

Report of Activities Pursuant to Act 44 of 2010

Annual Report
October 31, 2024





October 31, 2024

The Commonwealth of Pennsylvania has enacted legislation (Act 44 of 2010) requiring public funds to divest from companies doing business in Iran and/or Sudan that meets certain thresholds of activity. Additionally, Act 44 prohibits Pennsylvania's public funds from purchasing securities of a company once it appears on the scrutinized business activities list, regardless of whether the funds already have direct holdings in such company.

Act 44 requires that the public funds each year prepare and provide a report to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and each member of the boards of the Pennsylvania Municipal Retirement System (PMRS), the State Employees' Retirement System (SERS), and the Public School Employees' Retirement System (PSERS). Accordingly, we have prepared this report on the activities our funds have undertaken to comply with the requirements of Act 44 during the period July 1, 2023, to June 30, 2024.

On December 14, 2020, the US Federal Government rescinded Sudan's designation as a State Sponsor of Terrorism. Removal of Sudan from the United States State Department List of State Sponsors of Terrorism satisfies the second condition of the Act 44 Sunset Clause with regard to Sudan. Accordingly, public funds no longer have obligations under the statute with regard to companies engaged in business activities in Sudan. For this reason, the current report no longer includes Sudan.

This report includes:

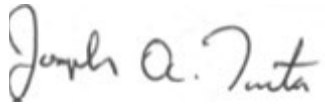
- The most recent scrutinized companies list (Iran);
- A summary of correspondence with scrutinized companies;
- All investments sold, redeemed, divested or withdrawn in compliance with Act 44, the costs and expenses of such transfers, and a determination of net gain or loss associated with such transactions executed in compliance with the Act; and
- A list of publicly traded securities held by the public funds.

A copy of Act 44 of 2010 can be downloaded from the Pennsylvania Treasury Department's website at www.patreasury.gov/divestment/.

Sincerely,



Stacy Garrity
Pennsylvania Treasurer



Joseph Torta
Executive Director
State Employees' Retirement System of Pennsylvania



Terrill J. Sanchez
Executive Director
Public School Employees' Retirement System of Pennsylvania



Timothy Reese
Secretary
Pennsylvania Municipal Retirement System

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Introduction

Act 44 of 2010 (hereafter “the Act” or “Act 44”) requires that Pennsylvania’s public funds compile and publish lists of “scrutinized companies.” These lists comprise of companies identified as having prohibited business operations in Iran or Sudan (as defined by Act 44). Furthermore, the Act prohibits Pennsylvania public funds from acquiring the securities of scrutinized companies in the future and requires them to divest securities they may already own of scrutinized companies that fail to take action required by the Act with respect to their scrutinized activities within a specified period of time.

On December 14, 2020, the US Federal Government rescinded Sudan’s designation as a State Sponsor of Terrorism. Removal of Sudan from the United States State Department List of State Sponsors of Terrorism satisfies the second condition of the Act 44 Sunset Clause with regard to Sudan. Accordingly, public funds no longer have obligations under the statute with regard to companies engaged in business activities in Sudan.

Because they face the same responsibilities, the Pennsylvania Treasury Department, SERS, PSERS, and PMRS (“the Four Funds”) have chosen to work together to comply with the Act. The Four Funds coordinate their activities through the Pennsylvania Treasury Department.

This report has been prepared pursuant to the reporting requirements found in Act 44 and is submitted on behalf of the Four Funds.

Primary Requirements of Act 44

The Act imposes a number of primary requirements upon the Four Funds:

- File a written report with the United States Attorney General detailing the requirements contained in the Act. ([Appendix A](#))
- Identify and publicly disclose the lists of all companies with scrutinized activities in Iran. ([Table 1](#))
- Notify companies on the scrutinized lists of their status, their potential to become subject to divestment by the public funds, and the steps they can take to avoid divestment. ([Table 4](#))
- Provide scrutinized companies with an opportunity to respond and provide additional information regarding their activities. ([Table 5](#), [Table 6](#))
- Refrain from new investment in any scrutinized company's securities. ([Table 2](#))
- Divest scrutinized companies' securities within 26 months if the companies do not announce, by public notification, significant action to cease scrutinized activities within 180 days of having been notified of their status. ([Table 7](#))
- Monitor scrutinized companies that announce substantial action (*i.e.*, cessation of prohibited business operations) regarding Iran to ensure compliance. ([Table 7](#))
- Provide an annual report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards of PMRS, SERS and PSERS.

Definition of a Scrutinized Company

Act 44 calls for the development of two lists of companies that meet specified statutory criteria. These companies are designated as "scrutinized companies" and are subject to the requirements detailed in the Act. A company can be designated as a scrutinized company for activities in Iran or Sudan, or in both.

A scrutinized company is defined in the Act as:

Any foreign company that has:

- i. Invested at least \$20,000,000 in oil-related activities in Iran in any 12-month period since August 5, 1996;
 - ii. Supplied military equipment to the government of Iran within the 12-month period prior to the effective date of the Act; or
 - iii. Knowingly and intentionally violated the United States export controls with respect to Iran during the 12-month period prior to the effective date of the Act.
- 2) Any foreign company that meets the criteria set forth either in subparagraph (i) or (ii), below:
- i. The company has business activities that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct equity share, government of Sudan-commissioned consortiums or projects, or companies involved in government of Sudan-commissioned consortiums or projects; and
 - a) More than 10% of the company's revenue or assets linked to Sudan involve oil-related activities or mineral extraction activities; less than 75% of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action specific to Sudan; or
 - b) More than 10% of the company's revenues or assets linked to Sudan involve power production activities; less than 75% of the company's power production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action specific to Sudan.
 - ii. The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed

conflict, for example, through post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

The term does not include a foreign company that is a social development company, defined by Act 44 as: "A company whose primary purpose in Iran or Sudan is to provide humanitarian goods or services, including medicine or medical equipment; agricultural supplies or infrastructure; educational opportunities; journalism-related activities; information or information materials; spiritual-related activities; services of a purely clerical or reporting nature; food, clothing or general consumer goods."

