



# **California Public Employees' Retirement System**

**Consolidated Legislative Reports  
California Public Divest from Iran Act  
California Public Divest from Sudan Act  
For the Year Ended**

**December 31, 2016**



**California Public Employees' Retirement System  
Iran and Sudan Related Investments – Annual Legislative Report  
December 31, 2016**

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## Executive Summary

1. This Legislative Report is provided by the California Public Employees' Retirement System (CalPERS)<sup>1</sup> pursuant to requirements promulgated by Government Code 7513.6 and 7513.7, also known as the California Public Divest from Sudan Act (Sudan Act) and the California Public Divest from Iran Act (Iran Act), respectively, and summarizes related implementation activities undertaken by CalPERS during calendar 2016 (Reporting Period).
2. Each Act prohibits the Board from investing public employee retirement funds in companies having specified ties to Iran and Sudan. Each Act requires the Board to identify the companies that meet the specified criteria, notify them that they have been so identified, and enter into a 90-day period of engagement to encourage such companies to sever their ties with Iran and Sudan. If a company fails to make sufficient progress in this regard, then, to the extent consistent with the Board's fiduciary duties, CalPERS (a) must cease all future investments with such companies and (b) has 18 months in which to divest any existing holdings. The above criteria, *excluding* the fiduciary duty consideration, are referred to herein as the "threshold criteria" for divestment.
3. Any determination that a company has made sufficient progress in severing ties with Iran or Sudan must be supported by findings adopted by a roll call vote of the Board following a presentation and discussion of the findings in open session. The Board is required, on an annual basis, (a) to review the CalPERS investment portfolio to determine which companies are subject to divestment, and (b) to file a report with the Legislature, to include the findings made in support of any determination that a particular divestment action would be inconsistent with the Board's fiduciary duties.
4. During the Reporting Period, CalPERS also identified three companies (Alfa Laval AB, Legrand SA, and MISC Berhad) as no longer meeting the threshold criteria for potential divestment for either Iran or Sudan. Following further attempts to engage with these three companies, staff determined that they had either demonstrated "substantial action," as defined in the Iran Act or Sudan Act, to curtail or end their business operations in Iran or Sudan, or otherwise failed to meet the threshold criteria for divestment. Staff's conclusion is based on each company's response as summarized in Table 1. CalPERS staff presented these three companies to the Committee on November 14, 2016 and, after discussion and a roll call vote, the Committee found these three companies to have taken substantial action and to

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<sup>1</sup> CalPERS is the largest public pension plan in the United States, responsible for approximately \$300 billion in global assets, which are invested to provide retirement and health benefits for over 1.7 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 System and their beneficiaries and defraying the reasonable expenses of administering the System.

therefore be no longer subject to the divestment provisions of the Iran Act or Sudan Act.

**Table 1: Summary of Key Findings**

	Company	Summary of Key Findings – Company Status
1	Alfa Laval AB (Iran)	On December 10, 2016, the Company stated: <ul style="list-style-type: none"> <li>• It has a local company located in Teheran;</li> <li>• Activities conducted by the local company have been performed within the boundaries of all applicable laws and regulations.</li> <li>• Measures have been implemented to comply with current sanctions.</li> </ul>
2	Legrand SA (Iran)	On January 5, 2016, the Company stated: <ul style="list-style-type: none"> <li>• It has a local subsidiary registered in Iran;</li> <li>• The subsidiary is not engaged in any business activity.</li> </ul>
3	MISC Berhad (Iran and Sudan)	On December 1, 2015, the Company stated: <ul style="list-style-type: none"> <li>• It does not have any activities involving Iran.</li> <li>• It has a joint venture agreement to carry on business of ship owning, ship operations, and shipping related activities in Sudan.</li> <li>• The joint venture company has been wound up and is currently going through the liquidation process.</li> </ul>

5. CalPERS continues to identify companies potentially subject to each Act, to notify them of the law's provisions, and call for them to take "substantial action" as defined in each Act.
6. Since the enactment of each Act, CalPERS has divested from seven companies operating in Iran and three companies operating in Sudan that failed to take substantial action as defined by each Act, summarized in Table 2.

**Table 2: Current Iran and Sudan Divestments**

Iran	Sudan
China BlueChemical Ltd.	Dongfeng Motor Group
China Oilfield Services Ltd.	El Sewedy Cables
CNOOC Ltd.	Mangalore Refinery & Petrochemicals
Daelim Industrial Co.	
Doosan Corporation	
Indian Oil Corporation	
Oil India Ltd.	

