



**REPORT TO COLORADO PERA
BOARD OF TRUSTEES
REGARDING THE *COLORADO PERA*
*IRAN-RELATED INVESTMENT POLICY***

From Investment Staff
January 16, 2015





Table of Contents

Section 1	Executive Summary.....	2
Section 2	<i>Colorado PERA Iran-Related Investment Policy</i>	4
Section 3	Review of Staff Activities (January 17, 2014 – January 16, 2015).....	6
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 16, 2015.....	13
Section 7	PERA Holdings of Iran-Related Companies Meeting Criteria as of January 16, 2015.....	15
Section 8	Iran-Related Companies Meeting Criteria as of January 16, 2015, With Purchase Moratorium in Effect.....	16

SECTION 1

Executive Summary

Since the last *Iran-Related Investment Policy Report* on January 17, 2014, 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).
- Developing and implementing tools to improve Iran policy execution.
- Monitoring sanctions relief negotiations between the United States' allies and Iran.

Background

As of January 17, 2014, nine companies met the criteria specified in PERA's policy. At that time, PERA owned direct public securities issued by one of the companies, MTN Group. Two companies, Sasol Ltd. and ZTE Corporation, were proposed for removal following a 90-day notice period ending on April 17, 2014. 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 12 months on the seven companies that met policy criteria following the removal of Sasol Ltd. and ZTE Corporation (on April 17, 2014). **Based on this analysis, no additional companies are proposed for addition or removal from PERA's scrutinized company list.**

On August 18th, 2014, PERA posted on its website a letter to the Governor announcing the proposed removal of Maire Tecnimont from the Scrutinized Company List. Concurrently, notification letters were sent to the Governor and to the General Assembly. These letters initiated the 90-day advanced notice period, which concluded on November 17, 2014.

In addition, PERA staff ensured compliance with the 9-month and the 15-month divestment requirement from MTN Group. Divestment was completed on September 9th, 2014, ahead of the September 25, 2014 divestment deadline.

Summary

As of January 16, 2015, there are 6 companies that meet the criteria specified in PERA's policy. PERA will maintain the moratorium on direct public investments in the companies.

Reporting

Staff is providing this *Colorado PERA Iran-Related Investment Policy Report* as of January 16, 2015. 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 (January 17, 2014 – January 16, 2015)

- Issued *Iran-Related Investment Policy Report* dated January 17, 2014
- Published updated Iran Scrutinized Company List (January 17)
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying them of the new Iran list (January 17)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (January 17)
- Sent letters to General Assembly and Governor notifying them of the proposed removal and initiation of the 90-day advance notice period preceding removal of purchase moratorium on Sasol Ltd. and ZTE Corporation (January 23)
- Sent engagement letter to Chennai Petroleum Corporation Limited notifying the company of its proposed inclusion on PERA's Iran Scrutinized Company list and purchase moratorium (January 31)
- Reviewed security holdings and transactions to verify compliance with moratorium (February 11)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (February 12)
- Reviewed security holdings and transactions to verify compliance with moratorium (March 7)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (March 13)
- Reviewed security holdings and transactions to verify compliance with moratorium (April 1)
- Received and reviewed research provider updated report (April 1)
- Developed tool to reconcile Bloomberg language with PERA's coding for the purposes of restricted securities list updates (April 10)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (April 10)
- Published updated Iran Scrutinized Company List (April 17)
- Sent letters to all portfolio managers (internal and external) of actively managed separate account portfolios notifying them of the new Iran list (April 17)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (April 17)
- Reviewed security holdings and transactions to verify compliance with moratorium (May 1)
- Provided all Scrutinized Company Lists for the period October 1, 2011, through March 31, 2014, to PERA's Internal Audit department (May 6)
- Searched for additional securities issued by the companies meeting PERA's policy criteria (May 15)
- Reviewed security holdings and transactions to verify compliance with moratorium (June 2)