Sanctions Against Iran and Impact on Act 44

On November 4, 2018, the United States officially reinstated all sanctions on Iran in line with the May 8, 2018, decision to cease the United States' participation in the Joint Comprehensive Plan of Action (JCPOA). EO 13846 reinstated all nuclear related sanctions that were lifted or waived in connection to the JCPOA (including EO 12574, EO 13590, EO 13622 and EO 13645) and reestablishes the United States' efforts to reduce Iran's crude oil sales by putting restrictions on the purchases of Iranian crude oil. The US Department of State also continues to designate Iran as a State Sponsor of Terrorism.

In addition, EO 13846 extends the scope of sanctions that were in place prior to January 16, 2016. It introduces prohibitions on the trade of precious metals by the government of Iran, and extends sanctions on the energy, shipping, shipbuilding, petroleum and petrochemical sectors. The EO also specifically mentions Iranian state-owned companies such as the National Iranian Oil Company (NIOC), the Naftrian Intertrade Company and the Central Bank of Iran as entities with which transactions such as the provision of material support, goods and services are prohibited.

The implementation of sanctions was rolled out in two phases. On August 9, 2018, after a first 90-day wind down period, the first set of sanctions was reinstated. These sanctions included the prohibition of a broad range of business activities in the banking, financing, (precious) metals and automotive sectors. On November 4, 2018, the second set of sanctions took effect, including (among others) sanctions on business activities in the energy, petrochemical, shipping and shipbuilding sectors.

Since November 2018, the United States has extended sanctions on Iran through several Executive Orders (EO). As of May 2019, EO 13871 extends the scope of sanctions that were in place under the Iran Freedom and Counter-Proliferation Act of 2012 - which focused on Iran's trade of precious metals, graphite and certain raw or semi-finished metals - now introducing prohibitions on companies operating or trading in the iron and copper sectors in Iran. In June 2019, through EO 13876, the United States imposed asset freezes on Iran's Supreme Leader and the Supreme Leader Office, and expanded sanctions authorities targeting other sanctioned persons.

The United States issued a number of EOs in 2020, each one either extending existing or imposing new sanctions on Iran. In January 2020, EO 13902 was introduced, adding asset freezes on individuals and entities operating or trading in the construction, mining, manufacturing, and textiles sectors. In September 2020, EO 13949 was issued which imposes an asset freeze on individuals found responsible for engaging in the conventional arms trade and other related activities. In November 2020, the US extended the national emergency declared in EO 12170 for one year, thereby extending the sanctions targeting the Government of Iran, its controlled entities, and the Central Bank of Iran. Moreover, in March 2021, the sanctions imposed under EO 12957, prohibiting certain transactions regarding the development of Iranian petroleum resources, were extended for one year.

In November 2021, the US extended the national emergency declared in EO 12170 for another year, thereby extending the sanctions targeting the Government of Iran, its controlled entities, and the Central Bank of Iran. As the Joint Comprehensive Plan of Action (JCPOA)

talks have resumed under the Biden administration, Iranian (IFCA) sanction waivers were reintroduced in February 2022, allowing foreign companies to engage in certain non-proliferation nuclear activities, including at some Iranian reactors and power plants.

In November 2023, the US extended the national emergency declared in EO 12170 for an additional year, thereby extending the sanctions targeting the Government of Iran, its controlled entities, and the Central Bank of Iran. The US has opted not to engage in JCPOA talks with Iran due to the latter's escalation of nuclear program and non-cooperation with the International Atomic Energy Agency. It has also not renewed the IFCA sanctions waivers which lapsed in January 2024. In various occasions from September 2022 to September 2024, the US designated Iranian individuals and companies for providing drones to Russia for use in the war in Ukraine and for providing support to Iran's defense and ballistic missile programs. None of these additional sanctions impacts obligations under Act 44 of 2010 at the time of this report.

Act 44 also contains a sunset clause relating to Iran, which states the following:

A public fund shall have no obligations under this Act with respect to a company engaged in business activities in Iran upon the occurrence of any of the following:

- (1) Iran does not appear on the List of State Sponsors of Terrorism.
- (2) The President or Congress of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this Act interferes with the conduct of United States foreign policy.

None of the pre-conditions for ceasing public fund obligations regarding company activities in Iran has occurred as of the time of this report.

Activities Timeline

Act 44 stipulates a set of activities to be conducted by the Four Funds as well as time frames for the execution of the activities. Timeline A provides deadlines for past activities and the dates on which they were completed by the Four Funds. Timeline B provides deadlines for ongoing activities and the dates on which they were most recently completed by the Four Funds.

