JAN 1 5 2020

SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
Phone: (605) 362-2820

January 13, 2020

Executive Board
c/o Jason Hancock, Director
Legislative Research Council
500 E. Capitol Ave.
Pierre, SD 57501

South Dakota Codified Law 4-5-58 states that by January fifteenth of each calendar year, the State Investment Council shall submit a report to the Executive Board of the Legislative Research Council regarding compliance with SDCL 4-5-48 to 4-5-60, Iran Divestiture. The items to be addressed in the report as outlined in the law are listed below. The actions taken by the Council are in italics.

1. A copy of the most recent list of scrutinized companies;
   §4-5-49 instructs the Council to identify all scrutinized companies in which it has direct holdings from publicly available information. *The Council references the list produced by the State of Florida. Colorado changed their policy on Iran divestment.*
   §4-5-50 requires the Council to assemble a list of scrutinized companies in which it has direct holdings from the list developed. *This was originally completed at the 8/23/10 Council meeting.*
   §4-5-51 states that the Council shall update the scrutinized companies list each quarter based on continuing information. *The memorandums to the Investment Council dated January 17, 2019, April 1, 2019, August 8, 2019 and November 7, 2019 are attached. These memorandums included staff recommendations to update the scrutinized companies list that were approved by the Council. The Council approved the current list (attached) at their November 27, 2019 meeting. The scrutinized company list will continue to be updated as new information is received.*

2. A summary of correspondence with companies engaged by the State Investment Council pursuant to §4-5-52 (Procedures with respect to companies on the scrutinized companies list);
   No new companies were added to the scrutinized companies list in which a direct position was held.

3. A list of all investments sold, redeemed, divested, or withdrawn in compliance with §4-5-53 (Divestiture of securities in companies with scrutinized business operations);
   No direct holdings were sold, redeemed, divested or withdrawn as a result of the Iran divestiture law.

4. A list of all prohibited investments pursuant to §4-5-54 (Acquisition of securities in companies with scrutinized business operations prohibited);
   The internal managers and direct external managers have been provided the updated scrutinized companies list and instructed not to purchase any company on the list. The most recent notification was emailed on November 22, 2019. The

Investment Council's investment accounting department monitors the various account holdings.

5. A description of any progress made pursuant to §4-5-57 (Indirect holdings in actively managed investment funds).
   Notifications made and staff will continue to monitor.

On July 1, 2010 the President of the United States signed H.R.2194: Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009 which amended the Iran Sanctions Act of 1996. The State of South Dakota is subject to the federal law if it enacted divestiture legislation "before, on or after the date of the enactment of this Act". Both the state and federal law went into effect on July 1, 2010. The Federal requirements must be met to be granted safe harbor from legal action under the "Authority to Divest" provision.

Compliance with the federal law included:

1. Providing written notice of the South Dakota law to the US Attorney General in the Department of Justice.
   Wade Hubbard, then counsel for SDRS, made the required notification in 2010.
2. Providing written notice to each company to which the South Dakota law applies.
   Letter notifications were sent as per §4-5-52.
3. Divestiture cannot apply to a company earlier than the date that is 90 days after the date of the written notice.
   The 90 day requirements are concurrent with the 90 day state law requirements in §4-5-52. No companies were sold for divestment purposes during the 90 day period.
4. Opportunity provided for companies to demonstrate that the measure shall not apply.
   Companies were given 90 days from notification to demonstrate in writing that the divestment requirements should not apply.
5. Make every effort to avoid erroneously targeting a company and verify that the company has targeted activities in Iran.
   §4-5-52 requires that a scrutinized company on the list be given the opportunity to clarify its scrutinized business operations in writing before divestment can occur.

Any changes to the Federal sanctions law, or its application, will be monitored to determine the effect on the Iran scrutinized companies list.

Sincerely,

Matthew L. Clark
State Investment Officer

MLC/tvo
Enclosures
Cc: South Dakota Investment Council

SOUTH DAKOTA INVESTMENT COUNCIL

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MEMORANDUM

TO: South Dakota Investment Council

FROM: Tammy V. Otten, CPA CFA
Assistant Investment Officer Fixed Income/Derivative

Matthew L. Clark, CFA MLC
State Investment Officer

DATE: January 17, 2019

RE: Iran Scrutinized Companies List

The Iran divestment law (SDCL 4-5-48 to 4-5-60) went into effect on July 1, 2010. The Council utilizes two public lists, Colorado and Florida, to determine the South Dakota list of Iran scrutinized companies. The Colorado list is generally used with select additions from the Florida list.

