

**Report to Colorado
PERA Board of
Trustees**

**From Investment
Staff**

**Regarding the
Colorado PERA
Iran-Related
*Investment Policy***

January 17, 2014





Table of Contents

Section 1	Executive Summary.....	1
Section 2	<i>Colorado PERA Iran-Related Investment Policy</i>	5
Section 3	Review of Staff Activities (June 25, 2013 – January 17, 2014).....	7
Section 4	Record of Companies Included on Iran Scrutinized List.....	9
Section 5	Company Engagement Efforts.....	11
Section 6	List of Iran-Related Companies Meeting Criteria as of January 17, 2014.....	13
Section 7	PERA Holdings of Iran-Related Companies Meeting Criteria as of January 17, 2014.....	15
Section 8	Iran-Related Companies Meeting Criteria as of January 17, 2014, With Purchase Moratorium in Effect.....	16
Section 9	Information on Companies Recommended for Removal.....	17

SECTION 1

Executive Summary

Since the last *Iran-Related Investment Policy Report* on June 25, 2013, Colorado PERA staff has continued to work diligently to implement the requirements of the *Colorado PERA Iran-Related Investment Policy* (PERA's policy). Specifically, our efforts have focused on the following areas:

- Reviewing reports received from PERA's research provider to continue to update the list of companies meeting PERA's policy criteria (Phase I).
- Monitoring compliance with the moratorium on direct public investments enacted by the Board (Phase III).
- Obtaining and analyzing updated information about companies that previously met policy criteria as well as companies identified as requiring further research.
- Training a new divestment analyst and transferring responsibility for divestment program.

Background

As of June 25, 2013, nine companies met the criteria specified in PERA's policy. At that time, PERA owned direct public securities issued by two of the companies. One company, Gazprom OAO, was included on the list, but had no moratorium in place due to a dearth of "alternative direct public investments providing similar diversity and return expectations". The other company, MTN Group Ltd., was placed under a moratorium and the securities divestment process was initiated. In compliance with its policy, PERA maintained a moratorium on the purchase of direct public investments in the remaining seven companies.

Research

Since the last report on PERA's policy, PERA staff has attempted to obtain and analyze all relevant publicly available information that has been published in the past 6 months on the nine companies that met policy criteria in addition to several other recently identified companies.

Based on this analysis, one new company has been identified as meeting PERA's policy criteria, and three companies are proposed for removal from PERA's scrutinized company list.

I. The company proposed for **addition** is:

1. Chennai Petroleum Corporation Limited

Chennai Petroleum Corporation Limited is restricted under the Sudan divestment law. As a result, PERA does not own restricted securities in the company within separate accounts and is prevented from doing so. **For the purposes of PERA's Iran policy and consistent with Phase III, PERA will enact a moratorium on direct public investments in Chennai Petroleum Corporation Limited effective today, upon Board approval.**

- II. The three companies proposed for **removal** are:
1. Gazprom OAO
 2. Sasol Ltd.
 3. ZTE Corporation

See Section 9 for a more detailed discussion of the reasons underlying the recommendation for their removal.

PERA currently has a moratorium on Sasol Ltd. and ZTE Corporation. As specified in Phase III of PERA's policy, removal of moratorium companies requires 90-days advance notice to the public, the General Assembly, and the Governor before the effective date of any repeal of this moratorium. The effective date of the repeal of the moratorium will be April 17, 2014. These two companies will remain on the list of companies meeting the policy criteria until that date. PERA does not currently have a moratorium on direct public securities of Gazprom and, as such, recommends the company's removal from the list of companies meeting the policy criteria effective January 17, 2014.

Summary

As of January 17, 2014, there are 9 companies that meet the criteria specified in PERA's policy. Of the 9 companies, PERA owns direct public securities issued by one of the companies. That company currently has a moratorium placed upon it and is in the process of being divested. PERA will maintain the moratorium on direct public investments in eight of the nine companies that PERA does not currently own. Subject to the Board's approval and absent any action by the General Assembly or the Governor, the moratorium placed upon Sasol Ltd. and ZTE Corporation will be removed on April 17, 2014, and the companies will then also be removed from the list of companies meeting the policy criteria.

