



California Public Employees' Retirement System

California Public Divest from Iran Act Annual Legislative Report

December 31, 2014



**California Public Employees’ Retirement System
Iran Related Investments – Seventh Annual Legislative Report
December 31, 2014**

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Executive Summary

1. This Legislative Report sets out CalPERS' implementation of the California Public Divest from Iran Act (Iran Act) during 2014. The Iran Act requires that CalPERS identify, notify, and make a determination to divest investments in companies engaged in the international nuclear, energy, defense, oil and gas sectors, subject to CalPERS overriding fiduciary duty, and finally liquidate investments in such companies.
2. During the period covered a number of companies announced they were making significant progress towards curtailing their activities in Iran.
3. CalPERS divested from one company, China BlueChemical Ltd., operating in Iran as the Company has been unresponsive to take substantial action or curtailing its business operations as defined by the Iran Act. The decision to divest China BlueChemical Ltd., was presented to CalPERS Investment Committee on November 17, 2014.
4. CalPERS reviewed two companies and determined they were no longer subject to the Iran Act: AF AB and Mitsubishi Corporation.
5. CalPERS continues to identify companies potentially subject to the Iran Act, to notify them of the law's provisions, and call for their withdrawal from Iran.

Introduction

This seventh report to the California Legislature is provided by the California Public Employees' Retirement System (CalPERS) under the requirements of Government Code sections 7513.7 and 16642, commonly known as the California Public Divest from Iran Act (Iran Act).

CalPERS is the largest public pension plan in the United States, responsible for \$296 billion in global assets, which are invested to provide retirement and health benefits for over 1.6 million Californians. The CalPERS Board has sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits to its participants and their beneficiaries. The assets of the System are trust funds that must be held for the exclusive purpose of providing benefits to participants in the retirement System and their beneficiaries and defraying the reasonable expenses of administering the System.

Iran Act Implementation

CalPERS has diligently and comprehensively implemented the requirements of the Iran Act throughout the reporting period and from the time the legislation became effective on January 1, 2008.

The CalPERS Board, senior management and staff continue to devote significant time and attention to ensuring that the provisions of the Iran Act are fully implemented. This report charts progress towards meeting the objectives of the Iran Act, which are to ensure that companies in relevant sectors curtail or cease business operations in the country. The details are set out in the tables which follow.

National events continue to have impact. In January 2014, the United States, United Kingdom, France, Germany, China, Russia, and Iran, known as the P5+1, implemented a technical understanding known as the "Joint Plan of Action"¹. The Joint Plan of Action included several steps that Iran has committed to take such as:

- halting enrichment of uranium above 5 percent,
- neutralizing its stockpile of near 20 percent uranium,
- halting progress on its uranium enrichment capacity,
- halting progress of its growth of the 3.5% stockpile,
- no further advancement of its activities at Arak reactor, and
- halting the progress of its plutonium track.

Progress of Iran's commitment to the Joint Plan of Action will be monitored by the International Atomic Energy Agency (IAEA). If Iran successfully implements the agreements under the Joint Plan of Action, the P5+1 have agreed to provide

¹ The Joint Plan of Action (JPOA), <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/iran.aspx>

limited, temporary, targeted and reversible relief of the sanctions while maintaining the vast bulk of sanctions.

In July 2014, IAEA announced that Iran had met some of the commitments of the Joint Plan of Action in regards to its nuclear program by eliminating its stockpile of enriched uranium. With the announcement, the P5+1 agreed to extend the Joint Plan of Action deadline until November 24, 2014. The extension provided extra time to conclude a comprehensive solution.

No long-term agreement was reached by the November 24, 2014, deadline resulting in another extension of the Joint Plan of Action by another seven months to the end of June 2015.

CalPERS continues to monitor the progress of the Joint Plan of Action.

Requirements of the Iran Act

The Iran Act sets out a number of requirements, as follows:

The legislation requires that CalPERS identify companies with business operations in Iran, as defined in the Iran Act, or that provide revenue to the government of Iran.