## Requirements of Each Act

The Iran Act and Sudan Act set out a number of requirements, as follows:

### • Identification

CalPERS must annually identify companies with “business operations” in Iran and Sudan that meet the following criteria summarized below in Table 3:

**Table 3: Iran and Sudan Identification Criteria**

Country	Criteria
Iran	<ol style="list-style-type: none"> <li>1. The company (a) is invested in, or engaged in “business operations” with, entities in the defense or nuclear sectors of Iran, or (b) has an investment of \$20 million or more in the energy sector of Iran, including in a company that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran, <b>and</b> that company is subject to sanctions under Public Law 104-172, <b>or</b></li> <li>2. The company has demonstrated complicity with an Iranian organization that has been labeled as a terrorist organization by the United States government.</li> </ol> <p>Note: CalPERS uses the U.S. Government Accountability Office (GAO) report on Iran sanctions for the initial identification of companies potentially subject to the Iran Act. In addition, CalPERS coordinates in this regard with the California Department of General Service Office of Policies Procedures and Legislation (DGS) and the California State Teachers’ Retirement System (CalSTRS).</p>
Sudan	<ol style="list-style-type: none"> <li>1. The company is engaged in active business operations in Sudan, and, for any company not engaged in oil-related activities, that company also lacks significant business operations in the eastern, southern, or western regions of Sudan, <b>and</b></li> <li>2. Either of the following apply: (a) The company is engaged in oil-related activities or energy or power-related operations, or contracts with another company with business operations in the oil, energy, and power sectors of Sudan and the company failed to take substantial action related to the government of Sudan because of the Darfur genocide, or (b) the company has demonstrated complicity in the Darfur genocide.</li> </ol> <p>Note: CalPERS coordinates in this regard with the California State Teachers’ Retirement System (CalSTRS).</p>

CalPERS reviews a variety of information sources to identify the companies in its portfolio that may potentially meet the threshold criteria for divestment (“Subject Companies”). There may be instances in which CalPERS has not engaged a company that was identified by DGS or CalSTRS as potentially satisfying the initial criteria specified in the Iran or Sudan Act. Reasons for this include, but are not limited to:

- a. Timing: CalPERS frequently coordinates its engagement efforts with CalSTRS; however differences may occur due to the timing of each respective organization's engagement with individual companies.
- b. CalPERS Portfolio Holdings: The companies identified by DGS and/or CalSTRS might not be held in the CalPERS portfolio.

#### • Notification

Once identified, CalPERS provides prompt notification to each subject company, setting out the provisions of each Act, as applicable, and seeks a response that can be properly assessed. Such notifications are sent to the most senior board member of each company and in many cases to the Chairman, CEO, or President. When necessary, CalPERS will engage with the subject company's parent directly and use translating services to ensure clear communication.

#### • Determination of Substantial Action

Following the communication with identified companies, staff analyzes each company's response, if any, to assess whether the company is taking "substantial action in Iran" (or making progress thereon) or "substantial action in Sudan" (or making progress thereon) as defined by the respective Act.

#### • CalPERS Policies Relating to Divestment

In February 2009, the Investment Committee (Committee) adopted the Statement of Investment Policy for Divestment. In March 2015, the Committee approved the CalPERS Total Fund Investment Policy, which incorporated the Statement of Investment Policy for Divestment (Policy). The Policy provides that CalPERS will undertake constructive engagement in support of Divestment Initiatives (as defined in the Policy) to the extent the Committee determines such engagement to be constructive or as required by law, and will divest where (a) retaining the investment is imprudent and inconsistent with fiduciary duties, or (b) to the extent divestment is both required by law and consistent with fiduciary duties.

#### • CalPERS Decision to Divest

If a company fails to make sufficient progress as determined by statute, then, to the extent consistent with the Board's fiduciary duties,<sup>2</sup> CalPERS (a) must cease all future investments with such companies and (b) has 18 months in which to divest any existing holdings.

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<sup>2</sup> The Act 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 §7513.6(k). and §7513.7(k).)

## • Liquidation

The Act requires the sale of any investments in companies subject to divestment within an 18-month time period from the point of such determination. No such divestment activities were completed during the Reporting Period.