Timeline A: Fund Activities Timeline – Initial Required Activities

REQUIRED ACTIONS	DUE DATE	ACTION TAKEN
Within 30 days of the passage of the Act, administrators of the public fund shall file a written report to the United States Attorney General detailing the requirements contained in the Act.	8/1/2010	7/28/2010
Within 90 days after the effective date of the Act, a public fund shall make its best effort to identify all scrutinized companies in which the public fund has direct holdings.	9/30/2010	7/7/2010
By the first meeting of a public fund following the 09/30/2010, imposed deadline, the public fund shall assemble all scrutinized companies that fit the criteria of the definition of "scrutinized company" into a Scrutinized Companies with Activities in Iran List.	Various dates depending upon fund	10/27/2010
Within 120 days after the effective date of the Act, a public fund will send a written notice to identified companies. This notification will contain an explanation as to the reason for the company's inclusion on the scrutinized companies list as well as the potential for any related securities held by the public fund to be divested. It will also include a notice informing the company of the opportunity to clarify its scrutinized business activities and encouraging the company to cease its scrutinized activities.	10/30/2010	10/29/2010
Within one year of the creation of its scrutinized lists, a public fund will provide a report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards PMRS, SERS and PSERS.	10/27/2011	9/30/2011

Timeline B: Fund Activities Timeline – Ongoing Required Activities

REQUIRED ACTIONS	DUE DATE	ACTION TAKEN
A public fund shall annually update, based on evolving information under reporting requirements, and make publicly available its Scrutinized Companies with Activities in Iran List.	11/1/2023	10/31/2024
A public fund shall provide a copy of the lists of scrutinized companies, including updates, to all other public funds.	Provided quarterly	10/31/2024

Response of Certain Public Funds

In response to the Act, the Four Funds agreed to coordinate their activities through the Pennsylvania Treasury Department. Among other things, the Four Funds agreed to collaboratively engage an independent, third-party research firm to provide consulting services to assist in carrying out various activities required by the Act.

Methodology Used to Determine Scrutinized Companies

Following a competitive procurement process, Institutional Shareholder Services, Inc (ISS) was engaged by the Pennsylvania Treasury Department to begin providing consulting and other related services (including lists of scrutinized companies and associated reporting services) to assist the Four Funds in carrying out various activities required by the Act. ISS engagement began on January 1, 2024, upon the expiration of the Pennsylvania Treasury Department's contract with its previous vendor Sustainalytics, which provided services until December 31, 2023.

Sustainalytics and ISS apply the criteria from Act 44 to perform a review of companies that they determine qualify for the criteria and assist in the screening of direct holdings of the Four Funds against those lists. They also support engagement activities with companies on the list. Sustainalytics transmitted its first lists of scrutinized companies to Treasury on July 15, 2014, and has provided quarterly updates until December 31, 2023. On January 1, 2024, ISS started to provide the Four Funds services to identify and analyze scrutinized involvement of companies in Iran.

Table 1: Most Recent List of Scrutinized Companies Determined as Having Involvement in Iran

The table below shows the list of scrutinized companies based upon involvement in Iran as of July 2024, and the reason for each company's inclusion on the list, regardless of when it was added.

COMPANY NAME	Reason for Inclusion on Iran Scrutinized List
China Petroleum & Chemical Corp.	Oil-related investment of at least US \$20 million since 1996
Gazprom PJSC	Oil-related investment of at least US \$20 million since 1996
Khark Pterochemical Co	Oil-related investment of at least US \$20 million since 1996
MAPNA Group	Oil-related investment of at least US \$20 million since 1996
Oil & Natural Gas Corp. Ltd.	Oil-related investment of at least US \$20 million since 1996
PetroChina Co., Ltd.	Oil-related investment of at least US \$20 million since 1996

COMPANY NAME	Reason for Inclusion on Iran Scrutinized List
Shazand Petrochemical Co.	Oil-related investment of at least US \$20 million since 1996
SINOPEC Engineering (Group) Co., Ltd.	Oil-related investment of at least US \$20 million since 1996
Tecnicas Reunidas SA	Oil-related investment of at least US \$20 million since 1996
Toyota Tsusho Corp.	Oil-related investment of at least US \$20 million since 1996

Table 2: List of Prohibited Investments

Act 44 prohibits the Four Funds from acquiring the securities of companies identified on the list of scrutinized companies. The Act also requires a list of prohibited investments to be included in this report, separate from the most recent list of scrutinized companies found in Table 1 above. ISS and Sustainalytics provided the list of scrutinized companies to the Four Funds on a quarterly basis during the reporting period. The Four Funds disclose the list upon request and annually in this report. The list of scrutinized companies can change from quarter to quarter. A company may appear on a list of scrutinized companies in a given quarter, indicating that any security of that company is a prohibited investment. That same company may then not appear on a list of scrutinized companies in subsequent quarters, indicating that any security of that company is no longer a prohibited investment. A company may also depart the list for a period of time and then be added back to it.

On a quarterly basis, the Four Funds provide a list of prohibited investments to their investment managers with instructions prohibiting the managers from purchasing securities of companies on the prohibited investments list. The instructions also direct attention to the companies that were added to or removed from the list since the preceding quarter. The following table presents all companies that have been on a quarterly list of prohibited investments during the reporting year and the quarter(s) in which they appear.

COMPANY NAME	IRAN	JULY 2023 LIST	OCTOBER 2023 LIST	JANUARY 2024 LIST	APRIL 2024 LIST	JULY 2024 LIST
China Oilfield Services Ltd.	X	X	X			
China Petroleum & Chemical Corp.	X	X	X	X	X	X
CNOOC Ltd.	X	X	X			
GAIL (India) Ltd.	X	X	X			

COMPANY NAME	IRAN	JULY 2023 LIST	OCTOBER 2023 LIST	JANUARY 2024 LIST	APRIL 2024 LIST	JULY 2024 LIST
Gazprom PJSC	X	X	X	X	X	X
Gübre Fabrikalari TAS	X	X	X			
Hyundai Engineering & Construction Co., Ltd.	X	X	X			
Indian Oil Corp. Ltd.	X	X	X			
Khark Petrochemical Co.				X	X	X
HD Korea Shipbuilding & Offshore Engineering Co., Ltd.	X	X	X			
MAPNA Group				X	X	X
Oil & Natural Gas Corp. Ltd.	X	X	X	X	X	X
Oil India Ltd.	X	X	X			
PetroChina Co., Ltd.	X	X	X	X	X	X
Shazand Petrochemical Co.				X	X	X
SINOPEC Engineering (Group) Co., Ltd.	X	X	X	X	X	X
Tecnicas Reunidas SA				X	X	X
TotalEnergies SE	X	X	X			
Toyota Tsusho Corp.				X	X	X
Tubacex SA	X	X	X			

Table 3: Change Log for Scrutinized List

As explained in the previous table, the list of scrutinized companies is updated on a quarterly basis. Table 3 explains changes to the list of scrutinized companies since July 2023.