Reporting

Staff is providing this *Colorado PERA Iran-Related Investment Policy Report* as of January 17, 2014. Subject to the Board's approval, this *Report* will be placed on the PERA Web site and forwarded promptly to the Governor and the General Assembly.

SECTION 2

Colorado PERA Iran-Related Investment Policy

Adopted January 18, 2008, and revised March 20, 2009 and January 17, 2014.

PERA will initiate a phased strategy to address PERA's direct public investments in foreign companies doing business in the Islamic Republic of Iran. The strategy will address and will include a number of actions, up to and including possible divestment. PERA recognizes the federal government has sole responsibility for the conduct of American foreign policy. PERA is acting out of a fiduciary concern for the welfare of its members' assets which requires a broad horizon and sensitivity to the potential risks posed by investment in Iran.

The United States prohibits loans from U.S. financial institutions and direct investment in the Iranian energy and defense sectors. The U.S. government can also impose economic sanctions on foreign companies investing in Iran's petroleum and natural gas sector. It is widely reported that Iran supports terrorism, and continues to develop the infrastructure to support advanced nuclear technology.

PERA must be managed for the benefit of the members, retirees and beneficiaries, and this policy is developed to address the potential for risk presented by pension fund investments in companies doing business in Iran.

Accordingly, the PERA Board of Trustees adopts a policy consisting of the following phases:

- Phase I: Commencing immediately, staff shall undertake research to identify a list of public companies doing business in Iran which meet the following criteria: (This list will be developed through staff research of publicly available information that may include the retention of external third party researchers and/or other information provided by other public funds, pension systems, and investor organizations.)
 1. That have made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20,000,000 or more, in Iran's energy sector; or
 2. Are engaged in business with any Iranian organization labeled by the U.S. government as a terrorist organization; or
 3. Are engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

Staff may determine that a company's business in Iran is not material and does not present significant risks for PERA's investments or a company has taken sufficient steps to mitigate risks presented by Iranian investments or that there is sufficient evidence of an elimination of ongoing Iranian investment or business activities to warrant exclusion or removal of a company from the list (removal of moratorium companies requires 90-day advance notice as specified in Phase III).

- Phase II: Upon a company being included on the list that meets the criteria set forth under Phase I in which PERA holds a direct public investment, staff shall within 30 days after identifying such a company, engage such company and ask them to:
 1. Provide a detailed description of the nature, extent, duration, and full history of the companies' business activities in Iran;
 2. Provide an explanation as to how these activities are consistent with a sound and prudent long-term investment strategy;
 3. Report how they are engaging the government of Iran regarding its conduct and how they are mitigating investment risks posed by doing business in Iran;

4. Report whether substantial action has been taken to affect the policies and practices of the government of the Islamic Republic of Iran; and
 5. Additionally, staff shall, where practical, confer and work with other pension systems and investor organizations regarding information stemming from their engagement with such companies and potentially cooperate in taking joint action in engaging such companies.
- Phase III: Upon a company being included on the list that meets the criteria set forth under Phase I, the Board enacts a moratorium on direct public investments in companies in which PERA currently holds no interest. The moratorium shall apply upon the date that staff determines such a company meets the criteria. Staff shall give 90-days' advance notice before the effective date of any amendment or repeal of this moratorium to the public, the General Assembly, and the Governor. Staff will also then notify the Board at the next regularly scheduled Board meeting.
 - Phase IV: Within 90 days after engaging such a company, staff shall evaluate the companies' responses and determine if they have taken sufficient steps to minimize risk to PERA and/or whether additional time is required to effectively engage such company. If not, staff shall analyze:
 1. The available strategies for addressing the risk presented;
 2. The viability of working with other interested parties and investors to affect the policies and practices of companies with business operations in Iran;
and
 3. The availability of alternative direct public investments providing similar diversity and return expectations.
 - Phase V: Staff shall report to the Board its findings, actions, and recommendations concerning individual companies on the list as changes to the list warrant, but not less than annually. This report shall be made available to the public and forwarded to the General Assembly and the Governor; provided, however, the first public report shall be made no later than March 21, 2008. Should adequate mitigation of risk not be possible, the PERA Board of Trustees, consistent with its fiduciary obligations and responsibilities, will thereafter direct staff to:
 1. Withhold additional or new direct public investments in non-complying companies;
and/or
 2. Divest current direct public investments in the companies.