## • Additional Reporting Requirements Under Each Act

**Table 4: Iran Act Reportable Items**

Government Code Section	Reportable Item(s)
<b><i>Section 7513.7(i)(3) – Whether the Board has Reduced its Investments in any Companies Described in Section 7513.7(b)</i></b>	As of December 31, 2016, CalPERS has divested from seven companies as identified in Table 1. No new investments in these companies have occurred.
<b><i>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)</i></b>	No such transfers have been identified by CalPERS.
<b><i>Section 7513.7(i)(7) – Annual calculation of any costs or investment losses or other financial results incurred</i></b>	Annually, the Board's general pension consultant, Wilshire Associates, provides calculations of the historical impact of Iran- and Sudan-related divestment activities. <sup>3</sup> In an October 2015 report provided to the Board's Investment Committee, Wilshire stated, "the impact of the Iran/Sudan Exclusion over the three and a half years it has been in place has cost the fund between \$46.89 million and \$50.14 million by the end of 2014, depending on the methodology used." <sup>4</sup>

**Table 5: Sudan Act Reportable Items**

Government Code Section	Reportable Item(s)
<b><i>Section 7513.6(i)(3) – Whether the Board has Reduced its Investments in any Companies Described in Section 7513.6(b) or (c)</i></b>	As of December 31, 2016, CalPERS has divested from three companies as identified in Table 1. No new investments in these companies have occurred.
<b><i>Section 7513.6(i)(6) – Detailed Summary of Investments Transferred to Funds or Accounts Devoid of Companies with Business Operations in Sudan as Described in Section 7513.6(f)</i></b>	No such transfers have been identified by CalPERS.

<sup>3</sup> Wilshire has only provided the aggregate impact for both Iran and Sudan divestment activities.

<sup>4</sup> See <https://www.calpers.ca.gov/docs/board-agendas/201510/invest/item07a-01.pdf> at 14.



### • Recent Iran-Related Events

On July 14, 2015, the United States, United Kingdom, France, Germany, China, Russia, and Iran, known as the P5+1, established the “Joint Comprehensive Plan of Action” (JCPOA)<sup>5</sup> on the Iran nuclear issue. October 18, 2015, marked “Adoption Day,” which put the JCPOA into effect, at which time the participants began to take the necessary steps for implementing their respective JCPOA commitments. JCPOA will be monitored by the International Atomic Energy Agency (IAEA). The JCPOA is designed to ensure all participants carry out their Iran-related commitments.

The Iran Act contains sunset provisions that are triggered 30 days after the President of the United States certifies to Congress the following:

- a) Iran has ceased providing support for acts of international terrorism and no longer satisfies the requirement for designation as a state sponsor of terrorism, and
- b) Iran has ceased the pursuit, acquisition and development of, and has verifiably dismantled, its nuclear, biological, and chemical weapons and ballistic missiles and associated technology.

While the JCPOA is a long-term plan designed to provide a peaceful solution to the Iranian nuclear issue, the California legislation remains in full force and effect until such time that the President makes the foregoing certifications. Thus, CalPERS continues to diligently implement the requirements of the Act.

CalPERS will continue to monitor the progress of the JCPOA and related developments.

### • Recent Sudan-Related Events

The 2005 Sudanese Comprehensive Peace Agreement (CPA) provided Southern Sudan a choice to continue within one country or to separate. In January 2011, the people of Sudan overwhelmingly voted for separation. On July 9, 2011, with the recognition of the Government of Sudan, the Republic of South Sudan was declared independent. This year marks the fourth year since South Sudan was declared an independent country.

Since South Sudan became independent, conflict has continued. In 2015, the United States continued to support the Intergovernmental Authority on Development (IGAD) as it leads mediation efforts between the conflicting parties. In August, a tentative mediated peace agreement<sup>6</sup> was signed by South Sudan President Salva Kiir and rebel leader Riek Machar. At the United Nations General Assembly in October 2015, Ambassador Donald E. Booth, Special Envoy to

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<sup>5</sup> U.S. Department of Treasury: [http://www.treasury.gov/resource-center/sanctions/Programs/Pages/jpoa\\_archive.aspx](http://www.treasury.gov/resource-center/sanctions/Programs/Pages/jpoa_archive.aspx)