COMPANY NAME	IRAN	CHANGE: REASON FOR CHANGE	DATE OF CHANGE
China Oilfield Services, Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
CNOOC Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Gail (India) Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Gubre Fabrikalari TAS	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Hyundai Engineering & Construction Co., Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Indian Oil Corp. Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
HD Korea Shipbuilding & Offshore Engineering Co., Ltd	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Oil India Ltd.	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
TotalEnergies SE	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024
Tubacex SA	X	Removed: Company was removed as there is no recent evidence that indicates that the company meets criteria.	1/12/2024

COMPANY NAME	IRAN	CHANGE: REASON FOR CHANGE	DATE OF CHANGE
Khak Petrochemical Co.	X	Added: New involvement identified.	1/12/2024
MAPNA Group	X	Added: New involvement identified.	1/12/2024
Shazand Petrochemical Co.	X	Added: New involvement identified.	1/12/2024
Tecnicas Reunidas SA	X	Added: New involvement identified.	1/12/2024
Toyota Tsusho Corp.	X	Added: New involvement identified.	1/12/2024

Engagement and Company Correspondence

Each company on a scrutinized list was sent a written notice informing it of its scrutinized company status, specifying the business activities responsible for that status, and explaining the implications of that status per the Act. Each company was invited to respond to this notification, either to clarify its activities or to inform the Four Funds of plans to cease its scrutinized involvement.

For purposes of the correspondence, there were two distinct categories of scrutinized companies: companies in which one or more of the funds have direct holdings and companies that are not held in any Fund's portfolio. Companies face differences in the consequences and in the level of engagement by the Four Funds depending upon the category of scrutinized companies into which they fall (*i.e.*, whether they are already in any Fund's portfolio or not currently held by any of the Funds.)

- Act 44 prohibits the Four Funds from any additional investment in scrutinized companies whose securities are already directly held. In addition, the Act allows these companies 180 days following notification to announce significant action toward ceasing scrutinized activities or suffer divestment within 26 months after the 180-day period expires.
- The Four Funds are prohibited from initiating investment in scrutinized companies that are not already directly held.

ISS prepares notifications for Treasury to send to each company that is newly identified in a quarterly report as engaging in scrutinized activities. ISS, on behalf of the Four Funds, sends

letters notifying each identified company (regardless of whether it is held by any of the public funds) that it has been identified as engaging in scrutinized activities, and offering it the opportunity to dispute that determination or agree to cease such activities. Based upon its evaluation of a company's response (or failure to respond), ISS provides recommendations to the Four Funds whether further action regarding scrutinized companies (or a change in their status) is warranted.

Tables 4 through 6 provide a summary of engagement with scrutinized companies conducted during the reporting period. An example of the notification letter sent by Treasury to scrutinized companies during the reporting period is included in Appendix B.

Table 4: Date of Written Notice Informing the Scrutinized Companies as to Their Status

The following table lists the companies sent written notice during the period of this report, describes whether or not related securities were initially determined to be held by one or more of the Four Funds, and provides the date the notification was sent.

COMPANY NAME	IN HOLDINGS	NOT IN HOLDINGS	DATE OF NOTIFICATION
Khark Petrochemical Co.		X	6/10/2024
MAIRE	X		6/10/2024
MAPNA Group		X	6/10/2024
Mitsui & Co., Ltd.	X		6/10/2024
Shazand Petrochemical Co.		X	6/10/2024
Tecnicas Reunidas SA			6/10/2024
Toyo Engineering Corp.	X		6/10/2024
Toyota Tsusho Corp.	X		6/10/2024

Table 5: Correspondence from Companies Determined as Directly Held by One or More of the Four Funds

Companies notified of their inclusion on the list of scrutinized companies have 180 days to respond and either clarify their involvement or submit a plan of substantial action for the cessation of scrutinized activities. Table 5 identifies companies determined to be directly held

by one or more of the Four Funds during the reporting period. It also shows when the companies responded to notification of their scrutinized status, a summary of their response, what actions the Four Funds took due to the correspondence, and the effective date of those actions.

COMPANY NAME	IRAN	DATE RESPONDED	RESPONSE	ACTIONS TAKEN	EFFECTIVE DATE
Mitsui & Co., Ltd.	X	6/28/2024	The company confirmed that has not made investments of at least \$20,000,000 in oil-related activities in Iran in any 12 months since August 5, 1996.	Removed from Scrutinized List	7/15/2024

Table 6: Correspondence from Companies Determined as Not Directly Held by One or More of the Four Funds