SECTION 3

Review of Staff Activities (June 25, 2013 – January 17, 2014)

- Issued *Iran-Related Investment Policy Report* dated June 25, 2013
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying them of the new Iran list (June 25)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (June 25)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (June 25)
- Reviewed security holdings and transactions to verify compliance with moratorium (July 1)
- Received and reviewed research provider updated report (July 26)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (July 31)
- Reviewed security holdings and transactions to verify compliance with moratorium (August 1)
- Hired new investment research analyst and initiated training and staff transition (August 6)
- Searched the following Web sites for company activities in Iran in an effort to independently corroborate provided research: U.S. Department of Energy, U.S. Department of State, U.S. Department of the Treasury, Congressional Research Service, Library of Congress, Reuters, Bloomberg, the New York Times, Wall Street Journal and company investor relations sites in addition to the individual Web sites of each cited company (August 6 – August 19)
- Began development of tool to efficiently cull lists of restricted securities, using Bloomberg data and Excel (August 11 – Ongoing)
- Reviewed security holdings and transactions to verify compliance with moratorium (September 3)
- Retrieved the annual reports and Forms 20-F (form filed with the SEC by non-US companies with securities that trade on a U.S. exchange) for each subject company (September 3-6)
- Prepared and sent a detailed list of questions to research provider regarding the findings in their July 1 report (September 9). Received response from research provider (September 19)
- Reviewed security holdings and transactions to verify compliance with moratorium (October 1)
- Received and reviewed research provider updated report (October 1)
- Searched the following Web sites for company activities in Iran in an effort to independently corroborate provided research: U.S. Department of Energy, U.S. Department of State, U.S. Department of the Treasury, Congressional Research Service, Library of Congress, Reuters, Bloomberg, the New York Times, Wall Street Journal and company investor relations sites in addition to the individual Web sites of each cited company (October 6 – November 8)

- Emailed Oil and Natural Gas Corp Investor Relations in an effort to determine the nature and total investment related to the Iran discovery referenced in May 2013 investor presentation (October 31)
- Reviewed security holdings and transactions to verify compliance with moratorium (November 1)
- Prepared Board Report (November 14 through December 10)
- Reviewed security holdings and transactions to verify compliance with moratorium (December 1)
- Used Bloomberg research to identify actively traded securities issued by all of the companies meeting PERA's policy criteria (December 3-6)
- Evaluated PERA's exposure (equity and fixed income) to the securities of the two companies with PERA holdings as of the close of business on December 2, 2013 (December 3)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (December 10)
- Reviewed security holdings and transactions to verify compliance with moratorium (January 1, 2014)
- Received and reviewed research provider updated report (January 2, 2014)
- Drafted and discussed potential Iran policy revisions (December 10, 2013 – January 10, 2014)
- Issued *Iran-Related Investment Policy Report* (January 17, 2014)