<sup>6</sup> Intergovernmental Authority on Development (IGAD) Agreement on the Resolution of the Conflict in the Republic of South Sudan: <https://unmiss.unmissions.org/>

Sudan and South Sudan, expressed the continued support of the United States for peace in Sudan and South Sudan. Ambassador Booth stated, “From the U.S. perspective, the key message remains that Sudan needs to stop fighting its people, stop the wars in Darfur and the Two Areas and find a way to move forward toward a political accommodation that will enable Sudan, which is a diverse country, to live at peace with itself. So that is the message we continue to press on that. We, again, will be engaging the Sudanese here on that, trying to advance that agenda.”<sup>7</sup>

The Act contains sunset provisions that are triggered when either the government of Sudan halts the genocide in Darfur for 12 months, or the United States revokes its current sanctions against Sudan. A review of public sources revealed that neither condition has been met. Thus, CalPERS continues to diligently implement the requirements of the Act.

### •Progress on Company Withdrawal from Iran and Sudan

Tables 6 through 11 set forth CalPERS current holdings in the non-US companies that have been identified as having business operations in Iran and Sudan, as defined by the legislation.

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

1. CalPERS did not identify any new companies to engage pursuant to the Iran Act.
2. (Table 6) 7 Companies Being Monitored by CalPERS Pursuant to the Iran Act.
3. (Table 7) 7 Companies Restricted from Ownership by CalPERS Pursuant to the Iran Act.

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

1. (Table 8) 1 Company Under Engagement by CalPERS.
2. (Table 9) 8 Companies Being Monitored by CalPERS.
3. (Table 10) 3 Companies Divested by CalPERS Pursuant to the Act.

**TABLE 6:**  
**7 Companies Being Monitored by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
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<sup>7</sup> The Agreement on the Resolution of the Conflict in South Sudan: <http://fpc.state.gov/247697.htm>

**TABLE 6:**  
**7 Companies Being Monitored by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
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 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.	In correspondence with Alfa Laval dated December 10, 2015, the Company confirmed it has a subsidiary in Iran, Alfa Laval Iran. The Company confirmed its' subsidiary does not own real property nor have any investments in Iran applicable to the Iran Act. In addition, the Company confirmed it has significantly scaled back its' activities in Iran and all remaining activities are performed within the boundaries of all laws and regulations.  At the November 2016, Investment Committee CalPERS Board approved Alfa Laval was not subject to the divestment provisions of the Iran Act.	904,314	\$13,011,135.31
KunLun Energy (Formerly CNPC Hong Kong)  (Hong Kong)	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.  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	There are no changes since 2015.  CalPERS has no current investment position in KunLun Energy.	0	\$0

**TABLE 6:**  
**7 Companies Being Monitored by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	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.			
Legrand SA (France)	Legrand SA has been identified as potentially having ties in Iran.	In correspondence with Legrand SA dated January 5, 2016, the Company stated it has no significant business in Iran. The Company confirmed it has a local subsidiary but it is not engaged in any business activity and is compliant with all applicable laws concerning Iran.  At the November 2016, Investment Committee CalPERS Board approved Legrand SA was not subject to the divestment provisions of the Iran Act.	1,573,033	\$88,787,261.69
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.	In correspondence with MISC Berhad dated December 8, 2015, the Company stated it does not have any activities involving Iran.  At the November 2016, Investment Committee CalPERS Board approved MISC Berhad was not subject to the divestment provisions of the Iran Act.	741,800	\$1,329,758.28
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 2015.  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 Petrolia Nasional Bhd (Petronas) said that the company has no intention of leaving	There are no changes since 2015.  CalPERS has no current	0	\$0

**TABLE 6:**  
**7 Companies Being Monitored by CalPERS Pursuant to the Iran Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Iran</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	Iran's market at the present time despite U.S. threats to punish companies continuing trade with the country.	investment position in Petronas.		
Sinopec Yizheng Chemical  (China)	Sinopec, the parent company, has been linked to having potential ties to Iran.	There are no changes since 2015.  CalPERS has no investment position in Sinopec Corporation or subsidiary Sinopec Yizheng Chemical.	0	\$0
		<b>Category Total:</b>		<b>\$103,128,155.28</b>