Under the Iran Act, a company has business operations in Iran if the company meets the following criteria:

1. The company (A) is invested in or engaged in business operations with entities in the defense or nuclear sectors of Iran or (B) is invested in or engaged in business operations with entities involved in the development of petroleum or natural gas resources of Iran, and that company is subject to sanctions under Public Law 104-172 (any entity that has invested at least \$20 million in any year since 1996 to develop petroleum or natural gas resources of Iran), as renewed and amended in 2001 and 2006.
2. The company has demonstrated complicity with an Iranian organization that has been labeled as a terrorist organization by the United States government. (Gov. Code §7513.7(b).)

“Business operations” is defined in the Iran Act to mean “maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Iran, including the ownership or possession of real or personal property located in Iran.” (Gov. Code §7513.7(a)(2).)

• Identification

For this report, CalPERS utilized the U.S. Government Accountability Office (GAO) report on Iran sanctions for the initial identification of companies subject to

the Iran Act. In addition, CalPERS collaborates with the California Department of General Service Office of Policies Procedures and Legislation (DGS).

We share findings with CalSTRS, and vice versa. CalPERS lists may not be consistent with CalSTRS and DGS regarding identified company names for reasons which could include but are not limited to:

- a) Timing: Every effort will be made to keep each other current on company engagement and status; however there could be instances where CalPERS and DGS lists are not consistent due to the timing of our individual engagement with companies.
- b) CalPERS Portfolio Holdings: There could be instances where CalPERS does not hold investments in companies that have been identified by DGS as subject to the provisions of the Iranian Contacting Act.

• Notification

Once identified, CalPERS has provided timely notification to each company, setting out the provisions of the Iran Act, and seeking a response which can be properly assessed. To ensure the highest level of engagement, letters have been couriered to the most senior board member of each company, for example, the Chairman, CEO or President.

Staff actively pursue a substantive response to these corporate engagements, for example by identifying parent companies where decisions will be made, and if need be, making use of translating services to ensure clear communication.

• Determination

Following the communication with identified companies, staff determines their status under the Iran Act. The companies' responses are analyzed by CalPERS staff to determine the applicability of the Iran Act's provisions. Where company activity is deemed to be subject to the Iran Act, staff assesses whether the company is taking substantial action to withdraw, or making substantial progress towards this.

In October 2011, Assembly Bill 1151, was enacted which amended the Iran Act, to its current status as applicable to CalPERS. AB 1151 requires CalPERS to determine that a company is taking substantial actions to end or curtail business operations in Iran. This must also be supported by findings adopted by a rollcall vote of the CalPERS Board following a presentation and discussion of the findings in open session.

• Divestment Policy

The CalPERS Investment Committee adopted a policy on divestment, which builds on the concept of fiduciary duty and some of the possible implications of

divestment on these responsibilities. The policy defines instances when CalPERS will undertake divestment as follows:

1. CalPERS will sell targeted company investments or refrain from making them to the extent investment in the targeted company is imprudent and inconsistent with fiduciary duty.
2. CalPERS will comply with federal laws requiring divesting, if any.
3. To the extent required by law and consistent with fiduciary duty, CalPERS will comply with constitutional California state laws that require divesting.

• **Fiduciary analysis**

The Iran Act requires that CalPERS divest its shares in those companies that have not provided evidence of exemption from the Iran Act's provision, within 90 days of being notified. However, the Iran Act specifies that this does not "require the board to take action as described...unless the board determines, in good faith, that the action...is consistent with the fiduciary responsibilities of the board as described in Section 17 of Article XVI of the California Constitution." (Gov Code §7513.7(k).)

Hence, the Iran Act requires that divestment be consistent with the California Constitution which determines that the board of CalPERS acts with a singular focus on the purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System.

