



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

From Investment Staff
January 15, 2016





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SECTION 1

Executive Summary

Since the last *Iran-Related Investment Policy Report* on November 20, 2015, 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 November 20, 2015, six companies met the criteria specified in PERA's policy. In compliance with its policy, PERA maintained a moratorium on the purchase of direct public investments in the 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 six companies that met policy criteria. In addition, staff has reviewed reports from PERA's external research provider. **Based on this analysis, one new company has been identified as meeting PERA's policy criteria.**

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

1. Aban Offshore Ltd

PERA does not own securities in Aban Offshore Ltd within separate accounts. **For the purposes of PERA's Iran policy and consistent with Phase III, PERA will enact a moratorium on direct public investments in Aban Offshore Ltd effective January 22nd, upon Board approval.**

Summary

As of January 15, 2016, 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, and Aban Offshore will be added on January 22, 2016.

Reporting

Staff is providing this *Colorado PERA Iran-Related Investment Policy Report* as of January 15, 2016. 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 (December 31, 2014 – January 15, 2016)

- Received and reviewed research provider updated report (December 31, 2014)
- Prepared Board Report (January 5)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (January 8)
- Issued Iran-Related Investment Policy Report (January 16)
- Reviewed security holdings and transactions to verify compliance with moratorium (February 12)
- Reviewed security holdings and transactions to verify compliance with moratorium (March 4)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (March 9)
- Received and reviewed research provider updated report (April 1)
- Performed research on Dragon Oil, a company proposed for inclusion by the research provider. The evidence used by the list provider was from 2012, and more recent corporate filings were unavailable (April 1-8).
- Reviewed security holdings and transactions to verify compliance with moratorium (April 7)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (April 30)
- 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 Hyundai Heavy Industries (April 30)
- Reviewed security holdings and transactions to verify compliance with moratorium (May 4)
- 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 30)
- Received and reviewed research provider updated report (July 1)
- Reviewed security holdings and transactions to verify compliance with moratorium (July 2)
- Reviewed the Obama Administration's proposed deal with Iran and potential implications for Colorado PERA (July 14-24)
- Prepared memo on Iran nuclear agreement (July 14)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria, and to remove securities of Hyundai Heavy (July 27)
- Published updated Iran scrutinized company list (July 29)
- Sent emails to all asset managers (internal and external) of actively managed separate account portfolios notifying them of the new Iran list (July 29)

- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (July 29)
- Reviewed security holdings and transactions to verify compliance with moratorium (August 4)
- Searched for additional securities issued by the companies meeting PERA's policy criteria (August 26)
- Reviewed security holdings and transactions to verify compliance with moratorium (September 4)
- Received and reviewed research provider updated report (September 30)
- Prepared Board Report (October 1-2)
- Reviewed proposed Iran legislation and discussed the language with PERA's legal team (October 2)
- Reviewed security holdings and transactions to verify compliance with moratorium (October 2)
- 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 (October 5-9)
- Reviewed security holdings and transactions to verify compliance with moratorium (November 3)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (November 20)
- Issued Iran-Related Investment Policy Report (November 20)
- Published updated Iran scrutinized company list (November 20)
- Sent emails to all external portfolio managers of actively managed separate account portfolios notifying them of the new Iran list (November 20)
- Sent emails to all internal public markets investment staff notifying them of the new Iran list (November 20)
- Reviewed security holdings and transactions to verify compliance with moratorium (December 7)
- Prepared Board Report (December 9)
- Received and reviewed research provider updated report (January 4, 2016)
- Revised Board Report (January 4, 2016)
- Reviewed security holdings and transactions to verify compliance with moratorium (January 5, 2016)
- Updated the portfolio accounting and trading systems to identify securities issued by the companies meeting PERA's policy criteria (January 15, 2016)
- Issued Iran-Related Investment Policy Report (January 15, 2016)