**TABLE 7:**  
**7 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 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</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.	There are no changes since 2015.  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
China Oilfield Services Ltd.  (China)	GAO: Open sources published during the period of the GAO current review reported that the firm has ongoing drilling operations in Iran.	There are no changes since 2015.  In November 2015, the CalPERS Investment Committee approved divestment of China Oilfield Services Limited. The Company has been unresponsive to CalPERS engagements.	0	\$0
CNOOC Ltd.  (Hong Kong)	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.	There are no changes since 2015.  In May 2011, the CalPERS Investment Committee approved divestment of	0	\$0

**TABLE 7:**  
**7 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 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	<p>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>	shares in CNOOC Ltd. The Company, through its parent, has failed to take substantial action to curtail business operations in Iran.		
Daelim Industrial Co.  (Korea)	<p>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 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:</p>	<p>There are no changes since 2015.</p> <p>In May 2011, the CalPERS Investment Committee approved divestment of shares in Daelim Industrial. The Company has been unresponsive to CalPERS request to take substantial action to curtail business operations in Iran.</p>	0	\$0

**TABLE 7:**  
**7 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 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	<p>LNG &amp; 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. The company's 2008 Annual Report lists the following projects in progress in Iran: LNG &amp; 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>			
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.	<p>There are no changes since 2015.</p> <p>In November 2015, the CalPERS Investment Committee approved divestment of Doosan Corporation. The Company has been unresponsive to CalPERS engagements.</p>	0	\$0
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	<p>There are no changes since 2015.</p> <p>In November 2015, the CalPERS Investment Committee approved divestment of Indian Oil Corporation. The Company has</p>	0	\$0

**TABLE 7:**  
**7 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 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	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 barrels of Iranian oil last month, after not making any purchase from Tehran since January.	been unresponsive to CalPERS engagements.		
Oil India Ltd.  (India)	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 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).	There are no changes since 2015  In October 2012, the CalPERS 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.	0	\$0
		<b>Category Total:</b>		<b>\$0</b>

**TABLE 8:**  
**1 Company Under Engagement by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
Shanghai Electric Group  (China)	Shanghai Electric Group has been reported as potentially having several contracts relating to power transmission in Sudan.	CalPERS continues to follow up with the Company regarding their potential operations in Sudan.	4,160,391	\$1,925,995.17
		<b>Category Total:</b>		<b>\$1,925,995.17</b>

**TABLE 9:**  
**8 Companies Being Monitored by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
Bharat Heavy Electrical Limited  (India)	Bharat Heavy Electricals Limited (BHEL) is an India-based power and energy company, 67.7 percent owned by the Indian government. The company's first businesses in Sudan were in the transport	There are no changes since 2015.  CalPERS has no current investment position in Bharat	0	\$0



**TABLE 9:**  
**8 Companies Being Monitored by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	industry, providing Sudan Railways with eight mainland locomotives in 2005 and exporting locomotive parts in 2006. The company's subsequent and current operations in Sudan have been power-related. BHEL confirmed for MSCI Group in December 2007 that it was developing a 500-megawatt power plant in Kotsi, Sudan, which is scheduled to supply power to the whole of Sudan. It declined to provide further details on its activities in Sudan. However, Africa Energy Intelligence reported on April 2, 2008, that the cost of the project will be USD \$457 million.	Heavy Electrical Ltd.		
KunLun Energy Company (Formerly CNPC Hong Kong) (Hong Kong)	<p>According to its website and public filings, Kunlun Energy (formerly CNPC (Hong Kong) Ltd.) is a publicly traded subsidiary of the state-owned China National Petroleum Corp. (CNPC), which holds a 52.7 percent interest in Kunlun Energy. The Associated Press reported on July 2, 2007 that CNPC signed a 20-year contract in June 2007 for Block 13 in northern Sudan under which it entered into a six-year phase for offshore oil drilling exploration and a 20-year concession for shared oil production.</p> <p>China Energy Weekly reported on July 14, 2006, that CNPC had completed an upgrade of the largest oil refinery in Khartoum. The article also reported that CNPC holds a 40 percent stake in the Greater Nile Consortium, which produces 330,000 barrels of oil per day from three oil blocks in Sudan. CNPC also owns a 42 percent stake in two blocks in Malut. In addition, CNPC is investing in an oil terminal on Sudan's Red Sea coast and runs a pipeline connecting the Khartoum refinery with the Fula Oilfield, according to the article.</p>	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in KunLun Energy Company.</p>	0	\$0
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 has a joint venture which provides shipping services to Sudan.	In correspondence with the MISC Berhad dated December 8, 2016, the Company stated it does have a subsidiary in Sudan, MISC International Ltd, with a joint venture with Sudan Shipping Lines to carry on business of ship owning, ship operations, and shipping	741,800	\$1,329,758.28

