
November 14, 2016

Item Name: California Public Divest from Iran Act

Program: Investment Compliance & Operational Risk

Item Type: Action

Recommendation

That the Investment Committee (Committee) approves staff's recommendation to remove three portfolio companies from the CalPERS list of companies subject to the California Public Divest from Iran Act (Iran Act) based on information provided by the companies.

Executive Summary

Staff engaged three companies initially identified as having activities in Iran and received representations from each of them that they are not involved in specified business activities subject to the divestment provisions of the Iran Act.

Strategic Plan

This agenda item responds to statutory requirements and does not directly support the CalPERS Strategic Plan.

Investment Beliefs

This agenda item responds to statutory requirements and does not directly flow from, or reflect, our Investment Beliefs.

Background

In October 2007, Assembly Bill 221, known as the California Public Divest from Iran Act, was enacted to provide for identification of, engagement with, and, absent a satisfactory response, divestment of investments in companies engaged in specified business operations in Iran, subject to the fiduciary duty of the Board. In October 2011, Assembly Bill 1151 amended AB 221 to its current form (Attachment 1).

Analysis

CalPERS staff relies upon external third party resources to compile a list of companies (Iran List) deemed subject to the Iran Act. CalPERS staff provides notification of such designation to each company on the Iran List, setting out the provisions of the Iran Act, and requests a response that can be properly assessed.

Following engagement with the three companies identified below, staff has received satisfactory assurances from each of them that they do not meet the threshold criteria for potential divestment under the Iran Act. Table 1 summarizes the key findings with respect to these three companies based on the companies' written responses to staff's engagement activities.

TABLE 1: Summary of Key Findings

| | Company | Summary of Key Findings – Company Status |
|---|---------------------------|---|
| 1 | Alfa Laval AB (Sweden) | On December 10, 2015, the Company stated: <ul style="list-style-type: none">• It maintains a subsidiary, Alfa Laval Iran Ltd., with a total of 7 employees per the end of November 2015.• It does not own real property and does not have any investments in Iran that are subject to the Iran Act.• Measures have been implemented to comply with current sanctions.• All activities have significantly been scaled back over the last several years consistent with increased sanctions. |
| 2 | MISC Berhad (Malaysia) | On December 8, 2015, the Company stated: <ul style="list-style-type: none">• It does not have any activities involving Iran. |
| 3 | Legrand SA (France) | On January 5, 2016, the Company stated: <ul style="list-style-type: none">• It has no significant business to report regarding Iran.• Legrand has a local subsidiary registered in Iran, Alborz Electrical Industries Limited, but is not engaged in any business activity.• It would only conduct business activities in strict compliance with applicable U.S. and E.U. laws concerning Iran. |

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

This item has significant compliance implications in terms of the divestment and reporting provisions outlined in the Iran Act. Failure to comply with the statutory requirements of the Iran Act could result in legal and reputational risk.

Attachments

Attachment 1 – California Assembly Bill 1151

Katherine H. Crocker
Investment Director
Investment Compliance and Operational Risk

Dan Bienvenue
Managing Investment Director
Global Equity

Wylie Tollette
Chief Operating Investment Officer