The 2008 Divestiture from Iran and Sudan Act (the “Act”) requires the Board of Trustees of the
Maryland State Retirement and Pension System (the “Retirement System”) to submit semi-
annual reports to the Senate Budget and Taxation and House Appropriations Committees as well
as the Joint Committee on Pensions regarding the Retirement System’s implementation of the
Act, which is codified at SPP § 21-123.1 of the Annotated Code of Maryland.

The Act requires that the Board of Trustees of the Retirement System (the “Board of Trustees”)
review its investments to determine “the extent to which funds in eligible accounts are invested
in companies doing business in Iran or Sudan.” An “eligible account” is an actively managed
separate account. The Act states that the Board of Trustees shall divest itself of any company
doing business in Iran or Sudan, or in any security issued by Iran or Sudan, and may not make
any new investments in any company that is doing business in Iran or Sudan; provided, however,
that the Act does not require the Board of Trustees to take action unless the Board of Trustees
determines, in good faith, that the action is consistent with the fiduciary responsibilities of the
Board of Trustees as described in the State pension article.

This is the required semi-annual report for the period commencing April 1, 2015 and ending
September 30, 2015 (the “Reporting Period”), and includes the following:

1) A summary of correspondence with companies engaged by the Board of Trustees during
the Reporting Period;
2) All divestment actions taken by the Board of Trustees in accordance with the Act during
the Reporting Period;
3) A list of companies doing business in Iran or Sudan which the Board of Trustees has
determined during the Reporting Period to be ineligible for investments of net new funds
under the terms of the Act; and
4) Other developments relevant to investment in companies doing business in Iran or Sudan.

1. A summary of correspondence with companies engaged by the Board of Trustees
during the Reporting Period.

The Retirement System has engaged MSCI ESG Research Inc. (“MSCI ESG”) to
periodically provide a list of companies doing business in Iran and/or Sudan (“Focus
List”), and to manage the engagement process for the Retirement System. MSCI ESG
provided a Focus List dated as of July 1, 2015.

As of the end of the Reporting Period, there were no companies on the Focus List held in
eligible accounts. See Section 3 of this report.
2. **All divestment actions taken by the Board of Trustees during the Reporting Period.**

The Board of Trustees took no new divestment action during the Reporting Period. See Section 3 of this report.

3. **Companies doing business in Iran or Sudan which the Board of Trustees has determined during the Reporting Period to be ineligible for investments of net new funds under the terms of the Act.**

At its meeting on September 15, 2015, the Board of Trustees determined that the following 21 companies are not eligible for investment and directed that managers of eligible accounts be notified of the restriction on investment.