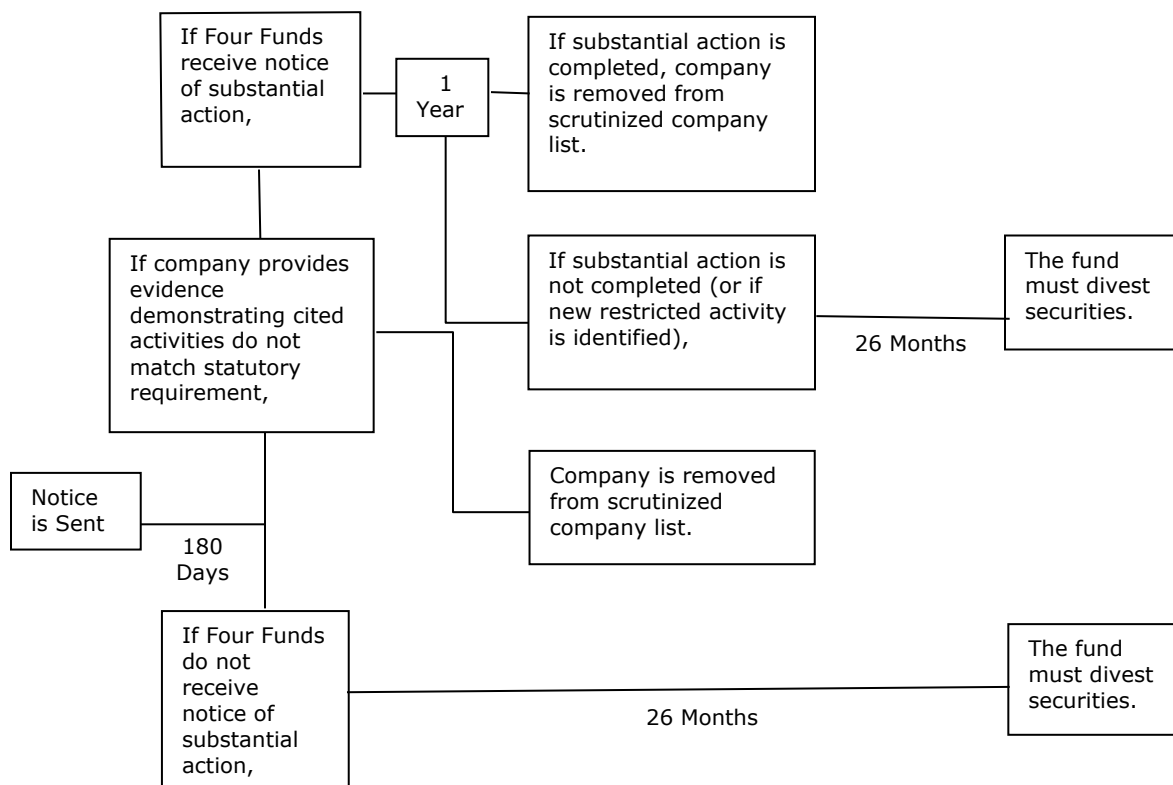
Table 6 lists companies that were determined to not be directly held by one or more of the Four Funds during the reporting period that have responded to the notification of scrutinized status, a summary of their response, what actions were taken due to their correspondence, and the effective date of those actions.

COMPANY NAME	IRAN	DATE RESPONDED	RESPONSE	ACTIONS TAKEN	EFFECTIVE DATE
No responses were received from companies not directly held by one or more of the Four Funds during the period of this report.					

Divestment Process and Activities

The Act lays out a process and timeline for divestment from any directly held scrutinized company that fails to take significant action with regard to its involvement.

Timeline C: Scrutinized Company Divestment Timeline



- When a scrutinized company is identified, a notice is sent advising the company as to its status. The notification provides an explanation of the reason for the company’s inclusion on a list of scrutinized companies and of the potential for any related securities held by the public fund to be divested. The notice also informs the company of the opportunity to clarify its scrutinized business activities and encourages the company to cease its scrutinized activities.
- If within 180 days of the date of receipt of this notice the company announces by public disclosure that the company will take substantial action (*i.e.*, publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), the public fund may maintain its holdings in securities relating to the scrutinized company. However, the company, will remain on the scrutinized company list(s) until the actual cessation of scrutinized business activities.

- If the company fails to follow through with disclosed substantial action within one year, or if the company engages in new scrutinized business activities within a country of concern, then the fund must divest securities related to the scrutinized company within 26 months after expiration of the one-year period.
- If within 180 days the company provides evidence demonstrating that there are no scrutinized activities under Act 44, then the company is removed from the scrutinized list.
- If, however, the company does not announce by public disclosure within 180 days of the date of receipt of this notice that the company will take substantial action (i.e., publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), then the fund must divest securities related to the scrutinized company within 26 months following the end of the 180 days.

Table 7: Current Divestment Schedule of Scrutinized Companies

Certain companies have either not responded to the notices sent on behalf of the Four Funds by the Treasury Department or their responses have not yet met the requirements for removal from the scrutinized list. The following table lists companies directly held by one or more of the Four Funds that are subject to being divested based upon this failure to respond or to provide an adequate response. The table also shows the date of the original notice, the date that an adequate response to the notice needed to be received, and the date by which all related securities held by one or all of the Four Funds must be divested.

In some years, this table will also include companies that have submitted a plan of substantial action to cease scrutinized activities in the country of concern. The Four Funds will monitor those companies' progress over the course of a year. If a company ceases all scrutinized activities within one year after receipt of a plan of substantial action, it will be removed from the scrutinized list. If a company fails to follow through with disclosed substantial action within one year, or if a company engages in new scrutinized business activities within a country of concern, then the fund is required to divest securities related to that scrutinized company by the date indicated. There are no companies to include in this list during the current reporting period.