SECTION 4

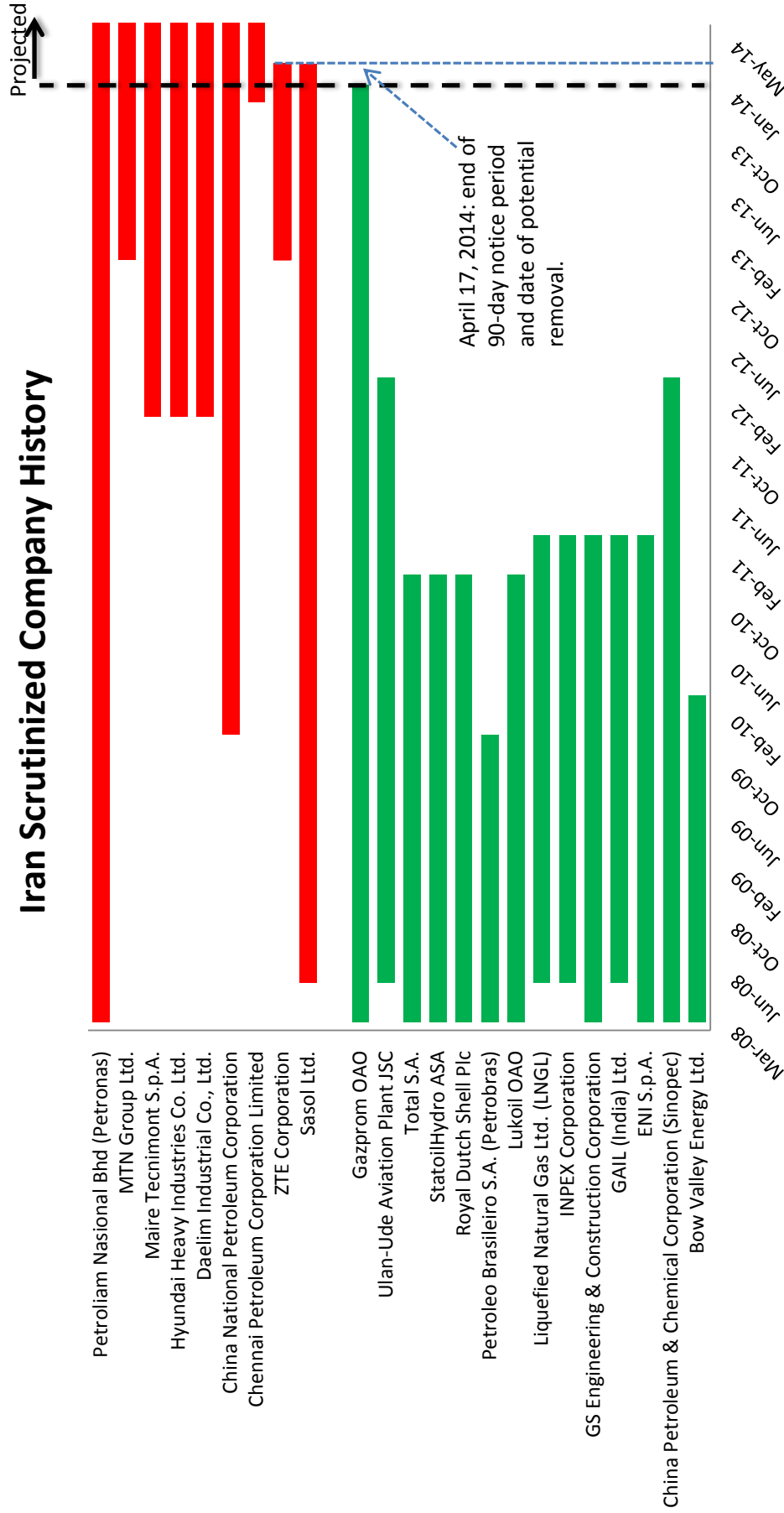
Record of Companies Included on Iran Scrutinized List

The list below catalogues all companies listed on PERA's Iran scrutinized company list (SCL) since inception. Companies in **red** text are currently included on PERA's list of restricted companies or are proposed for inclusion. Companies in **blue** text are recommended for removal from the list of companies meeting the policy's criteria. Italicized dates indicate the potential future date upon which a moratorium would expire.