SECTION 4

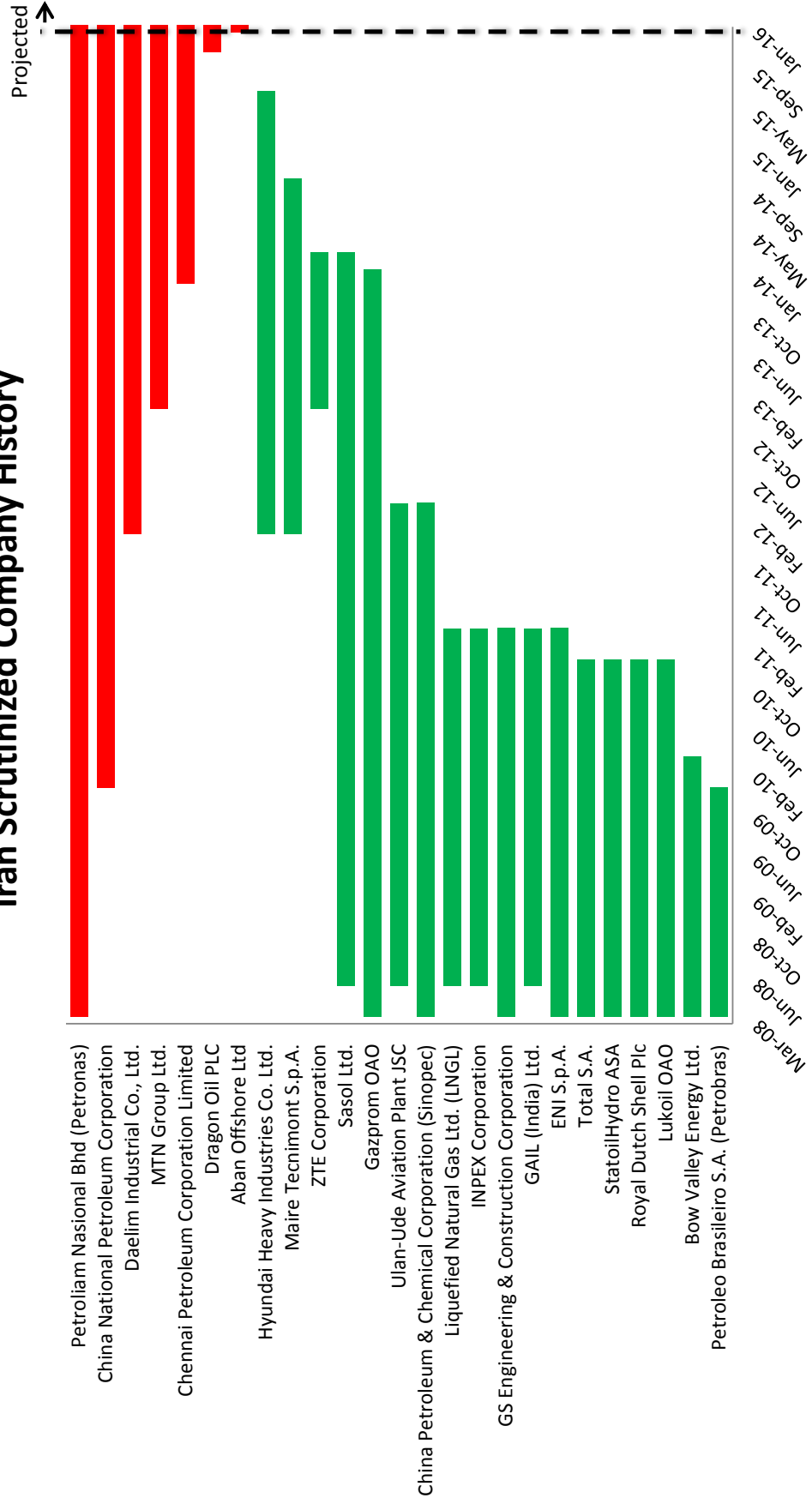
Record of Companies Included on Iran Scrutinized List