- Searched for additional securities issued by the companies meeting PERA's policy criteria (June 16)
- Received and reviewed research provider updated report (July 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (July 8)
- Developed and refined restricted securities list tools to ensure comprehensiveness and published instructions for its use (July 17)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (July 17)
- Researched U.S. and international partners (also known as the "P5+1") sanctions relief proposals for Iran using the following web sites: U.S. Department of Energy, U.S. Department of State, U.S. Department of the Treasury, Congressional Research Service, Reuters, Bloomberg, the New York Times, and Wall Street Journal (July 1 – July 22)
- Provided update memo on U.S. and international partners sanctions relief for Iran (July 22)
- Reviewed security holdings and transactions to verify compliance with moratorium (August 4)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (August 12)
- Sent letters to General Assembly and Governor, and posted letter to PERA's website, to provide notice of the proposed removal and initiation of the 90-day advance notice period preceding purchase moratorium removal for Maire Tecnimont (August 18)
- Reviewed the available annual reports and Forms 20-F (form filed with the SEC by non-U.S. companies with securities that trade on a U.S. exchange) for each subject company (September 8-19)
- Reviewed security holdings and transactions to verify compliance with moratorium (September 9)
- Refined automatically updating annual calendar utilizing Board meeting schedule (September 24)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (September 16)
- Received and reviewed research provider updated report (October 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (October 2)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (October 15)
- Reviewed security holdings and transactions to verify compliance with moratorium (November 4)
- Developed email and tracking process for internal dissemination of revised Scrutinized Company List (November 4)
- Initiated project with PERA's Information Technology department to make the Iran Scrutinized Company List available on all investment staff PERA Desktops (November 4)
- Published updated Iran Scrutinized Company List (November 17)
- Sent letters to all external portfolio managers of actively managed separate account portfolios notifying them of the new Iran list (November 17)

- Sent emails to all internal public markets investment staff notifying them of the new Iran list (November 17)
- Collected and collated all responses from PERA staff (November 17-24)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (November 17)
- Reviewed security holdings and transactions to verify compliance with moratorium (December 16)
- Received and reviewed research provider updated report (December 31)
- Prepared Board Report (January 5, 2015)
- Issued *Iran-Related Investment Policy Report* (January 16, 2015)