**TABLE 9:**  
**8 Companies Being Monitored by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
		<p>related activities in Sudan. The company also stated the joint venture company has been wound up and is currently going through liquidation.</p> <p>With this information, CalPERS believes MISC Berhad is not subject to the provisions outlined in the Sudan Act.</p>		
Oil & Natural Gas Company  (India)	As of January 2011, it is reported that Oil & Natural Gas Company (ONGC) has assets in both North and South Sudan.	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in ONGC.</p>	0	\$0
PECD Bhd.  (Malaysia)	As of August 2011, PECD Berhad, an investment holding company, provides engineering, procurement, construction, and commissioning (EPCC) services. The company has operations in Malaysia, the United Arab Emirates, the Islamic Republic of Iran, the Republic of Indonesia, the Sultanate of Oman, and the Republic of Sudan.	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in PECD Berhad.</p>	0	\$0
PetroChina  (China)	PetroChina is reported to have no operations in Sudan. However, the relationship between PetroChina and CNPC has resulted in significant scrutiny being placed on the role PetroChina could play in CNPC's operations in Sudan.. Management at CNPC and PetroChina almost completely overlap and frequent asset transfers between the two entities, which often take place at subsidized rates, have made CNPC completely reliant on PetroChina for its financial health.	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in PetroChina.</p>	0	\$0
Petronas  (Malaysia)	<p>According to the company's 2010 annual report, Petronas operates in Sudan through its wholly owned subsidiary, Petronas Marketing Sudan Limited (PMSL). The company is involved in marketing and retailing petroleum products and lubricants in Sudan.</p> <p>Petronas through its subsidiary PMSL operates retail stores in Sudan. According to the 2010 annual report, the company expanded its retail network to 78 service stations. Furthermore, the company is</p>	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in Petronas.</p>	0	\$0

**TABLE 9:**  
**8 Companies Being Monitored by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	<p>engaged in marketing and retailing lubricants. PSML also provides into-plane fueling service at the Khartoum International Airport and the El-Obeid International Airport.</p> <p>In 2010, the company disclosed that it has started production in Sudan's block 3 &amp; 7 of Nahal Base oil field. Reuters also reported in September 2010 that Petronas is working with Sudan's stated owned company National Petroleum Company to boost oil recovery in 2020 by one billion barrels. Reuters also added that Petronas holds a 77 percent stake in block 8 of Northern Sudan, which has a potential gas reserves of a trillion cubic feet.</p>			
Sudan Telecom (Sudan)	Sudatel is a telecommunications and Internet service provider in the Sudan. The company is responsible for the construction and maintenance of Sudan's telecom infrastructure. Sudatel is more than 60% owned by the Sudanese government; the remainder being owned by private interests.	<p>There are no changes since 2015.</p> <p>CalPERS has no current investment position in Sudan Telecom.</p>	0	\$0
		<b>Category Total:</b>		<b>\$1,329,758.28</b>

**TABLE 10:**  
**3 Companies Divested by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
Dongfeng Motor Group Company Ltd. (Hong Kong)	Dongfeng Motor Group includes DongFeng Automobile Co., an automobile manufacturer, whose military division is under investigation for violating the United Nations arms embargo against Sudan. In 2006, the United Nations Panel of Experts monitoring the Darfur arms embargo reported that it saw a shipment of green military trucks at Port Sudan in August 2005. It said that similar trucks were later seen on the grounds of the Sudanese Air Force in Darfur in October 2006. The panel commenced an investigation, which found that the Ministry of Finance and National Economy of Sudan had purchased 222	<p>There are no changes since 2015.</p> <p>In May 2011, the CalPERS Investment Committee approved divestment of shares in companies which continued to have activities in Sudan and was unresponsive to our engagement.</p>	0	\$0