In October 2014, the portfolio company subject to divestment provisions of the Iran Act was fully reviewed by CalPERS' Global Equity staff to ensure inclusion of the most recent portfolio information. Staff has determined that the potential costs, market impact and potential performance impacts associated with a divestment and blocking of the affected security is not material. For that reason, a full fiduciary analysis has not been requested by Wilshire Associates, the primary pension consultant to the Board.

• **Liquidation**

The Iran Act requires the sale of any investments in companies subject to divestment within an 18 month time period from the point of such determination. In 2014, CalPERS completed the liquidation of one company subject to the Iran Act.

Reporting Requirement of Section 7513.7(i)(3) – Whether the Board has Reduced its Investments in any Companies Described in Section 7513.7(b) ("Covered Companies")

CalPERS is currently divested from four companies which continue to have business activities in Iran or were unresponsive to CalPERS engagement: China

BlueChemical Ltd., CNOOC Ltd., Daelim Industrial Co., Ltd., and Oil India Limited.

Reporting Requirements of Section 7513.7(i)(6) – Detailed Summary of Investments Transferred to Funds or Accounts Devoid of Companies with Business Operations in Iran as Described in Section 7513.7(f)

CalPERS' investment activity in the types of fund structures referenced in section 7513.7(f)(1)(2)(3) do not contain exposure to companies with Iran business operations to the best of staff's knowledge. No transfers have been made to different fund or account structures.

Progress on Company Withdrawal from Iran

The table that follows sets forth CalPERS current holdings in the non-US companies that have been identified as having business operations in Iran, as defined by the legislation.

The progress on company withdrawal from Iran or exemption from the Iran Act is as follows:

1. (Table 1) 7 companies under engagement by CalPERS.
2. (Table 2) 8 companies being monitored by CalPERS.
3. (Table 3) 4 companies restricted from ownership by CalPERS pursuant to the Iran Act.

Conclusion

CalPERS continues to implement the requirements of the Iran Act. Through this process CalPERS has tracked significant progress in company withdrawal and reduction of activity in Iran. In part, this reflects the growing geo-political risk in the country, but it also demonstrates a response to shareowner engagement and economic sanctions. CalPERS will continue to identify, notify, and make a determination to divest and liquidate investments in companies engaged in specified business operations in Iran, subject to CalPERS' overriding fiduciary duty.

CalPERS will continue to ensure its compliance with the Iran Act, that the Board is apprised of developments, and that staff is positioned to review CalPERS' response as required.

**TABLE 1:
7 Company Under Engagement by CalPERS**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
China Oilfield Services Limited (China)	GAO: Open sources published during the period of the GAO current review reported that the firm has ongoing drilling operations in Iran.	CalPERS has initiated engagement with China Oilfield Services.	4,016,000	\$8,378,749.74
Doosan Corporation (South Korea)	Doosan Corporation is the parent company of the construction equipment brand Bobcat, which also does business in Iran. Doosan has a significant presence in Iran's energy sector, having constructed at least nine power plants in Iran. (Doosan Heavy Industries Website. "Major Projects"). In total, all Doosan companies have received more than \$100 million from the U.S. Government in federal contracts since 2000.	CalPERS has initiated engagement with Doosan Corporation.	30,861	\$3,205,272.62
Heidelberg Druckmaschinen (Germany)	Heidelberg Druckmaschinen develops and produces printing presses, plate setters, post-press, equipment and software. The Company works in Iran through Iran Rotative Co. Ltd.	CalPERS has initiated engagement with Heidelberg Druckmaschinen.	1,087,301	\$2,766,790.53
Hitachi Zosen Corporation (Japan)	Hitachi Zosen produces shield tunneling machines in its steel structures and construction machinery division: "We have delivered a number of shield tunneling machines to the United States, China, Korea, Republic of China, Singapore and Thailand including 4 machines for undersea tunnel across the Bosphorus straits in Istanbul, Turkey". A Hitachi Zosen subsidiary lists Iran as a main exporting country for spare parts.	CalPERS has initiated engagement with Hitachi Zosen Corporation.	704,800	\$3,640,151.64
Indian Oil Corporation (India)	It has been reported that India imported 13.5 percent more Iranian oil in May compared with April as the country's biggest refiner Indian Oil Corp bought crude from Tehran after a three-month break, tanker data obtained from trade sources showed. India's intake of Iranian oil in January-May rose about 38 percent from the previous year as refiners ramped up imports in the first quarter to meet a target of buying 220,000 bpd crude from Tehran in the fiscal year that ended March 31, 2014. IOC took one very large crude carrier, or 2 million	CalPERS has initiated engagement with Indian Oil Corporation.	801,538	\$4,753,746.96