<table>
<thead>
<tr>
<th>OPERATING IN SUDAN OR IRAN</th>
<th>COMPANY_NAME</th>
<th>BUSINESS ACTIVITY as defined in SPP 21-123.1</th>
<th>HOME COUNTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudan</td>
<td>ASEC Company for Mining (ASCOM) S.A.E.</td>
<td>Mineral extraction activities</td>
<td>Egypt</td>
</tr>
<tr>
<td>Sudan</td>
<td>AviChina Industry &amp; Technology Company Limited</td>
<td>Production of military equipment</td>
<td>China</td>
</tr>
<tr>
<td>Sudan</td>
<td>Bharat Heavy Electricals Limited</td>
<td>Oil related</td>
<td>India</td>
</tr>
<tr>
<td>Both</td>
<td>China National Petroleum Corporation</td>
<td>Investment greater than $20 million; petroleum/gas related (Iran); Oil related (Sudan)</td>
<td>China</td>
</tr>
<tr>
<td>Iran</td>
<td>Daelim Industrial Company Limited</td>
<td>Investment greater than $20 million; petroleum/gas related</td>
<td>Korea</td>
</tr>
<tr>
<td>Sudan</td>
<td>El Sewedy Electric Company</td>
<td>Oil related</td>
<td>Egypt</td>
</tr>
<tr>
<td>Sudan</td>
<td>Energy House Holding Company</td>
<td>Oil related</td>
<td>Kuwait</td>
</tr>
<tr>
<td>Sudan</td>
<td>Harbin Power Equipment Company Limited</td>
<td>Oil related</td>
<td>China</td>
</tr>
<tr>
<td>Sudan</td>
<td>Jiangxi Hongdu Aviation Industry Company Limited</td>
<td>Production of military equipment</td>
<td>China</td>
</tr>
<tr>
<td>Sudan</td>
<td>Kuwait Finance House</td>
<td>Oil related</td>
<td>Kuwait</td>
</tr>
<tr>
<td>Sudan</td>
<td>LS Industrial Systems Company Limited</td>
<td>Power production activities</td>
<td>Korea</td>
</tr>
<tr>
<td>Sudan</td>
<td>Managem S.A.</td>
<td>Mineral extraction activities</td>
<td>Morocco</td>
</tr>
<tr>
<td>Sudan</td>
<td>Oil and Natural Gas Corporation Limited</td>
<td>Oil related</td>
<td>India</td>
</tr>
<tr>
<td>Sudan</td>
<td>Oil India Limited</td>
<td>Oil related</td>
<td>India</td>
</tr>
<tr>
<td>Sudan</td>
<td>ONGC Videsh Limited</td>
<td>Oil related</td>
<td>India</td>
</tr>
<tr>
<td>Sudan</td>
<td>Orca Gold Incorporated</td>
<td>Mineral extraction activities</td>
<td>Canada</td>
</tr>
<tr>
<td>Sudan</td>
<td>Petroliam Nasional Berhad</td>
<td>Oil related</td>
<td>Malaysia</td>
</tr>
</tbody>
</table>
OPERATING IN SUDAN OR IRAN | COMPANY NAME | BUSINESS ACTIVITY as defined in SPP 21-123.1 | HOME COUNTRY
---|---|---|---
Sudan | Petronas Capital Limited | Oil related | Malaysia
Sudan | Petronas Global Sukuk Limited | Oil related | Malaysia
Sudan | Regency Mines PLC | Mineral extraction activities | UK
Sudan | Schneider Electric S.A. | Power production activities | France

4. Other developments relevant to investments in companies doing business in Iran or Sudan.

A. In discharging their responsibilities under the Act, the Board of Trustees and its Corporate Governance Committee receive and review information gathered through the engagement process, as well as input from (i) the System’s external investment managers, (ii) Meketa Investment Group, Inc., the System’s general investment consultant, (iii) legal counsel and (iv) staff of the Investment Division.

The information presented to the Board of Trustees and its Corporate Governance Committee considers a wide array of factors, including:

1. Explicit/initial and implicit/ongoing divestment costs on both an individual and aggregate level;
2. Company impact on aggregate, fund-level returns and managers; and
3. Representation of companies in the relevant investment benchmarks, including:
   i. Representation of companies in sectors and industries; and
   ii. Representation of companies in various investment benchmarks.

B. MSCI ESG has informed the System that two companies, identified below, are no longer doing business in either Sudan or Iran, and has removed them from the Focus List:

OPERATING IN SUDAN OR IRAN | COMPANY NAME | BUSINESS ACTIVITY as defined in SPP 21-123.1 | HOME COUNTRY
---|---|---|---
Iran | Hyundai Heavy Industries | Investment greater than $20 million; petroleum/gas related | Korea
Sudan | PT Pertamina (Persero) | Oil related | Indonesia

The System’s external investment managers are permitted to purchase securities issued by these companies. Based on the MSCI ESG Focus List used by the System for its semi-annual reporting, the total number of companies that have stopped doing
business in either Iran or Sudan since the enactment of the 2008 Divestiture from Iran and Sudan Act is 110.

C. The Board of Trustees recognizes that it has a continuing monitoring and reporting obligation. MSCI ESG is providing ongoing monitoring services, and the Corporate Governance Committee will continue to be assisted by the general investment consultant, State Retirement Agency staff and legal counsel in reviewing matters regarding the Act.