	Date Added		Date Removed	
	SCL	Moratorium	Moratorium	SCL
Bow Valley Energy Ltd.	3/21/2008	3/21/2008	4/16/2010	4/16/2010
China Petroleum & Chemical Corporation (Sinopec)	3/21/2008	6/20/2008	4/20/2012	4/20/2012
ENI S.p.A.	3/21/2008	1/15/2010	4/22/2011	4/22/2011
GAIL (India) Ltd.	6/20/2008	6/20/2008	4/22/2011	4/22/2011
GS Engineering & Construction Corporation	3/21/2008	3/21/2008	4/22/2011	4/22/2011
INPEX Corporation	6/20/2008	6/20/2008	4/22/2011	4/22/2011
Liquefied Natural Gas Ltd. (LNG)	6/20/2008	6/20/2008	4/22/2011	4/22/2011
Lukoil OAO	3/21/2008			1/21/2011
Petroleo Brasileiro S.A. (Petrobras)	3/21/2008			1/15/2010
Royal Dutch Shell Plc	3/21/2008			1/21/2011
StatoilHydro ASA	3/21/2008			1/21/2011
Total S.A.	3/21/2008			1/21/2011
Ulan-Ude Aviation Plant JSC	6/20/2008	6/20/2008	4/20/2012	4/20/2012
Gazprom OAO	3/21/2008			1/17/2014
Sasol Ltd.	6/20/2008	5/24/2013	4/17/2014	4/17/2014
ZTE Corporation	1/18/2013	1/18/2013	4/17/2014	4/17/2014
Chennai Petroleum Corporation Limited	1/17/2014	1/17/2014		
China National Petroleum Corporation	1/15/2010	1/15/2010		
Daelim Industrial Co., Ltd.	1/20/2012	1/20/2012		
Hyundai Heavy Industries Co. Ltd.	1/20/2012	1/20/2012		
Maire Tecnimont S.p.A.	1/20/2012	1/20/2012		
MTN Group Ltd.	1/18/2013	6/25/2013		
Petroliam Nasional Bhd (Petronas)	3/21/2008	3/21/2008		

A graphical depiction is included on the following page. Companies in **red** text are currently included on PERA's list of restricted companies or are proposed for inclusion. Companies in **green** text were formerly included on PERA's list of restricted companies.

Iran Scrutinized Company History



SECTION 5

Company Engagement Efforts

In compliance with Phase II of the *Colorado PERA Iran-Related Investment Policy*, PERA began engaging companies on March 21, 2008, and continues to do so. PERA's engagement efforts consist of sending letters to the investor relations departments of companies that have been identified as possibly meeting PERA's policy criteria. The letters request information relating to the criteria specified in Phase I, ask the companies to provide and report on the items specified in Phase II, and also request information on their business activities within Iran. The letters are sent via Federal Express courier, and PERA has received delivery verification notices for each letter. Each company's response status is summarized below. Companies highlighted in red text currently meet the criteria in PERA's policy.

	Company	Company Responsive to PERA Communications
1	Air Liquide SA	Yes; January 4, 2012
2	Belorusneft & Belneftekhim	No
3	Bow Valley Energy Ltd.	Yes; June 15, 2008
4	China National Offshore Oil Corporation (CNOOC)	Yes; April 18, 2008
5	China National Petroleum Corporation	No
6	China Petroleum & Chemical Corporation (Sinopec)	No
7	Cygam Energy Inc.	No
8	Daelim Industrial Co., Ltd.	No
9	Empresa Nacional del Petroleo (ENAP)	Yes; April 21, 2008
10	ENI S.p.A.	Yes; November 12, 2010, and March 31, 2008
11	Essar Oil Limited	No
12	GAIL (India) Limited	No
13	Gazprom Neft JSC	Yes; December 14, 2009
14	Gazprom OAO	No
15	GS Engineering & Construction Corporation	No
16	GVA Consultants	No
17	Hyundai Heavy Industries Co., Ltd.	No
18	Indian Oil Corporation Limited	No
19	INPEX Corporation	Yes; October 28, 2010, and April 16, 2008
20	Linde AG	Yes; April 9, 2008
21	Liquefied Natural Gas Limited (LNGL)	No
22	Lukoil OAO	No
23	Maire Tecnimont S.p.A.	No
24	Mazda Motor Corporation	No
25	Mitsubishi Motors Corporation	Yes; December 1, 2011
26	MTN Group	Yes; July 26, 2012
27	Nissan Motor Corporation	Yes; December 22, 2011