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7 Company Under Engagement by CalPERS**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
	barrels of Iranian oil last month, after not making any purchase from Tehran since January.			
Nexans SA (France)	On its Company Website, Nexans lists "Noble Inc." and "Persian Meraat Co." as its partners in Iran. According to Persian Meraat Co.'s company website, the Tehran-based company is the "registered official agent of Nexans France to operating in Iran region."	CalPERS has initiated engagement with Nexans SA.	133,873	\$4,083,375.75
Toyota Tsusho Corporation (Japan)	It has been reported that Toyota Tsusho has been also lifting Iranian crude since April for the top two buyers, the sources added. In 2009, Iran exported about 421,000 bpd of crude to Japan. It was overtaken by Qatar, however, as Japan's third-largest crude supplier.	CalPERS has initiated engagement with Toyota Tsusho Corporation.	1,628,567	\$39,949,683.34
		Category Total:	8,402,940	\$66,777,770.58

**TABLE 2:
8 Companies Being Monitored by CalPERS**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
AF AB (Sweden)	In 2007, the AF Group acquired Swiss energy consulting company Colenco, establishing a strong foothold in the energy industry. Colenco maintains a strong presence in Iran, establishing a representative office in 2004 to construct a power plant in Iran. This project is detailed on the company's website, where Colenco also notes that it "anticipates a long term commitment to the development challenges of Iran."	In correspondence with AF AB dated November 19, 2013, the Company confirmed the Swiss subsidiary project ended in July 2009. In addition, the Company confirmed it was not engaged in any activities covered by the Iran Act. At the November 2014, Investment Committee CalPERS Board approved AF AB as not subject to the divestment provisions of the Iran Act.	175,284	\$2,646,935.85
Alfa Laval AB (Sweden)	Alfa Laval sells its products in Iran through an Iranian website, in addition to maintaining an office in Tehran. Through this site, Alfa Laval makes available many	In correspondence with Alfa Laval AB dated November 25, 2013, the Company confirmed it was	893,419	\$18,326,543.59

**TABLE 2:
8 Companies Being Monitored by CalPERS**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
	products that have a known application in the nuclear energy industry. For example, Alfa Laval advertises the benefits of installing its plate heat exchangers in nuclear power plants.	making best efforts to comply with local, UN and EU regulations with their activities in Iran. CalPERS is following up with the Company to determine the current status of their Iran operations.		
KunLun Energy (Formerly CNPC Hong Kong) (Hong Kong)	<p>CNPC Hong Kong announced its name change in KunLun Energy Company Limited (Kunlun) in February 2010. Kunlun is a publicly traded subsidiary of the state-owned China National Petroleum Corporation (Sinopec), which holds a 52.7 percent interest. It is assessed as tied to Iran because of its parent company's ties. Sinopec is deeply involved in Iran through oil exploration contracts and interests, refining, and commercialization of gas processing products. Kunlun has had a service contract for the Masjed Soleiman oilfields in Iran and has previously participated in the development of Block 11 of the South Pars gas field. Also, Kunlun is negotiating a seven-year contract to develop Block 14 of the South Pars gas field, which would give CNPC access to the estimated 370 billion cubic meters of gas reserves.</p> <p>In late July 2008, the Iranian government reached a USD100-billion-worth agreement with Sinopec, in which the firm agreed to purchase Iranian natural gas and help develop one of Iran's largest oil fields, according to an editorial in the Washington Times newspaper. In exchange, Tehran agreed to export 150,000 barrels of oil per day to China at "market prices." According to a ChinaDaily.com report in December 2007, the Iranian Oil Ministry awarded a USD2-billion contract for engineering services at the Yadavaran oilfield to Sinopec, along with 51 percent ownership of the project. This will be carried out in two subsequent phases of four and three years, respectively.</p>	<p>There are no changes since 2013.</p> <p>CalPERS has no current investment position in KunLun Energy.</p>	0	\$0