Florida updated their list on December 4, 2018, while Colorado last updated their list on January 19, 2018.

The Council passed motions in April and June of 2012 to keep three companies not on the Colorado list on the South Dakota list until removed from the Florida list. The three companies are Sinopec, CNOOC Ltd. and China Oilfield Services Ltd. These companies remain on the December 4, 2018 Florida list and therefore will continue to be included on the South Dakota list. Subsequently, the subsidiaries of these three companies have been added to the South Dakota list.

Florida added one CNOOC Ltd. subsidiaries to their list: COSL Singapore Capital Ltd.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS has about 0.5% of total fund assets invested in a pooled fund managed by Dimensional Fund Advisors (DFA) which at times has held companies on the list. DFA has been informed of the law and their response is on file. SDRS is less than 1% of the DFA pooled fund.

Staff continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the South Dakota Iran scrutinized companies list.

STAFF RECOMMENDATION: *Staff recommends adding the one CNOOC subsidiary to the Iran scrutinized companies list during the February 7, 2019 Council meeting conference call.*

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MEMORANDUM

TO: South Dakota Investment Council

FROM: Tammy V. Otten, CPA CFA
Assistant Investment Officer Fixed Income/Derivative

Matthew L. Clark, CFA
State Investment Officer MLC

DATE: April 1, 2019

RE: Iran Scrutinized Companies List

The Iran divestment law (SDCL 4-5-48 to 4-5-60) went into effect on July 1, 2010. The Council utilized two public lists, Colorado and Florida, to determine the South Dakota list of Iran scrutinized companies. The Colorado list was generally used with select additions from the Florida list. Colorado has discontinued providing a list as they have changed their policy on Iran divestment.

Florida updated their list on January 29, 2019. The attached recommended Iran scrutinized companies list for South Dakota agrees with the current Florida list.

Florida deleted one company from their list, Daelim Industries Co, Ltd., because the company cancelled projects in Iran and publicly stated its withdrawal from Iran. In order to bring the South Dakota list in agreement with the Florida list the removal of one other company, MTN Group Ltd, and three subsidiary companies, China Natural Gas Corp Ltd (sub of CNPC), Midciti Resources Sdn Bhd (sub of Petronas) and MISC Capital Ltd (Sub of Petronas) is recommended.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS has about 0.5% of total fund assets invested in a pooled fund managed by Dimensional Fund Advisors (DFA) which at times has held companies on the list. DFA has been informed of the law and their response is on file. SDRS is less than 1% of the DFA pooled fund.

Staff continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the South Dakota Iran scrutinized companies list.

STAFF RECOMMENDATION: *Staff recommends deleting the companies listed above from the South Dakota Iran scrutinized companies list during the April 18, 2019 Council meeting.*

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Iran Scrutinized Companies List Comparison