COMPANY NAME	IRAN	NOTICE SENT	180 DAY DEADLINE	DATE OF RESPONSE REGARDING SUBSTANTIAL ACTION	DIVESTMENT DEADLINE
Khark Petrochemical Co.	X	6/10/2024	12/7/2024		1/26/2027
MAIRE	X	6/10/2024	12/7/2024		1/26/2027
MAPNA Group	X	6/10/2024	12/7/2024		1/26/2027
Shazand Petrochemical Co.	X	6/10/2024	12/7/2024		1/26/2027
Tecnicas Reunidas SA	X	6/10/2024	12/7/2024		1/26/2027
Toyo Engineering Corp.	X	6/10/2024	12/7/2024		1/26/2027
Toyota Tsusho Corp.	X	6/10/2024	12/7/2024		1/26/2027

Investment Transactions Related to Scrutinized Companies

Since October 2010, the Four Funds have advised their investment managers to make no new investments in the securities of any scrutinized company to comply with the Act's restrictions on new investments. The Act also requires the Four Funds to divest within 26 months their direct holdings in securities of companies that have not announced, by public disclosure, substantial action regarding cessation of their scrutinized activities within 180 days of notification. Act 44 directs the Four Funds to report all investments sold, redeemed, divested, or withdrawn in compliance with the Act.

The table below shows the name of each scrutinized company sold following its failure to announce substantial action, and the net proceeds realized from those transactions, for the period between July 1, 2023, and June 30, 2024. It is important to note that the appearance of a scrutinized company on this table may signify only that one (or more) managers for one public fund chose to sell such securities. It does not mean that such public fund and/or another public fund does not continue to hold other positions in any of the listed companies for which the applicable divestment deadlines have yet to occur.

Table 8: Investment Sales of Scrutinized Companies for the Period Ending June 30, 2024

SCRUTINIZED COMPANY	NET PROCEEDS	GAIN/ (LOSS)
There was no investment sales activity during the period.		

Cost of Compliance with Act 44

In addition to the investments sold, redeemed, divested, or withdrawn in compliance with Section 4(c) (concerning divestment requirements), Act 44 also requires this report to disclose the “costs and expenses of such transfers and a determination of net gain or loss on account of such transactions incurred in compliance with the provisions of this Act.” The prior section of this report and Table 8 describes certain transactions the Four Funds conducted that involved companies with scrutinized activities.

The Four Funds are provided with the opportunity to make a claim for reimbursement for net losses, costs, and expenses incurred because of compliance with the Act. The Act directs the Secretary of Budget, in consultation with public funds, to establish annually a uniform method to be used to calculate gains and losses incurred because of compliance with the Act. The Four Funds then have until November 1 of each year to submit a claim for reimbursement to the Secretary of the Budget. Appendix E presents the divestiture reimbursement request forms used for this purpose.

The Secretary of the Budget has instructed the Four Funds to continue utilizing the methodology issued for the period ending June 30, 2011, to calculate gains and losses incurred because of compliance with the Act for the period ending June 30, 2024. Table 9 presents investment costs and other expenses for the most recent fiscal year by category. Table 10 presents investment costs (if any) and other expenses for the most recent fiscal year by each fund, for which each will seek reimbursement from the General Fund according to the methodology issued by the Secretary of the Budget.

A copy of the methodology issued by the Secretary of the Budget for the calculation of gains and losses as a result of compliance with Act 44 is presented in Appendix C of this report.

Table 9: Costs and Losses (Gains) of Investments and Expenses for the Period Ending June 30, 2024 by Category

EXPENSE	AMOUNT
Consulting Services	\$ 33,294.12
Investment Losses and or (Gains)	-
Postage	-
Salaries of Staff	27,334.67
Supplies	-
Technology	-
Four Funds' Total Expenses Reimbursed by the General Fund	\$60,628.79

Table 10: Costs and Losses (Gains) of Investments for the Period Ending June 30, 2024 by Fund

EXPENSE	AMOUNT
PMRS	
Consulting Services	\$ 8,323.53
Investment Losses (Gains)	-
Salaries of Staff	215.64
<i>PMRS Total Expenses Reimbursed by the General Fund</i>	8,539.17
PSERS	
Consulting Services	\$ 8,323.53
Investment Losses (Gains)	-
Salaries of Staff	5,401.72
<i>PSERS Total Expenses Reimbursed by the General Fund</i>	13,725.25
SERS	
Consulting Services	\$ 8,323.53
Investment Losses (Gains)	-
Salaries of Staff	857.00
<i>SERS Total Expenses Reimbursed by the General Fund</i>	9,180.53
Treasury	
Consulting Services	\$ 8,323.53
Investment Losses (Gains)	-
Postage	-
Salaries of Staff	20,860.31
Supplies	-
Technology	-
<i>Treasury Total Expenses Reimbursed by the General Fund</i>	\$29,183.84
<i>Four Funds' Total Expenses Reimbursed by the General Fund</i>	\$60,628.79

Conclusion

This report has been prepared in accordance with the requirements contained in Act 44 of 2010. The information found in this report is derived from a variety of data sources. The Four Funds believe this information to be accurate at the time of publication. Any discrepancies discovered after the publication of this report will be addressed in subsequent reports.

Any questions about this report should be directed to:

Pennsylvania Treasury Department
129 Finance Building
Harrisburg, PA 17120
717.787.2465

Appendix A: Letter Sent to U.S. Attorney General Eric Holder and Acknowledgement



TREASURY DEPARTMENT
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PA 17120

THE STATE TREASURER

July 28, 2010

Attorney General Eric H. Holder, Jr.
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

Dear Attorney General Holder:

I write to you pursuant to the Protecting Pennsylvania's Investments Act (Act 44 of 2010, hereinafter cited as "Act 44"), a state divestment law that controls direct holdings by public funds in companies that have a prohibited association with the nations of Sudan or Iran. I am providing this report in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) § 202(c) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) §3.

Please accept this report from Pennsylvania Treasury, which is also acting on behalf of the other affected public funds that are required to provide you with a written report, namely the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees' Retirement System, and the Pennsylvania Municipal Retirement System. Each of these public funds has authorized me to act on its behalf in this regard.