**TABLE 2:
8 Companies Being Monitored by CalPERS**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
MISC Berhad (Malaysia)	MISC Berhad is the leading international shipping line of Malaysia. MISC Berhad operates a fleet of over 100 vessels, specializing in the shipping of energy products such as liquefied natural gas and petroleum (Company Website). MISC Berhad ships cargo to the Iranian port of Bandar Abbas, and describes its specific shipping policy for the port on its website. The company lists three other ports of call in Iran on its website.	There are no changes since 2013. CalPERS has no current investment position in MISC Berhad.	0	\$0
Mitsubishi Corporation (Japan)	Mitsubishi sells petroleum products, crude oil, carbon, liquefied natural gas, power and electrical systems, ships, and automobiles to Iran, among other things, according to its website. From 2000-20009, the company was the recipient of \$337.7 million US federal funds.	In correspondence with Mitsubishi Corporation dated December 9, 2013, the Company confirmed it was not engage nor invested in any business operations applicable to the Iran Act. At the November 2014, Investment Committee CalPERS Board approved Mitsubishi Corporation as not subject to the divestment provisions of the Iran Act.	4,728,651	\$91,257,628.45
PetroChina (China)	According to Iranian news media dated September 4, 2011, PetroChina will invest \$8.4 billion to develop the Azadegan oilfield.	There are no changes since 2013. CalPERS has no current investment position in PetroChina.	0	\$0
Petronas (Malaysia)	In a statement issued October 5, 2010, Datuk Shamsul Azhar Abbas CEO of Petroliam Nasional Bhd (Petronas) said that the company has no intention of leaving Iran's market at the present time despite U.S. threats to punish companies continuing trade with the country.	There are no changes since 2013. CalPERS has no current investment position in Petronas.	0	\$0
Sinopec Yizheng Chemical (China)	Sinopec, the parent company, has been linked to having potential ties to Iran.	CalPERS has no investment position in Sinopec Corporation or subsidiary Sinopec Yizheng Chemical.	0	\$0
		Category Total:	5,797,354	\$112,231,107.89