	Company	Company Responsive to PERA Communications
28	Oil India Limited	No
29	OMV AG	Yes; April 15, 2008
30	Petroleo Brasileiro S.A. (Petrobras)	Yes; April 25, 2008
31	Petrolia Nacional (Petronas)	No
32	Peugeot SA	Yes; November 28, 2011
33	PTT Exploration & Production	No
34	Renault SA	Yes; December 1, 2011
35	Repsol YPF	Yes; April 3, 2008
36	Royal Dutch Shell Plc	Yes; April 10, 2008
37	Sasol Ltd.	No
38	Siemens AG	Yes; December 18, 2009
39	Statoil ASA	Yes; November 5, 2010 and April 21, 2008
40	The Siam Cement PCL	Yes; April 11, 2008
41	Total S.A.	Yes; April 17, 2008
42	Ulan-Ude Aviation Plant JSC	No
43	Volvo AB	Yes; December 5, 2011
44	ZTE Corporation	No

SECTION 6

List of Iran-Related Companies Meeting Criteria as of January 17, 2014¹

1. Chennai Petroleum Corporation Limited

Chennai Petroleum Corporation Limited refines crude oil and markets petroleum and petrochemical products, including lube oil base stocks, aviation turbine fuel, propane, propylene and polybutene feedstock. The Group operates two refineries, the Cauvery Basin Refinery and the Manali Refinery. The company is incorporated in India.

Chennai Petroleum Corporation Limited meets criteria (3) – a company that is engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

2. China National Petroleum Corporation

China National Petroleum Corporation explores and produces crude oil and natural gas mainly in China. The company's products include geophysical exploration equipment, drilling equipment, line pipe, gasoline, coal oil, and diesel oil.

China National Petroleum Corporation meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

3. Daelim Industrial Co., Ltd.

Daelim Industrial Co., Ltd. provides civil engineering, architectural, and plant construction services. The company constructs bridges, highways, tunnels, harbors, and governmental buildings. Daelim Industrial also manufactures petrochemical products, including polyester, benzene, butane, and methyl tertiary butyl ether (MTBE). The company is incorporated in South Korea.

Daelim Industrial Co., Ltd. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran's energy sector.

4. Hyundai Heavy Industries Co., Ltd.

Hyundai Heavy Industries Co., Ltd. builds ships for commercial and military purposes. The company manufactures oil tankers, cargo and passenger vehicles, and warships. Hyundai Heavy Industries also produces heavy industrial machineries, wind turbines, solar panels, electrical components for engines and power trains, and industrial vehicles, such as cranes and bulldozers. The company is incorporated in South Korea.

Hyundai Heavy Industries Co., Ltd. meets criteria (3) – a company that is engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

5. Maire Tecnimont S.p.A.

Maire Tecnimont S.p.A. is the parent company of an international industrial group which provides a comprehensive, integrated system of services and works in four sectors: chemicals and petrochemicals, oil and gas, power and infrastructure, and civil engineering. The company is incorporated in Italy.

¹ Company description information sourced from Bloomberg.

Maire Tecnimont S.p.A. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

6. **MTN Group Ltd.**

MTN Group Ltd. provides a wide range of communication services. The company’s services include cellular network access and business solutions. MTN Group is a multinational telecommunications group, operating in countries in Africa and the Middle East. The company is incorporated in South Africa.

MTN Group Ltd. meets criteria (3) – a company that is engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

7. **Petroliam Nasional (Petronas)**

Petroliam Nasional Bhd operates as a fully integrated oil company. The company explores and produces oil, gas, and various petrochemical products in Southeast Asia, Australia, Africa, and Middle East. Petronas also operates retail service stations in Malaysia. The company is incorporated in Malaysia.

Petroliam Nasional meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

8. **Sasol Ltd. (proposed removal)**

Sasol is an integrated oil and gas company with substantial chemical interests, with production facilities located in South Africa, Europe, North America, and Asia. The company operates commercial scale facilities to produce fuels and chemicals from coal in South Africa and is developing ventures internationally to convert natural gas into clean diesel fuel. Sasol is incorporated in South Africa.

