

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ANNUAL REPORT
ON SUDAN DIVESTMENT
For the Fiscal Year Ended June 30, 2023

Iowa Code chapter 12F requires the Iowa Public Employees' Retirement System (IPERS) to scrutinize companies with business operations in the Sudan, and under certain circumstances, to restrict its purchases of, and/or divest of, holdings of any company determined to have active business operations in the Sudan. Chapter 12F specifies certain procedures to be followed in engaging companies doing business in the Sudan and requires IPERS to annually report to the General Assembly on its activities concerning the Sudan divestment law.

Implementation

IPERS developed a list of scrutinized companies using the research and findings of ISS-ESG (ISS) in fiscal year 2023. IPERS considers companies characterized by ISS as "Scrutinized" to be companies with active business operations in the Sudan.

IPERS sends a letter to each company with active business operations asking them to discontinue their operations in the Sudan. Companies are given the opportunity to provide evidence that contradicts ISS' findings. The letter also notifies the company that IPERS will prohibit further investment and divest of its holdings in the company's securities if the company does not meet the requirements of the law. If the company does not respond or fails to provide convincing evidence within the time period established by law, then IPERS places the company on its prohibited companies list. The prohibited companies list is updated quarterly and is provided to the public on IPERS' web site at www.ipers.org.

IPERS' investment managers are prohibited from purchasing securities issued by companies on the prohibited companies list. Investment managers that have any existing direct holdings¹ of a prohibited company must sell (divest) the position within 18 months of the date the company was first notified. An investment manager has the discretion to decide when to sell its holdings within the 18-month period.

Chapter 12F requires IPERS to engage only those scrutinized companies in which it has direct holdings. However, IPERS has opted to send letters to all scrutinized companies and will place a scrutinized company on the prohibited companies list if warranted, regardless of whether IPERS has any direct holdings in the company. This is done because IPERS prefers to engage a company and determine whether it is a prohibited company before an

¹ It is important to note that chapter 12F makes a distinction between direct holdings and indirect holdings. *Direct holdings* are securities directly owned and held in IPERS' name. *Indirect holdings* refer to situations where IPERS may indirectly own an interest in a security because of its ownership of shares in a commingled investment vehicle, such as a mutual fund. The General Assembly recognized that it may not be possible to efficiently divest of prohibited companies held in a commingled fund and exempted indirect holdings from many provisions of chapter 12F. IPERS is required to analyze the prudence of moving its indirect holdings to Sudan-free commingled funds if such an option exists. See section on Indirect Holdings.

investment manager purchases any securities of such company. The investment manager wants to know if a company is prohibited before buying it – not afterwards.

Chapter 12F also requires IPERS to contact companies that have inactive business operations in the Sudan. However, the purpose of such letter is to encourage them to keep their business activities inactive until the genocide stops in the Sudan. IPERS uses information from ISS to determine which companies have inactive business operations in the Sudan.

Fiscal Year 2023 Engagement Activity

The following chart summarizes the numbers of companies contacted by IPERS in fiscal year 2023 pursuant to chapter 12F.

Time Period	Number
Sept. 30, 2022	0
Dec. 31, 2022	2
Mar. 31, 2023	1
June 30, 2023	0

In total, letters were sent to three companies under scrutiny for active business operations. One response was received to these letters in fiscal year 2023. IPERS updates and publishes its prohibited companies list on a quarterly basis. During fiscal year 2023, three companies were added to the prohibited companies list, and five companies were removed. The companies were removed because ISS no longer considered them to be “Scrutinized”. IPERS’ prohibited companies list as of June 30, 2022, is included as Appendix A to this report.

In addition, IPERS staff sent annual reminder letters to the twenty-five companies that are on IPERS prohibited list on June 30, 2023, encouraging them to transform their active Sudan operations into inactive operations. Chapter 12F requires this annual communication with each company on the prohibited companies list. IPERS received one response from the companies to which the annual letters that were sent in 2022.

Fiscal Year 2023 Divestment Activity

There was no divestment activity in fiscal year 2023.

Indirect Holdings

As noted earlier, chapter 12F makes a distinction between direct and indirect holdings. IPERS held thirteen indirect holdings in the stock of companies listed on the prohibited companies list on June 30, 2022. They were valued at \$62,178,969.41. IPERS indirectly held no bonds of companies listed on the prohibited companies list on June 30, 2022. In total, IPERS had \$62,178,969.41 worth of indirect holdings as of June 30, 2022, which comprised

approximately 0.15% of the total IPERS fund. While indirect holdings are generally exempt from most of the provisions of the law, IPERS is required to evaluate the potential costs associated with moving its indirect investments to funds that will comply with chapter 12F, if it is prudent to do so. Based on potential trading costs and fees, IPERS does not believe it is prudent to take such action given the relatively small indirect exposures to prohibited companies.

Fiscal Year 2023 Program Costs

The cost to implement the Sudan monitoring and divestment program has been very low so far. IPERS incurred third party costs of \$1,667.00 for research services in fiscal year 2023 and did not incur any staff overtime costs to implement the program.

For More Information

See IPERS' Web site at <https://www.ipers.org/about-us/investments/sudan-investment-restrictions> for quarterly updates throughout the year. We can be reached by e-mail at investments@ipers.org or by telephone at 515-281-0030.

Appendix A

Iowa Public Employees' Retirement System's Sudan Prohibited Companies List

June 30, 2023

Divestment Date *

» ASEC Co. for Mining	
» Baker Hughes Company	
» BYD Company Limited	
» China Energy Engineering Corp. Ltd.	
» China Petroleum & Chemical Corporation	
» China Yangtze Power Co., Ltd.	
» Dongfeng Motor Group Company Limited	
» Elsewedy Electric Co.	
» Gas To Liquid PJSC	
» General Electric Company	
» Harbin Electric Co. Ltd.	
» Hyundai Motor Co., Ltd.	
» Indian Oil Corp. Ltd.	
» KAMAZ PTC	
» Managem SA	
» Nissan Motor Co., Ltd.	
» Oil India Limited	
» Pan African Resources Plc	May 18, 2024
» Perseus Mining Limited	May 18, 2024
» PetroChina Company Limited	
» Qala For Financial Investments	
» Senergy Holding Co. KSCP	
» Siemens Energy AG	
» Volkswagen AG	
» Wildcat Petroleum Plc	August 16, 2024

» Denotes wholly- or majority-owned subsidiaries, parent companies, or affiliates of companies that have the most problematic operations in Sudan.

* Denotes deadline for divesting of security.