**TABLE 3:
4 Companies Restricted from Ownership by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
China BlueChemical Ltd. (China)	China BlueChem is a subsidiary that engages in production of mineral fertilisers, methanol and related chemicals under the parent company, China National Offshore Oil Corporation ("CNOOC"), which is the third largest petroleum company in China.	In November 2014, the CalPERS Investment Committee approved divestment of China BlueChemical Ltd. The Company has been unresponsive to take substantial action or curtailing business operations in Iran.	0	\$0
CNOOC Ltd. (Hong Kong)	<p>CNOOC Ltd. is a listed subsidiary of China National Offshore Oil Corp. (CNOOC) which is 70-percent owned by the Government of the People's Republic of China. CNOOC Ltd. itself does not have operations in Iran. Parent company CNOOC has stated that its affiliates or subsidiaries can be involved in restricted countries by the United States Sanctions Acts and State-level legislations.</p> <p>In March 2009, Iran's oil ministry stated that CNOOC had reached a deal to develop the North Pars gas field in the Persian Gulf (NP). CNOOC is reportedly expected to invest USD5 billion in upstream gas projects, and USD11 billion in gas liquefaction (downstream) facilities, until 2012. Iran and CNOOC had already signed a Memorandum of Understanding in 2006 for gas supply from Iran to China. In July 2009, CNOOC was reported by the Iranian Offshore Oil Company's managing director to have signed a cooperation agreement with Malaysia-based Amona for the development of Resalat oilfield.</p> <p>In its 2009 form 20-F, issued in April 2010, CNOOC Ltd. stated that the company is possibly subject to United States sanctions, as a result of "current or future activities by CNOOC Ltd. or its affiliates in countries that are the subject of U.S. sanctions as Iran and Sudan."</p>	<p>There are no changes since 2013.</p> <p>In May 2011, the CalPERS Investment Committee approved divestment of shares in CNOOC Ltd. The Company, through its parent, has failed to take substantial action to curtail business operations in Iran.</p>	0	\$0
Daelim Industrial Co. (Korea)	Daelim Industrial Co.'s website lists several offices in Iran, where the company is active. Currently, Daelim Industrial is collaborating with Iranian companies to upgrade the Esfahan refinery in Iran. In addition, it has secured a deal to build liquefied natural gas and liquefied	<p>There are no changes since 2013.</p> <p>In May 2011, the CalPERS Investment Committee approved divestment of shares in Daelim Industrial.</p>	0	\$0

**TABLE 3:
4 Companies Restricted from Ownership by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
	<p>petroleum gas tanks in Tombak, located in southern Iran. The Esfahan refinery project, which is to be completed in 2011, aims to give Iran more refining ability so that it no longer needs to import fuel. In 2009, it was reported that Daelim has secured a deal to build storage tanks, provide a fully integrated communication solution to equipment for an onshore gas plant and three offshore platforms of the South Pars gas field in Iran, and construct a gas refinery and an ethyl benzene plant in Iran.</p> <p>The company's 2008 Annual Report listed the following projects in progress in Iran: LNG & LPG Tank (2007-2011), Esfahan Refinery Upgrading Project (2007-2012) and AKPC LDPE Project (2005-2009). Daelim is carrying out the construction of a total of five LNG and LPG storage tanks on a turnkey basis in association with local contractor Ghorb Nooh. The client is National Iranian Oil Company, and the work is valued at USD 320 million.</p> <p>The company's 2008 Annual Report lists the following projects in progress in Iran: LNG & LPG Tank (2007-2011), Esfahan Refinery Upgrading Project (2007-2012) and AKPC LDPE Project (2005-2009). Daelim is carrying out the construction of a total of five LNG and LPG storage tanks on a turnkey basis in association with local contractor Ghorb Nooh. The client is National Iranian Oil Company, and the work is valued at USD 320 million. Three of the LNG tanks are to have capacities of 140,000 metric tons each and two capacities of 30,000 metric tons each in Tombak, southern Iran.</p> <p>Daelim awarded a contract to Metito, a wastewater treatment company, to install a major industrial system for phases 6, 7 and 8 of the gas field development in Iran. Daelim Industrial won contracts as part of a consortium to construct a gas refinery and an ethyl benzene plant.</p>	<p>The Company has been unresponsive to CalPERS request to take substantial action to curtail business operations in Iran.</p>		
Oil India Limited (India)	<p>According to the company's 2009 annual report, Oil India has an exploration service contract in the Farsi Oil Block. The company, along with its partners ONGC</p>	<p>There are no changes since 2013.</p> <p>In October 2012, the CalPERS</p>	0	\$0

**TABLE 3:
4 Companies Restricted from Ownership by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2013</i>	<i>Shares Held by CalPERS 10/31/2014</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2014</i>
	Videsh (OVL) and Oil India Corporation (OIC) holds interest in the Farsi oil field. The US administration had in May 2010 named Oil India Ltd among the 41 firms worldwide having energy ties with Iran, an act for which it may impose sanctions on them." (Economic Times, "Oil PSUs to seek legal opinion of impact of sanctions on Iran," July 22, 2010).	Investment Committee approved a block in future share purchase in Oil India. The company did not demonstrate that they are taking substantial action or curtailing business operations in Iran.		
		Category Total:	0	\$0

Appendix A:

Definitions

“Authorized business operations” – A United States company that is authorized by the federal government to have business operations in Iran.