SECTION 4

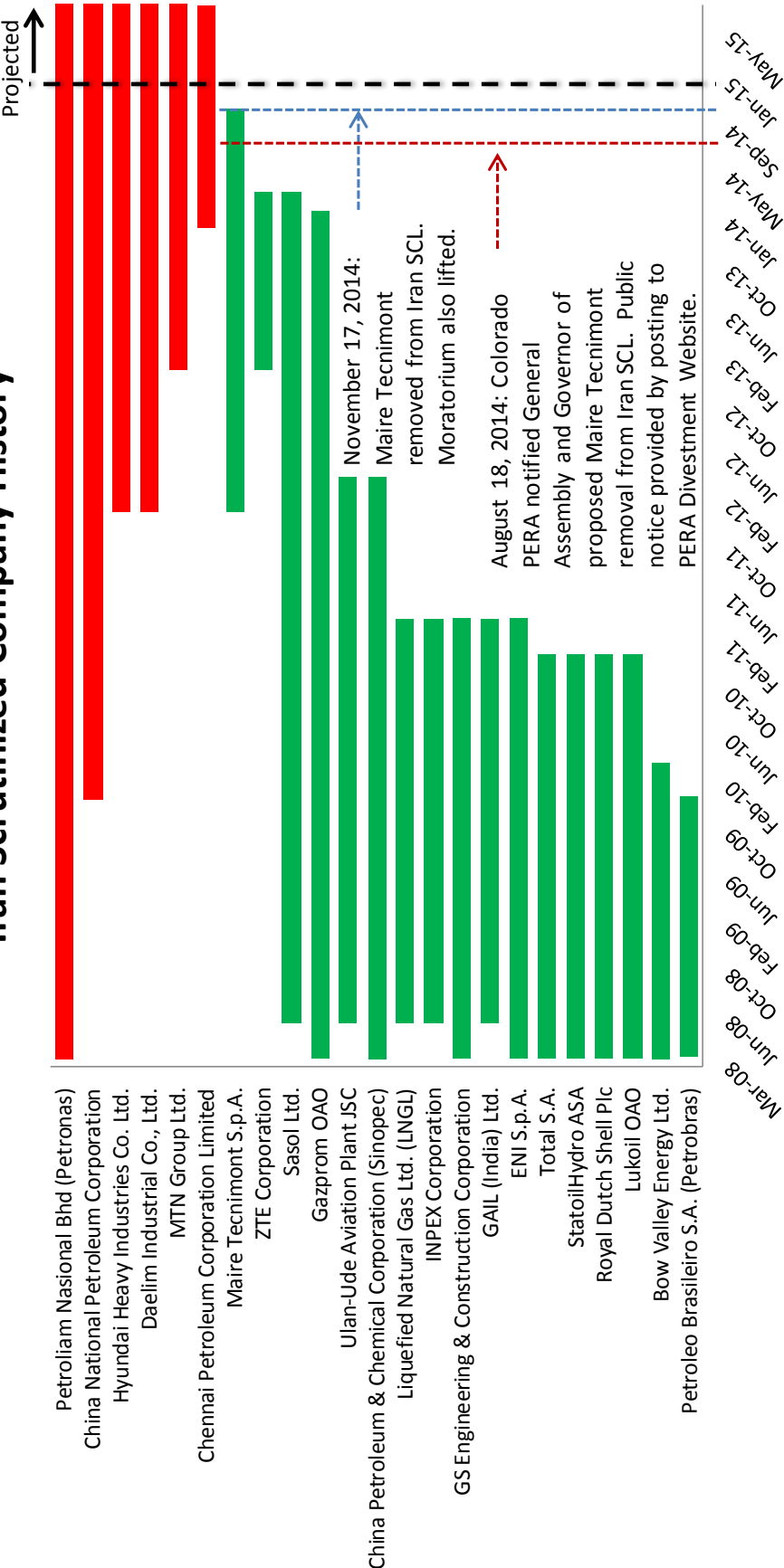
Record of Companies Included on Iran Scrutinized List

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.

	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
Gazprom OAO	3/21/2008			1/17/2014
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
Maire Tecnimont S.p.A.	1/20/2012	1/20/2012	11/17/2014	11/17/2014
Petroleo Brasileiro S.A. (Petrobras)	3/21/2008			1/15/2010
Royal Dutch Shell Plc	3/21/2008			1/21/2011
Sasol Ltd.	6/20/2008	5/24/2013	4/17/2014	4/17/2014
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
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		
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 with **red** bars are currently included on PERA's list of restricted companies. Companies with **green** bars were formerly included on PERA's list of restricted companies.

Iran Scrutinized Company History



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

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

SECTION 6

List of Iran-Related Companies Meeting Criteria as of January 16, 2015¹

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. 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.

¹ Company description information sourced from Bloomberg.

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.

6. 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.

SECTION 7

PERA Holdings of Iran-Related Companies Meeting Criteria as of January 16, 2015

To develop the following information, PERA used an identification date of November 30, 2014. 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.

Company Name	Date Added to PERA List	Market Value
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 MTN Group Ltd.	June 25, 2013	\$ 2,163,070
6 Petroliam Nasional (Petronas)	March 21, 2008	\$ -
TOTAL		\$ 2,163,070

MTN Group Ltd. shares are currently held in a commingled actively managed account, which is permissible under the Iran policy.

SECTION 8

Iran-Related Companies Meeting Criteria as of January 16, 2015, With Purchase Moratorium in Effect

Currently, there are six companies with a purchase moratorium in effect.

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. MTN Group Ltd.	June 25, 2013
6. Petroliam Nasional Bhd (Petronas)	March 21, 2008