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
Petroleo Brasileiro S.A. (Petrobras)	3/21/2008			1/15/2010
Bow Valley Energy Ltd.	3/21/2008	3/21/2008	4/16/2010	4/16/2010
Lukoil OAO	3/21/2008			1/21/2011
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
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
China Petroleum & Chemical Corporation (Sinopec)	3/21/2008	6/20/2008	4/20/2012	4/20/2012
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
Maire Tecnimont S.p.A.	1/20/2012	1/20/2012	11/17/2014	11/17/2014
Hyundai Heavy Industries Co. Ltd.	1/20/2012	1/20/2012	7/29/2015	7/29/2015
Aban Offshore Ltd	1/15/2016	1/22/2016		
Dragon Oil PLC	11/20/2015	11/27/2015		
Chennai Petroleum Corporation Limited	1/17/2014	1/17/2014		
MTN Group Ltd.	1/18/2013	6/25/2013		
Daelim Industrial Co., Ltd.	1/20/2012	1/20/2012		
China National Petroleum Corporation	1/15/2010	1/15/2010		
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



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

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

SECTION 6

List of Iran-Related Companies Meeting Criteria as of January 15, 2016¹

1. Aban Offshore Ltd

Aban Offshore Ltd provides oil field services for offshore exploration and production of hydrocarbons to the oil industry. The company offers technical services, specialists drilling and other services for offshore oil exploration and development. The company also has its own floating production and storage facilities.

Aban Offshore 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. Two Aban Offshore rigs are under contract with a subsidiary of the National Iranian Oil Co. (NIOC), which the U.S. Treasury Department has named an affiliate of the Iranian Revolutionary Guard Corps (IRGC). Profits generated by the state-owned oil and gas production company provide the IRGC revenues for the acquisition of nuclear, chemical, or biological weapons.

2. 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.

3. 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.

4. 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.

5. Dragon Oil PLC

Dragon Oil Dragon is a Dubai based oil and gas exploration and production company with a 15 year operating history in the Caspian Sea. Dragon Oil Plc operates the Iran-Khazar (Elima) oil rig owned by the National Iranian Oil Co. (NIOC) in Turkmenistan. The Elima rig

¹ Company description information sourced from Bloomberg.

drilled 9 of the 16 wells that Dragon brought onto production in 2014. According to its 2014 Annual Report, Dragon Oil's contract to use the rig has been extended until 2016. The rig is one of three offshore rigs that Dragon operates.

Dragon Oil 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. The Iran-Khazar rig is owned by the National Iranian Oil Co. (NIOC), which the U.S. Treasury Department has named an affiliate of the Iranian Revolutionary Guard Corps (IRGC). Fees related to the rig provide the IRGC revenues for the acquisition of nuclear, chemical, or biological weapons.

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.

SECTION 7

PERA Holdings of Iran-Related Companies Meeting Criteria as of January 15, 2016

To develop the following information, PERA used an identification date of November 30, 2015. 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 Aban Offshore Ltd	January 15, 2016	\$ -
2 Chennai Petroleum Corporation Limited	January 17, 2014	\$ -
3 China National Petroleum Corporation	January 15, 2010	\$ -
4 Daelim Industrial Co., Ltd.	January 20, 2012	\$ 94,355
5 Dragon Oil PLC	November 20, 2015	\$ -
6 MTN Group Ltd.	June 25, 2013	\$ 985,967
7 Petroliam Nasional (Petronas)	March 21, 2008	\$ -
TOTAL		\$ 1,080,322

Shares of both MTN Group Ltd. and Daelim Industrial Co., Ltd. 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 15, 2016, With Purchase Moratorium in Effect

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

Company Name	Date Moratorium Enacted
1 Aban Offshore Ltd	January 22, 2016
2 Chennai Petroleum Corporation Limited	January 17, 2014
3 China National Petroleum Corporation	January 15, 2010
4 Daelim Industrial Co., Ltd.	January 20, 2012
5 Dragon Oil PLC	November 27, 2015
6 MTN Group Ltd.	June 25, 2013
7 Petroliam Nasional (Petronas)	March 21, 2008