The Pennsylvania Treasurer is statutorily designated as custodian of various funds deposited with the Commonwealth and is also authorized to invest on behalf of certain funds. Among the larger funds under the custody of the Treasurer is the Public School Employees' Retirement Fund, with assets currently of about \$46 billion, the State Employees' Retirement Fund, with assets currently of about \$25 billion, and the Pennsylvania Municipal Retirement Fund, with assets currently of about \$1.4 billion. The investments of each of these funds are managed and controlled by separate retirement boards that stand in a fiduciary relationship to their beneficiaries and are subject to a prudent investor standard of care.

Attorney General Eric H. Holder, Jr.
Page Two
July 28, 2010

Act 44 regulates and limits the Treasurer's and the pension boards' investment authority pertaining to investments in certain companies defined by the statute as "scrutinized companies" based upon their involvement or association with Sudan and Iran. In particular, Act 44 directs the Treasurer, the pension boards, and other public funds, as follows:

- Within 90 days, identify all scrutinized companies having business activities with either Sudan or Iran in which public funds are invested;
- Following the initial 90 day period, develop lists of all such scrutinized companies in each country;
- Provide written notice to each company on the scrutinized company lists advising the business that its business activities have resulted in a determination that it may become subject to divestment;
- Within 180 days of receipt of such written notice, if the notified company makes a public announcement indicating the intention of the company to cease activities with either Sudan or Iran, determine whether to remove the company from the scrutinized company list and maintain its investment; however,
- Within 180 days of receipt of such written notice, if the company has not made any public announcement concerning its intention to cease activities with either Sudan or Iran, the public fund shall completely divest its investment in the company within 26 months following the 180 day period.

Act 44 mandates additional monitoring and reporting requirements applicable to each Commonwealth public fund custodian. In addition, Act 44 permits scrutinized investments to continue or be reinstated under specific circumstances related to each nation's status as a state sponsor of terrorism pursuant to the federal Foreign Relations Authorization Act of 1988 and 1989.

A complete copy of Act 44 is attached for your consideration. Please do not hesitate to get in touch with me if you have questions or if we can be of assistance.

Sincerely,



Robert M. McCord
State Treasurer



U.S. Department of Justice

Office of Intergovernmental and Public Liaison

950 Pennsylvania Avenue, NW, Room 1629
Washington, DC 20530

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ROOM 129

August 9, 2010

Mr. Robert M. McCord
State Treasurer
Treasury Department
Commonwealth of Pennsylvania
129 Finance Building
Harrisburg, PA 17120

Dear Mr. McCord:

This is to acknowledge receipt of your letter to the Attorney General dated July 28, 2010 and the attached report on behalf of the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees Retirement System, and the Pennsylvania Municipal Retirement System. This report is in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) 3.

Thank you for the information. If our office can be of assistance to you on this or other matters involving the Department, please do not hesitate to contact us. For more information about the Department of Justice, please visit our web site at www.usdoj.gov.

Sincerely,

Portia L. Roberson
Director

Appendix B: Letter Template for Scrutinized Companies:



[COMPANY NAME]

[COMPANY STREET ADDRESS]

[COMPANY CITY], [COMPANY POSTAL CODE]

[COMPANY COUNTRY]

[MONTH] [DAY], [YEAR]

[PERSONAL GREETING] [OR] [Sir or Madam],

ISS ESG assists the Pennsylvania Office of the State Treasury (PA Treasury) in its efforts to comply with the State of Pennsylvania (the “State”) legislation requiring the divestment of public funds from companies having certain business ties to Iran (Act 44 of 2010). The PA Treasury is required to divest from foreign companies that have active business ties to Iran and meet any of the following:

- i. invested at least \$20,000,000 in oil-related activities in Iran in any 12-month period since August 5, 1996;
- ii. supplied military equipment to the government of Iran within the 12-month period prior to the effective date of this section; or
- iii. knowingly and intentionally violated the United States export controls with respect to Iran during the 12-month period prior to the effective date of this section.

In support of this, ISS ESG has developed an initial list of “scrutinized companies” that have such active business ties to Iran. This covers directly controlled business activities as well as business activities of wholly-owned subsidiaries and majority-owned subsidiaries.

[COMPANY] has been included on the initial list of “scrutinized companies” based on publicly available reports that it maintains active business ties to Iran. Per the requirements of the legislation this letter serves as the statutorily required one hundred eighty (180) days’ notice of intent to include [COMPANY] on a finalized list of “scrutinized companies”. The inclusion on a finalized list may result in divestment by the PA Treasury as required under State legislation. The PA Treasury list is updated annually.

According to publicly available reports, [COMPANY]’s active business ties to Iran reports are as follows:

[DESCRIPTION OF COMPANY’S ACTIVITIES IN IRAN]

In conducting this outreach on behalf of the PA Treasury, ISS ESG does not seek to receive any confidential information, any material non-public information or any information that you are not authorized to disclose to us. Further, ISS ESG does not agree to maintain in confidence any information that you may provide to ISS ESG in response to this outreach. ISS' clients include investors who trade in publicly-traded securities and no information that is provided as part of this outreach shall in any way restrict ISS' business and operations nor the securities trading activities of our clients.

Should your company wish to clarify its Iran-related activities, please contact ISS ESG, copying the PA Treasury. Please send all correspondence and any enquiries to:

Institutional Shareholder Services

c/o Mr. Michael Gray, ISS ESG

702 King Farm Boulevard, Suite 400

Rockville, MD 20850

United States

Email: company_correspondence@iss-esg.com

Todd Rombach

Manager of Compliance Operations

Pennsylvania Office of the State Treasury

123 Finance Building

Harrisburg, Pennsylvania 17120

United States

Email: trombach@patreasury.gov

Should you have any questions regarding the legislation and the criteria used to develop the initial and finalized lists, you may access a copy of the legislation at

<https://www.patreasury.gov/pdf/divestment/Act-44-of-2010.pdf>.