“Board” – The Board of Administration of the Public Employees’ Retirement System or the Teachers’ Retirement Board of the State Teachers’ Retirement System, as applicable.

“Business operations” – The company (A) is invested in or engaged in business operations with entities in the defense or nuclear sectors of Iran or (B) is invested in or engaged in business operations with entities involved in the development of petroleum or natural gas resources of Iran, and that company is subject to sanctions under Public Law 104-172 (any entity that has invested at least \$20 million in any year since 1996 to develop petroleum or natural gas resources of Iran), as renewed and amended in 2001 and 2006.

“Humanitarian activity” – A company primarily engaged in supplying goods or services intended to relieve human suffering in Iran or a company that promotes health, education, or journalistic, religious, or welfare activities in Iran.

“Substantial action” – A boycott of the government of Iran, curtailing business in Iran or selling company assets, equipment or real and personal property located in Iran.

Appendix B:

Requirements

The implementation steps and requirements specified within the Iran Act are:

1. Identification of companies, through publicly available information, with activities in the specified areas.
2. Notification to such companies that their activities may make them subject to divestment unless they take “substantial action” within 90 days.
3. Determination by June 30, 2008 which companies may be subject to “divestment” due to lack of “substantial action” or progress toward it.
4. Monitor and review companies making sufficient progress toward “substantial action” for up to 12 months from the initial notification.
5. Determination: Upon determination that a company is subject to “divestment”, making no further investments into such company.
6. Fiduciary analysis to determine that actions to be taken are consistent with the boards’ fiduciary responsibilities as established in the “California Constitution, article 16, section 17”.
7. Liquidation within 18 months of investments determined to be subject to “divestment”.
8. Report annually (beginning January 1, 2009) to the California Legislature regarding the status of CalPERS compliance with the Iran Act (see note below).

Appendix C:

CalPERS Divestment Determination Process

Staff implements the following process to determine the costs and values of divestment under Government Code Section 7513.6:

- A. Firms Involved: Obtain list of companies considered for divestment.
- B. Approximate Value: Determine the market value of CalPERS holdings in each individual company as well as the approximate total value of the list of companies considered for divestment.
- C. Divestment Determination Steps:
 - 1. Determine the company has failed to complete, or has failed to make sufficient progress towards substantial action within the time specified by statute.
 - 2. Subject to the Senior Investment Officer, Global Equity's determination that the holding(s) may be material, estimate the trading costs and price impact using an applicable trading cost model, and estimate how long it would take to sell the securities after the decision to divest.
 - 3. Use a portfolio construction process and simulate reinvestment of the proceeds of the sales of divested securities, aiming at a minimal expected performance impact on the appropriate asset class portfolio.
 - 4. Estimate the execution costs of the reinvestment trade list, using the appropriate trading cost model.
 - 5. Use the new expected performance impact estimate (from No. 3 above) to calculate the performance at risk (PAR) resulting from divestment.
 - 6. Include any expected loss-of-opportunity performance impact with the costs of divestment.
 - 7. Calculate the costs and values as determined above.
 - 8. Gather and analyze all additional facts that could be relevant to a divestment decision
 - 9. If the Senior Investment Officer, Global Equity, has determined that the potential divestment may be material review with Fiduciary Counsel and General Pension Consultant, and prepare a recommendation to the Board: either in favor of divestment, or in favor of a Section 7513.6(k) determination.
 - 10. Submit the recommendation to the Investment Committee.
 - 11. If the decision is to divest, isolate the affected securities and immediately notify all appropriate managers to cease purchasing the identified entity's securities.