South Dakota Investment Council List - 04/18/19	Florida List - 01/29/19
China National Petroleum Corporation (CNPC)	China National Petroleum Corporation (CNPC)
Bank of Kunlun Co Ltd	Bank of Kunlun Co Ltd
China Petroleum Engineering Corp	China Petroleum Engineering Corp
CNPC Capital Company Ltd	CNPC Capital Company Ltd
CNPC General Capital Ltd	CNPC General Capital Ltd
CNPC HK Overseas Capital Ltd	CNPC HK Overseas Capital Ltd
Kunlun Energy Company Ltd	Kunlun Energy Company Ltd
Kunlun Financial Leasing Co Ltd	Kunlun Financial Leasing Co Ltd
PetroChina	PetroChina
China National Offshore Oil Corp Ltd (CNOOC)	China National Offshore Oil Corp Ltd (CNOOC)
China BlueChemical Ltd	China BlueChemical Ltd
China Oilfield Services Ltd (COSL)	China Oilfield Services Ltd (COSL)
CNOOC Curtis Funding No.1 Pty Ltd	CNOOC Curtis Funding No.1 Pty Ltd
CNOOC Finance Limited	CNOOC Finance Limited
CNOOC Nexen Finance	CNOOC Nexen Finance
COSL Finance (BVI) Limited	COSL Finance (BVI) Limited
COSL Singapore Capital Ltd	COSL Singapore Capital Ltd
Offshore Oil Engineering Co	Offshore Oil Engineering Co
China Petroleum & Chemical Corp (CPCC) Sinopec	China Petroleum & Chemical Corp (CPCC) Sinopec
Sinopec Capital 2013 Ltd	Sinopec Capital 2013 Ltd
Sinopec Engineering Group Co Ltd	Sinopec Engineering Group Co Ltd
Sinopec Group Overseas Development 2012-2016	Sinopec Group Overseas Development 2012-2016
Sinopec Kantons Holdings Ltd	Sinopec Kantons Holdings Ltd
Sinopec Oilfield Equipment Corp	Sinopec Oilfield Equipment Corp
Sinopec Oilfield Service Corp	Sinopec Oilfield Service Corp
Sinopec Shanghai Petrochemical	Sinopec Shanghai Petrochemical
Gazprom	Gazprom
Gazprom Neft	Gazprom Neft
Indian Oil Corp Ltd (IOCL)	Indian Oil Corp Ltd (IOCL)
Mosenergo	Mosenergo
Oil & Natural Gas Corp (ONGC)	Oil & Natural Gas Corp (ONGC)
Hindustan Petroleum Corp Ltd	Hindustan Petroleum Corp Ltd
Mangalore Refinery & Petrochemicals Ltd	Mangalore Refinery & Petrochemicals Ltd
ONGC Mangalore Petrochemicals Ltd	ONGC Mangalore Petrochemicals Ltd
ONGC Videsh Limited (OVL)	ONGC Videsh Limited (OVL)
Petroliam Nasional (Petronas)	Petroliam Nasional (Petronas)
Engen Botswana	Engen Botswana
Gas District Cooling Putrajaya Sdn Bhd	Gas District Cooling Putrajaya Sdn Bhd
KLCC Property Holdings Bhd	KLCC Property Holdings Bhd
Malaysia Marine & Heavy Engineering Holdings Bhd	Malaysia Marine & Heavy Engineering Holdings Bhd
MISC Berhad	MISC Berhad
Petronas Capital Limited	Petronas Capital Limited
Petronas Chemicals Bhd	Petronas Chemicals Bhd
Petronas Dagangan Bhd	Petronas Dagangan Bhd
Petronas Gas Berhad	Petronas Gas Berhad
Petronas Global Sukuk	Petronas Global Sukuk
Putrajaya Management Sdn Bhd	Putrajaya Management Sdn Bhd

Remove effective 04/18/19:

Daelim Industrial Co., Ltd.
China Natural Gas Corp Ltd (sub of CNPC)
MTN Group Ltd
Midciti Resources Sdn Bhd (sub of Petronas)
MISC Capital Ltd (sub of Petronas)

Removed effective 01/29/19:

Daelim Industrial Co., Ltd.

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MEMORANDUM

TO: South Dakota Investment Council

FROM: Tammy V. Otten, CPA CFA
Assistant Investment Officer Fixed Income/Derivative

Matthew L. Clark, CFA MLC
State Investment Officer

DATE: August 8, 2019

RE: South Dakota Iran Scrutinized Companies List

The Iran divestment law (SDCL 4-5-48 to 4-5-60) went into effect on July 1, 2010. The Council utilizes a public list provided by Florida to determine the South Dakota list of Iran scrutinized companies.

The July 12, 2019 updated Florida list added three subsidiary companies of Gazprom to their list: Gazprom Promgaz, GPN Capital SA and Territorial Generating Company No. 1.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS has about 0.5% of total fund assets invested in a pooled fund managed by Dimensional Fund Advisors (DFA) which at times has held companies on the list. DFA has been informed of the law and their response is on file. SDRS is less than 1% of the DFA pooled fund.

Staff continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the South Dakota Iran scrutinized companies list.

STAFF RECOMMENDATION: *Staff recommends adding the companies listed above to the South Dakota Iran scrutinized companies list at the August 26, 2019 Council meeting.*

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Iran Scrutinized Companies List

South Dakota Investment Council - 08/26/19
(additions denoted by ^)

China National Petroleum Corporation (CNPC)
- Bank of Kunlun Co Ltd
- China Petroleum Engineering Corp
- CNPC Capital Company Ltd
- CNPC General Capital Ltd
- CNPC HK Overseas Capital Ltd
- Kunlun Energy Company Ltd
- Kunlun Financial Leasing Co Ltd
- PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
- China BlueChemical Ltd
- China Oilfield Services Ltd (COSL)
- CNOOC Curtis Funding No.1 Pty Ltd
- CNOOC Finance Limited
- CNOOC Nexen Finance
- COSL Finance (BVI) Limited
- COSL Singapore Capital Ltd
- Offshore Oil Engineering Co