**TABLE 10:**  
**3 Companies Divested by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
	<p>vehicles-212 military trucks of model EQ2100E6D and 10 chassis of model EQ1093F6D-from Dongfeng on behalf of the Ministry of Defense. Following the release of the report, Dongfeng failed to answer directly any inquiries regarding its sale of military vehicles to Sudan.</p> <p>In December 2007, Dongfeng Motor Group confirmed for MSCI that it sells products to customers in Sudan, but it said that it does not have any equity interest in companies there. It added that it supplied trucks to the Khartoum government under a contract approved by the Chinese government. On July 14, 2008, a BBC investigative program found Dongfeng Automobile Co's (a DongFeng Motor's subsidiary) military vehicles, whose plates and markings showed a post-embargo manufacture date, in the possession of a Darfur rebel group that had reportedly captured them from the Sudanese Armed Forces. Its markings, captured on film, show the truck was exported by China to Sudan in 2005, after the United Nations banned the transfer of military goods to Darfur. Aside from documenting the presence of these vehicles, witnesses confirmed that they had seen them used during a December 2007 attack on Sirba town in West Darfur.</p> <p>In a press release issued on November 18, 2008, the UN panel of experts denounced that the Sudanese government and rebel groups in Darfur have continuously and flagrantly violated the arms embargo from September 2007 to September 2008. The panel's report included photos of equipment reportedly from the Sudanese government that was manufactured after the 2005 embargo, including a Dongfeng Automobile military truck and 120 mm mortars and post-embargo ammunition found in the hands of the rebel Justice and Equality Movement.</p>			
El-Sewedy Electric Co.  (Egypt)	El-Sewedy Cables provides significant support to Sudan's electricity generating infrastructure. The company owns and operates a plant in Sudan that produces power transmission cables.	<p>There are no changes since 2015.</p> <p>In May 2011, the CalPERS Investment Committee approved divestment of shares in companies which</p>	0	\$0

**TABLE 10:**  
**3 Companies Divested by CalPERS Pursuant to the Sudan Act**

<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2015</i>	<i>Shares Held by CalPERS 10/31/2016</i>	<i>Market Value (\$) of Shares Held by CalPERS 10/31/2016</i>
		continued to have activities in Sudan and was unresponsive to our engagement.		
Mangalore Refinery & Petrochemical Ltd.  (India)	Mangalore Refinery is a majority-owned publicly traded subsidiary of the Indian Oil & Natural Gas Corporation Ltd (ONGC). According to international news sources, Mangalore Refinery itself is involved in oil-related projects in Sudan. According to Reuters in 2007, and the United News of India reported on Oct. 28, 2008, the company refined crude oil from Sudan that is exported to India. In total, the oil processed by Mangalore Refining makes up 15 percent of the total oil produced by ONGC in Sudan.	There are no changes since 2015.  In May 2011, the CalPERS Investment Committee approved divestment of shares in companies which continued to have activities in Sudan and was unresponsive to our engagement.	0	\$0
		<b>Category Total:</b>		<b>\$0</b>

### • Conclusion

CalPERS has diligently and comprehensively implemented the requirements of each Act during the Reporting Period. CalPERS has monitored significant progress in company withdrawal and reduction of activity in Iran and Sudan.

The CalPERS Board, senior management, and staff continue to devote significant time and attention to ensuring that the provisions of the Act are fully implemented. CalPERS will continue to ensure that it remains in compliance with the Act, that the Board is apprised of developments, and that staff is positioned to review the appropriate response by CalPERS as required.

## **Appendix A:**

### ***Definitions***

**“Board”** – The Board of Administration of the California Public Employees’ Retirement System.

**“Business operations”** – Maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Iran or Sudan, including the ownership or possession of real or personal property located in Iran or Sudan.

**“Substantial action”** pursuant to the Iran Act – A boycott of the government of Iran, curtailing business in Iran (until such time that the President of the United States certifies to Congress that Iran (a) has ceased providing support for acts of terrorism and (b) has ceased the pursuit, acquisition and development of, and has verifiably dismantled, its nuclear, biological, and chemical weapons and ballistic missiles and associated technology) or selling company assets, equipment, or real and personal property located in Iran.

**“Substantial action”** pursuant to the Sudan Act – A boycott of the government of Sudan, curtailing business in Sudan (until such time that the government of Sudan halts the genocide in Darfur for 12 months as determined by both the Department of State and the Congress of the United States or the United States revokes its current sanctions against Sudan) or selling company assets, equipment or real and personal property located in Sudan, or undertaking significant humanitarian efforts in the eastern, southern, or western regions of Sudan.