Sasol Ltd. meets criteria (1) – a company that has made an investment on or after August 5, 1996, or in any combination in any 12-month period, of \$20 million or more, in Iran’s energy sector.

9. **ZTE Corporation (proposed removal)**

ZTE Corporation develops and markets switches, access servers, videoconferencing systems, mobile communication systems, data communication devices, and optical communication devices. The company also offers networking solutions for setup, refurbishment, and optimization of networks. The company is incorporated in China.

ZTE Corporation meets criteria (3) – a company that is engaged in any business that facilitates Iranian acquisition of nuclear, chemical, or biological weapons technology or military equipment.

SECTION 7

PERA Holdings of Iran-Related Companies Meeting Criteria as of January 17, 2014

To develop the following information, PERA used an identification date of November 30, 2013. The following table indicates which companies are (a) on the list meeting the policy criteria, and (b) are or are not held by PERA in separate account portfolios. Companies in red text are currently held by PERA within separate accounts and are recommended for removal from the list of companies meeting PERA's criteria. Companies in blue text are also recommended for removal from the list of companies meeting the policy's criteria and currently have a moratorium placed upon the purchase of their securities. Italicized companies are proposed for inclusion.

Company Name	Date Added to PERA List	Market Value
1 <i>Chennai Petroleum Corporation Limited</i>	<i>January 17, 2014</i>	\$ -
2 China National Petroleum Corporation	January 15, 2010	\$ -
3 Daelim Industrial Co., Ltd.	January 20, 2012	\$ -
4 Hyundai Heavy Industries Co. Ltd.	January 20, 2012	\$ -
5 Maire Tecnimont S.p.A.	January 20, 2012	\$ -
6 MTN Group Ltd.	January 18, 2013	\$ 4,698,616
7 Petroliam Nasional Bhd (Petronas)	March 21, 2008	\$ -
8 <i>Sasol Ltd.</i>	<i>June 20, 2008</i>	<i>\$ -</i>
9 <i>ZTE Corporation</i>	<i>January 18, 2013</i>	<i>\$ -</i>
TOTAL		\$ 4,698,616

SECTION 8

Iran-Related Companies Meeting Criteria as of January 17, 2014, With Purchase Moratorium in Effect

Subject to the Board's approval of the removal of three companies from the list of companies meeting the policy criteria and upon the expiration of the 90-days' notice period required for the removal of moratorium companies, there will be seven companies with a purchase moratorium in effect and one company that is currently being divested from separate accounts.

Company Name	Date Moratorium Enacted
1. Chennai Petroleum Corporation Limited	January 17, 2014
2. China National Petroleum Corporation	January 15, 2010
3. Daelim Industrial Co., Ltd.	January 20, 2012
4. Hyundai Heavy Industries Co., Ltd.	January 20, 2012
5. Maire Tecnimont S.p.A.	January 20, 2012
6. MTN Group Ltd.	June 25, 2013
7. Petroliam Nasional Bhd (Petronas)	March 21, 2008
8. Sasol Ltd. ¹	May 24, 2013
9. ZTE Corporation ²	January 18, 2013

¹ The moratorium on Sasol Ltd. will be removed on April 17, 2014.

² The moratorium on ZTE Corporation will be removed on April 17, 2014.

SECTION 9

Information on Companies Recommended to be Removed

Since the last *Iran-Related Investment Policy Report* on June 25, 2013, three companies that met PERA's policy criteria have taken substantial action to eliminate their ongoing investment and business activities in Iran's energy sector. These companies and their recent actions are listed below. **Given this information, PERA staff recommends that these companies be removed from the list of companies that meet the policy criteria.** Companies upon which PERA has a moratorium will not be removed from the list of companies that meet the policy criteria until the 90-day notice period to the public, the General Assembly, and the Governor has expired on April 17, 2014. Staff will continue to monitor these companies for future business activities in Iran's energy sector.

