

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ANNUAL REPORT
ON IRAN DIVESTMENT
For the Fiscal Year Ended June 30, 2025

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

Implementation

IPERS develops its list of scrutinized companies using the research and findings of ISS-ESG (ISS). ISS is a research firm that specializes in researching and monitoring the activities of companies against various types of environmental, social and governance screens. ISS uses the criteria established in Chapter 12H to screen various sources of publicly available information to provide IPERS with a list of scrutinized companies. ISS also assists IPERS in evaluating any follow-up responses from scrutinized companies.

IPERS sends a letter to each company believed to have active business operations in Iran and asks them to discontinue their operations in Iran. 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/or 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 annually and is provided to the public on IPERS' website 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 12H 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

¹ It is important to note that chapter 12H 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 12H. IPERS is required to analyze the prudence of moving its indirect holdings to Iran-free commingled funds if such an option exists. See section on Indirect Holdings.

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 pursuant to the law's criteria before an investment manager purchases any securities of such company. IPERS' investment managers want to know if a company is prohibited before buying it – not afterwards.

Chapter 12H also requires IPERS to contact companies that have inactive business operations in Iran. However, the purpose of such letter is to encourage them to keep their business activities inactive until state-sponsored terrorism stops in Iran. IPERS uses information from ISS to determine which companies may have inactive business operations in Iran. Currently, no companies have inactive business operations in Iran as defined in Chapter 12H.

Fiscal Year 2025 Engagement Activity

During fiscal year 2025, one company was added to the prohibited companies list, and two companies were removed. The companies were removed because ISS no longer considered them to be "Scrutinized." IPERS' prohibited companies list in effect as of June 30, 2025, follows this report.

Additionally, IPERS staff sent annual reminder letters to the 15 companies on the prohibited list as of June 30, 2025. These letters encouraged the companies to transition their operations to inactive status. Chapter 12H mandates this yearly communication with each company on the prohibited list.

Fiscal Year 2025 Divestment Activity

There was no divestment activity in fiscal year 2025.

Indirect Holdings

As noted earlier, chapter 12H makes a distinction between direct and indirect holdings. IPERS held indirect holdings valued at \$13,501,470 in the stock of companies listed on the prohibited companies list on June 30, 2025. IPERS indirectly held no bonds of companies listed on the prohibited companies list. In total, IPERS had \$13,501,470 worth of indirect holdings as of June 30, 2025, which comprised approximately 0.29% of the total IPERS fund.

While indirect holdings are generally exempt from most of the provisions of the law, IPERS is required by law to evaluate the prudence and potential costs associated with moving its indirect investments to funds that will comply with chapter 12H, if any such vehicles exist. 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 2025 Program Costs

The cost to implement the Iran monitoring and divestment program has been very low. IPERS incurred third party costs of \$1,667.00 for research services in fiscal year 2025 and did not incur any staff overtime costs to implement the program.

For More Information

For all of IPERS' prohibited companies lists see it's website at <https://ipers.org/about/investments/restrictions>. IPERS staff can be reached by email at investments@ipers.org or by telephone at 515-281-0030.

Iran Prohibited Companies List

June 30, 2025

Company
» China Nonferrous Metal Industry's Foreign Eng. & Constr.
» China Petroleum & Chemical Corporation
» Gas To Liquid PJSC
» Gazprom PJSC
» KANGWON ENERGY Co., Ltd.
» Metso Corp.
» Motor Sich JSC
» Norinco International Cooperation Ltd.
» PetroChina Company Limited
» Porsche Automobil Holding SE
» POSCO Holdings Inc.
» POSCO INTERNATIONAL Corp.
» SINOPEC Engineering (Group) Co., Ltd.
» Transneft PJSC
» Volkswagen AG

» Denotes companies with active business operations. There are no companies with inactive business operations. Note: not all of these companies are held by IPERS.

Companies Removed from <u>Prohibited Companies List</u>
» Mercator Limited
» Siemens AG

Companies Added to <u>Prohibited Companies List</u>
» Metso Corp.