In the event of future changes in [COMPANY]'s business ties to Iran, we welcome your written notification. Thank you for your cooperation.

Yours sincerely,

Rainier Quilao

Vice President, Sustainable & Responsible Investment Research

ISS ESG

ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc., the world's leading provider of environmental, social, and governance solutions for asset owners, asset managers, hedge funds, and asset servicing providers. With more than 30 years of corporate governance expertise and 25 years of providing in-depth responsible investment research and analytics, ISS ESG has the unique understanding of the requirements of institutional investors. With its comprehensive offering of solutions, ISS ESG enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions.

Appendix C: Reimbursement Methodology

**Uniform Method for Determining Net Losses and Gains
From Divestitures Required by the Act of July 2, 2010 (P.L. 110-174, No. 44)
for the period July 1, 2023, through June 30, 2024**

Section 9(2) of the Act of July 2, 2010 (P.L. 110-174, No. 44) (Act 44 of 2010), 72 P.S. § 3837.9(2), requires the Secretary of the Budget to annually establish, in consultation with each of the public funds that are subject to Act 44 of 2010 (State Employees' Retirement Fund; Public School Employees' Retirement Fund; Pennsylvania Municipal Retirement Fund; any fund of which the State Treasurer is the custodian), a uniform method for determining each fund's net gains, net losses, costs, and expenses when the funds sell, redeem, divest, or withdraw from the funds' direct holdings in the securities of companies that are on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List.

Each fund subject to Act 44 of 2010 shall calculate its itemized budget request for reimbursement for the period July 1, 2023 through June 30, 2024 as follows:

- Each fund's actual realized net gain or net loss during the reporting period from any sale, redemption, divestiture, or withdrawal of each of the fund's direct holdings in the securities of companies that are on the Scrutinized Companies with Activities in Iran List, or are on the Scrutinized Companies with Activities in Sudan List, or both, during the 26 month divestiture period mandated by Section 4(c) of Act 44 of 2010 shall be calculated for each trade of such a company's securities by subtracting the fund's actual cost basis in the security from the price at which the fund sold, redeemed, divested, or withdrew from the security. The net gain or net loss of each trade shall be reported in chronological order from oldest to most recent trade on the form marked Attachment 1, "Actual Amount Realized on the Sale of Securities." The funds shall report the trades of each company in U.S. dollars, and shall group together each company's trades in alphabetical order.

In the event that a trade was not conducted in U.S. dollars and that the fund has not previously converted that trade into U.S. dollars, the fund must convert the amount of the trade from the currency in which the trade took place into U.S. dollars on the date of the trade. The fund shall first convert its actual costs basis in the security on the date(s) of purchase into U.S. dollars, shall next convert the price received on the date of sale into U.S. dollars, and shall then compute in U.S. dollars the net gain or net loss on the sale in the manner set out above.

If the securities of a company sold on a given date were acquired or purchased by the fund on different dates with different acquisition or purchase prices, the fund may average the original acquisition or purchase prices of that company's security sold on that given date, and then use that average as the fund's actual cost basis in the security to determine its net gain or net loss resulting from the trade of that security.

- Each fund shall report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," each transaction fee it directly incurred for each security trade reported on Attachment 1.
- Each fund shall report on a form marked Attachment 2, "Actual Expenses Incurred Related to the Administration of Act 44," the personnel costs the fund directly incurred by each employee that performed duties and responsibilities connected to Act 44 of 2010 for the fund. The fund may report each employee's personnel cost either as a percentage of the gross salary paid to the employee, or by multiplying the number of hours or parts of hours that the employee worked to further the fund's duties and responsibilities under Act 44 of 2010 by the employee's hourly rate of pay.

- Each fund may report on a form marked Attachment 2, “Actual Expenses Incurred Related to the Administration of Act 44,” the cost of postage, office supplies, and other similar office administration costs incurred by the fund to carry out its duties and responsibilities under Act 44 of 2010.
- Each fund shall report on a form marked Attachment 2, “Actual Expenses Incurred Related to the Administration of Act 44,” the amounts paid by the fund to consultants and other third parties retained by the fund to assist the fund: in identifying companies that must be placed on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List; with monitoring the business activities of companies on the Scrutinized Companies with Activities in Iran List, or on the Scrutinized Companies with Activities in Sudan List; and, in determining when a company must be removed from the Scrutinized Companies with Activities in Iran List, or the Scrutinized Companies with Activities in Sudan List. The fund shall report the name of the consultant or other third party, and shall report the amount paid to the company or their party during the reporting period per invoice issued by the company or third party to the fund. In the event that payments were not made to a consultant or third party in U.S. dollars and that the fund has not previously converted that payments into U.S. dollars, the fund must convert the amount of each payment from the currency in which the trade took place into U.S. dollars on the date of each payment.

The amount of each fund’s itemized budget request for reimbursement under Act 44 of 2010 for the period July 1, 2023 through June 30, 2024 submitted by each fund to the Office of the Budget by November 1, 2024 for transmission to the General Assembly shall be the total amount of the fund’s actual losses plus the fund’s costs and expenses for the reporting period offset by any actual gains experienced by the fund.

Appendix D: Securities Held by Funds

The Four Funds hold thousands of publicly and privately traded securities. Given the size of the list, and in the interest of saving paper, the Four Funds have chosen to include Appendix D in the online version of this report. The online version of this report can be found at www.patreasury.gov. The list can also be obtained by contacting the Pennsylvania Treasury Department at (717) 772-1830.

