to affirm whether they do or do not meet threshold criteria for consideration under the Act, or 2) are undergoing the engagement and communication cycle specified by the Act, or 3) are being considered for divestment in accordance with CalPERS policies.
  - This category addresses the requirements of §7513.7(i)(1), (2), and (5)
3. **Monitoring** – These are companies that CalPERS' initial screening determined as not meeting the threshold criteria for further consideration under §7513.7, which CalPERS continues to monitor for possible changes in status relevant to the Act.
  - This category addresses the requirements of §7513.7(i)(1), (2), and (5)
4. **Other** – This category is used to capture other required reporting components not captured in the other categories.
  - §7513.7(f), as part of §7513.7(i)(6), in which an economically equivalent alternative fund or account was established with PERF assets transferred therein
  - §7513.7(j) any investments in a company with business operations in Iran (as defined in the Act), that the board voluntarily sold or transferred
  - §7513.7(i)(7) the annual economic impact of the divestment mandate on the PERF

These elements are included in Tables 1 through 4, by category, on the following pages. The “market value” may include public equity, depository receipts, and debt assets.

**Table 1 – Divested/Restricted Companies (\$7513.7)**

Divested/Restricted Company	Summary of Ties to Iran	Summary of Status Changes from 2022 Report	Public Equity Shares held by CalPERS	Market Value of CalPERS Exposure
China BlueChemical Ltd.	<p>The company was identified as a subsidiary of China National Offshore Oil Corporation (CNOOC). The parent company, CNOOC, has made statements that it and its affiliates and subsidiaries may be involved in countries under U.S. sanctions. Further, CNOOC has been identified as having drilling and other related operations in Iran.</p> <p>In May of 2011 the CalPERS Investment Committee approved divestment from the company.</p>	No change	0	\$0
China Oilfield Services Ltd.	<p>The company was identified as having drilling operations in Iran and as a subsidiary of CNOOC. The parent company has made statements that the company is involved in drilling and other related services in Iran. The parent company has made statements that it and its affiliates and subsidiaries may be involved in countries under U.S. sanctions.</p> <p>In November of 2015 the CalPERS Investment Committee approved divestment from the company.</p>	No change	0	\$0
CNOOC Ltd.	<p>The company was identified as a subsidiary of China National Offshore Oil Corporation (CNOOC). The company and its parent company have made statements that it and its affiliates and subsidiaries may be involved in countries under U.S. sanctions. Further, CNOOC has been identified as having drilling and other related operations in Iran.</p>	No change	0	\$0

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Divested/Restricted Company	Summary of Ties to Iran	Summary of Status Changes from 2022 Report	Public Equity Shares held by CalPERS	Market Value of CalPERS Exposure
	In May of 2011 the CalPERS Investment Committee approved divestment from the company.			
Doosan Corporation	In 2014 the company was identified as supplying automotive products to companies in Iran.  In November of 2015 the CalPERS Investment Committee approved divestment from the company.	No change	0	\$0
India Oil Corporation	The company was identified as having ties to the energy sector of Iran, with further exposure through a majority-stake in an Iranian company with possible links to the Iranian Revolutionary Guard Corps, an entity subject to U.S. sanctions.  In November of 2015 the CalPERS Investment Committee approved divestment from the company.	No change	0	\$0
Oil India Limited	In 2009 through 2010 the company was identified as having oil exploration contracts and oilfield interests in Iran.  In October 2012 the CalPERS Investment Committee approved divestment from the company.	No change	0	\$0

**Table 2 – Companies Under Review (§7513.7)**

Under Review Company	Summary of Possible Ties to Iran	Summary of Status Changes from 2022 Report	Shares held by CalPERS	Market Value of CalPERS Exposure
No new companies.				

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**Table 3 – Monitored Companies (§7513.7)<sup>a</sup>**

Monitored Company	Summary of Possible Ties to Iran	Summary of Status Changes from 2022 Report	Shares held by CalPERS	Market Value of CalPERS Exposure
Gazprom	The company was reported as potentially having signed MOUs with Iranian petroleum authorities regarding petrochemical development opportunities.	In 2018 CalPERS designated the company as under review. In 2019 CalPERS changed the designation to “being monitored” because CalPERS’ initial screening has not identified the company as having involvement in the regions and/or activities targeted by the Act. CalPERS has maintained the company in “monitor” status for 2023. CalPERS continues to monitor the company for possible changes in status relevant to the Act.	35,081,466	\$0

**Table 4 – Other (§7513.7)**

Component	Summary of Possible Ties to Iran	Summary of Status Changes from 2022 Report	Public Equity Shares held by CalPERS	Market Value of CalPERS Exposure
§7513.7(i)(6) and §7513.7 (j)	<p>CalPERS has no items to report per</p> <ul style="list-style-type: none"> <li>• §7513.7(f), as part of §7513.7(i)(6), in which an economically equivalent alternative fund or account was established with PERF assets transferred therein; and/or</li> <li>• §7513.7(j) any investments in a company with business operations in Iran (as defined in the Act), that the board voluntarily sold or transferred</li> </ul>	No change	N/A	N/A
§7513.7(i)(7)	§7513.7(i)(7) requires reporting of the economic impact to the PERF of the Act. The Iran- related divestments were estimated to have had an additive effect, \$171 million in present value, for the PERF since inception of the divestment mandates through June 30, 2023.	N/A	N/A	N/A

**Table 5 – Companies Removed from Consideration Due to Not Meeting Threshold Criteria (\$7513.7)**

Company
Bharat Petroleum Corporation Ltd.
Larsen & Toubro Ltd.
Lukoil OAO
Schneider Electric SE
Siemens AG
Sinopec Oilfield Services

<sup>a</sup> Revisions were made in Table 3 of the CalPERS 2022 Report as follows:

- Gazprom – shares held revised from 37,950,908 to 24,407,938.
- Lukoil OAO – shares held revised from 777,794 to 1,053,720.
- Sinopec Oilfield Services – shares held revised from 5,946,000 to 6,984,200. Market value revised from \$393,933 to \$681,588.
- The total market value of monitored companies revised from \$386.1 million to \$386.4 million.