China Petroleum & Chemical Corp (CPCC) Sinopec
- Sinopec Capital 2013 Ltd
- Sinopec Engineering Group Co Ltd
- Sinopec Group Overseas Development 2012-2016
- Sinopec Kantons Holdings Ltd
- Sinopec Oilfield Equipment Corp
- Sinopec Oilfield Service Corp
- Sinopec Shanghai Petrochemical

Gazprom
- Gazprom Neft
- ^ Gazprom Promgaz
- ^ GPN Capital SA
- ^ Territorial Generating Company No 1

Indian Oil Corp Ltd (IOCL)
Mosenergo

Oil & Natural Gas Corp (ONGC)
- Hindustan Petroleum Corp Ltd
- Mangalore Refinery & Petrochemicals Ltd
- ONGC Mangalore Petrochemicals Ltd
- ONGC Videsh Limited (OVL)

Petroliam Nasional (Petronas)
- Engen Botswana
- Gas District Cooling Putrajaya Sdn Bhd
- KLCC Property Holdings Bhd
- Malaysia Marine & Heavy Engineering Holdings Bhd
- MISC Berhad
- Petronas Capital Limited
- Petronas Chemicals Bhd
- Petronas Dagangan Bhd
- Petronas Gas Berhad
- Petronas Global Sukuk
- Putrajaya Management Sdn Bhd

Removed effective 08/26/19:
none

Florida State Board of Administration - 07/12/19
*(additions denoted by *)*

China National Petroleum Corporation (CNPC)
- Bank of Kunlun Co Ltd
- China Petroleum Engineering Corp
- CNPC Capital Company Ltd
- CNPC General Capital Ltd
- CNPC HK Overseas Capital Ltd
- Kunlun Energy Company Ltd
- Kunlun Financial Leasing Co Ltd
- PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
- China BlueChemical Ltd
- China Oilfield Services Ltd (COSL)
- CNOOC Curtis Funding No.1 Pty Ltd
- CNOOC Finance Limited
- CNOOC Nexen Finance
- COSL Finance (BVI) Limited
- COSL Singapore Capital Ltd
- Offshore Oil Engineering Co

China Petroleum & Chemical Corp (CPCC) Sinopec
- Sinopec Capital 2013 Ltd
- Sinopec Engineering Group Co Ltd
- Sinopec Group Overseas Development 2012-2016
- Sinopec Kantons Holdings Ltd
- Sinopec Oilfield Equipment Corp
- Sinopec Oilfield Service Corp
- Sinopec Shanghai Petrochemical

Gazprom
- Gazprom Neft
- * Gazprom Promgaz
- * GPN Capital SA
- * Territorial Generating Company No 1

Indian Oil Corp Ltd (IOCL)
Mosenergo

Oil & Natural Gas Corp (ONGC)
- Hindustan Petroleum Corp Ltd
- Mangalore Refinery & Petrochemicals Ltd
- ONGC Mangalore Petrochemicals Ltd
- ONGC Videsh Limited (OVL)

Petroliam Nasional (Petronas)
- Engen Botswana
- Gas District Cooling Putrajaya Sdn Bhd
- KLCC Property Holdings Bhd
- Malaysia Marine & Heavy Engineering Holdings Bhd
- MISC Berhad
- Petronas Capital Limited
- Petronas Chemicals Bhd
- Petronas Dagangan Bhd
- Petronas Gas Berhad
- Petronas Global Sukuk
- Putrajaya Management Sdn Bhd

Removed effective 07/12/19:
none

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MEMORANDUM

TO: South Dakota Investment Council

FROM: Tammy V. Otten, CPA CFA
Assistant Investment Officer Fixed Income/Derivative

Matthew L. Clark, CFA MLC
State Investment Officer

DATE: November 7, 2019

RE: South Dakota Iran Scrutinized Companies List

The Iran divestment law (SDCL 4-5-48 to 4-5-60) went into effect on July 1, 2010. The Council utilizes a public list provided by Florida to determine the South Dakota list of Iran scrutinized companies.

The September 24, 2019 updated Florida list added one subsidiary company of China Petroleum & Chemical Corp (CPCC) Sinopec to their list: Sinopec Group Overseas Development 2017 Ltd. The Florida list also removed two companies: Offshore Oil Engineering Co., and ONGC Mangalore Petrochemicals Ltd.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS has about 0.5% of total fund assets invested in a pooled fund managed by Dimensional Fund Advisors (DFA) which at times has held companies on the list. DFA has been informed of the law and their response is on file. SDRS is less than 1% of the DFA pooled fund.