Gazprom OAO

Gazprom OAO is an integrated Russian oil and natural gas company. As part of a consortium with French company TotalFinaElf and Malaysian company Petronas, Gazprom signed a contract in 1997 to develop the second and third phases of the South Pars natural gas field development project. Gazprom held a 30 percent stake in the \$2 billion project. As part of the contract, Gazprom constructed two offshore production platforms and drilled ten production wells.¹ Gazprom completed its work in 2004 and turned over operations to the National Iranian Oil Company.² Since 2004, Gazprom has been in the cost-recovery phase of the contract.

In September 2013, Gazprom disclosed to PERA's external research provider that the National Iranian Oil Company has suspended compensational repayment to Gazprom. While these payments may resume in the future, PERA's external research provider categorized the company as being inactive in Iran and removed Gazprom from its list of companies that meet PERA's policy criteria.

Sasol Ltd.

Sasol is a South African integrated oil and gas company. In February 2003, Sasol signed a joint venture agreement with the Pars Petrochemical Company, a subsidiary of the National Petrochemical Company of Iran. The joint venture, called Arya Sasol Polymer Company, constructed an ethane cracker and two polyethylene plants designed to convert ethane from natural gas into ethylene. The facilities initiated full operation in 2009³ and are located in the Bushehr province in Iran.⁴ Sasol held a 50 percent interest in the joint venture and has invested €535 million, which was Sasol's 50 percent share of the total required capital investment.⁵

In October 2011, Sasol initiated a review of their business activities in and with Iran, and reported that they did not intend to expand their current activities.⁶

In 2012, Sasol announced their intentions to divest from their Iran operations. Sasol's Chief Executive David Constable said, "We're exiting Iran because of sanctions...We see it getting tougher there to do business."⁷

¹ Gazprom 2002 Annual Report, p. 41. Company Web site.

² Gazprom 2004 Annual Report, p. 26. Company Web site.

³ Sasol 2012 20-F, p. 30

⁴ Sasol 2012 20-F, p. 108

⁵ Sasol 2010 20-F, p. 44

⁶ Sasol 2011 20-F, p. 29

⁷ "South Africa's Sasol Sets Sights on North America," *Wall Street Journal*, September 10, 2012.

In August 2013, Sasol announced that it had sold its 50 percent stake in the Iranian joint venture company.¹ On October 1, 2013, PERA's external research provider removed Sasol from its list of companies that meet PERA's policy criteria.

ZTE Corporation

ZTE Corporation (ZTE) is China's second largest manufacturer of telecommunications equipment. In March 2012, Reuters reported that in December 2010, ZTE signed a \$131 million contract to provide an Internet and phone monitoring system to the Telecommunication Company of Iran.² In response to the Reuters report, ZTE stated the following in a press release on their Web site on March 27, 2012:

*"ZTE has provided standard communications and network solutions to Iran on a small scale. However, due to local issues in Iran and its complicated relationship with the international community, ZTE has restricted its business practices in the country since 2011. ZTE no longer seeks new customers in Iran and limits business activities with existing customers."*³

In an April 2013 Reuters interview, the chairman of ZTE announced that the company has essentially stopped doing business in Iran and is now only servicing equipment that was previously sold. While the chairman declined to give details on the amount of business ZTE had done in Iran before the decision, he did say the compensation the company had to pay to clients for breaking contracts and that the company had to halt some shipments of equipment after it had been manufactured were important reasons for the company's first-ever annual loss in 2012.⁴ On July 1, 2013, PERA's external research provider removed ZTE from its list of companies that meet PERA's policy criteria.

¹ "Sasol Disposes of Its Investment in the Iranian Joint Venture Arya Sasol Polymer Company." Sasol Press Release, August 19, 2013.

² "Special Report: Chinese Firm Helps Iran Spy on Citizens." *Reuters*, March 22, 2012.

³ http://www.zte.com.cn/en/press_center/news/201203/t20120327_351267.html

⁴ "China's ZTE Says It Basically Dropped Iran Business." *Reuters*, April 18, 2013.
<http://www.reuters.com/article/2013/04/18/us-zte-iran-idUSBRE93H0A820130418>