Staff continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the South Dakota Iran scrutinized companies list.

STAFF RECOMMENDATION: *Staff recommends updating the South Dakota Iran scrutinized companies list by adding the one company and removing the two companies listed above at the November 21, 2019 Council meeting.*

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Iran Scrutinized Companies List

South Dakota Investment Council - 11/21/19
(additions denoted by ^)

China National Petroleum Corporation (CNPC)
- Bank of Kunlun Co Ltd
- China Petroleum Engineering Corp
- CNPC Capital Company Ltd
- CNPC General Capital Ltd
- CNPC HK Overseas Capital Ltd
- Kunlun Energy Company Ltd
- Kunlun Financial Leasing Co Ltd
- PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
- China BlueChemical Ltd
- China Oilfield Services Ltd (COSL)
- CNOOC Curtis Funding No.1 Pty Ltd
- CNOOC Finance Limited
- CNOOC Nexen Finance
- COSL Finance (BVI) Limited
- COSL Singapore Capital Ltd

China Petroleum & Chemical Corp (CPCC) Sinopec
- Sinopec Capital 2013 Ltd
- Sinopec Engineering Group Co Ltd
- Sinopec Group Overseas Development 2012-2016
- ^ Sinopec Group Overseas Development 2017
- Sinopec Kantons Holdings Ltd
- Sinopec Oilfield Equipment Corp
- Sinopec Oilfield Service Corp
- Sinopec Shanghai Petrochemical

Gazprom
- Gazprom Neft
- Gazprom Promgaz
- GPN Capital SA
- Territorial Generating Company No 1

Indian Oil Corp Ltd (IOCL)

Mosenergo

Oil & Natural Gas Corp (ONGC)
- Hindustan Petroleum Corp Ltd
- Mangalore Refinery & Petrochemicals Ltd
- ONGC Videsh Limited (OVL)

Petroliam Nasional (Petronas)
- Engen Botswana
- Gas District Cooling Putrajaya Sdn Bhd
- KLCC Property Holdings Bhd
- Malaysia Marine & Heavy Engineering Holdings Bhd
- MISC Berhad
- Petronas Capital Limited
- Petronas Chemicals Bhd
- Petronas Dagangan Bhd
- Petronas Gas Berhad
- Petronas Global Sukuk
- Putrajaya Management Sdn Bhd

Removed effective 11/21/19:

Offshore Oil Engineering Co (sub of CNOOC)

ONGC Mangalore Petrochemicals Ltd (sub of ONGC)

Florida State Board of Administration - 09/24/19
*(additions denoted by *)*

China National Petroleum Corporation (CNPC)
- Bank of Kunlun Co Ltd
- China Petroleum Engineering Corp
- CNPC Capital Company Ltd
- CNPC General Capital Ltd
- CNPC HK Overseas Capital Ltd
- Kunlun Energy Company Ltd
- Kunlun Financial Leasing Co Ltd
- PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
- China BlueChemical Ltd
- China Oilfield Services Ltd (COSL)
- CNOOC Curtis Funding No.1 Pty Ltd
- CNOOC Finance Limited
- CNOOC Nexen Finance
- COSL Finance (BVI) Limited
- COSL Singapore Capital Ltd

China Petroleum & Chemical Corp (CPCC) Sinopec
- Sinopec Capital 2013 Ltd
- Sinopec Engineering Group Co Ltd
- Sinopec Group Overseas Development 2012-2016
- * Sinopec Group Overseas Development 2017
- Sinopec Kantons Holdings Ltd
- Sinopec Oilfield Equipment Corp
- Sinopec Oilfield Service Corp
- Sinopec Shanghai Petrochemical

Gazprom
- Gazprom Neft
- Gazprom Promgaz
- GPN Capital SA
- Territorial Generating Company No 1

Indian Oil Corp Ltd (IOCL)

Mosenergo

Oil & Natural Gas Corp (ONGC)
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- Malaysia Marine & Heavy Engineering Holdings Bhd
- MISC Berhad
- Petronas Capital Limited
- Petronas Chemicals Bhd
- Petronas Dagangan Bhd
- Petronas Gas Berhad
- Petronas Global Sukuk
- Putrajaya Management Sdn Bhd

Removed effective 09/24/19:

Offshore Oil Engineering Co

ONGC Mangalore Petrochemicals Ltd