SOUTH DAKOTA INVESTMENT COUNCIL

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

January 13, 2015

Executive Board
Legislative Research Council
500 E. Capitol Ave.
Pierre, SD 57501

SDCL 3-12-117 requires the Investment Council to report semi-annually the actions related to the shareholder activism policy adopted per Legislature resolution. The law states that, "The report shall include an analysis of the success of the policy in accomplishing the goal of promoting compliance with the federal enactments and its impact on all sales of affected companies."

The attached policy was reviewed by the Investment Council at their December 9, 2014 meeting. The attached supporting documents outline the compliance with the policy. The documents include a letter sent to Volkswagen AG, the majority owner of MAN SE, on November 22, 2014 and their email response dated November 24, 2014. The Investment Office views MAN Group's Sudan involvement to be minimal. The company has completely prohibited any new business with North Sudan. Its remaining involvement has been limited as much as legally possible. SDRS continues to hold a position in Volkswagen which is considered undervalued. The risk assessment considered the limited materiality of the Sudan activities and the projected removal of the company from the Sudan list once the contractual obligations are complete.

Sincerely,

Matthew L. Clark
State Investment Officer

MLC/tvo

Enclosures
Cc: South Dakota Investment Council

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November 22, 2014

Prof. Dr. Dr.h.c. mult. Martin Winterkorn
Chairman of the Board of Management
Volkswagen AG
Letterbox 1970
38436 Wolfsburg, Germany

E-mail: investor.relations@volkswagen.de

Dear Mr. Winterkorn:

The South Dakota Investment Council is an investor in shares of Volkswagen AG, the majority owner of MAN SE. The Investment Council manages retirement funds for teachers and other public employees of the State of South Dakota. In order to comply with the 2010 HOUSE CONCURRENT RESOLUTION NO. 1012 of the South Dakota Legislature and Council policy, we are required to contact your company to share our concern about your business activities in Sudan. MAN SE appears on a public list of companies with business activities in Sudan that may contribute to perpetuating genocide through financial support.

The Council requests, at your earliest convenience, a written explanation of the business activities in Sudan and any efforts to assure the activities play a helpful role.

The Council strongly encourages you to cease or to convert to inactive status any business activities that are not consistent with helping end the genocide. We believe failure to do so will cause harm to Volkswagen's world-wide reputation which may negatively impact future business prospects. This may also subject your company to divestiture actions by many large investors throughout the world which may affect the investment value of your company.

Sincerely,

Matthew L. Clark
State Investment Officer

MLC/tvo

HOUSE CONCURRENT RESOLUTION NO. 1012

A CONCURRENT RESOLUTION, Directing the South Dakota State Investment Council to apply its Social Activism Policy to address the ongoing genocide and other atrocities being committed in Sudan.

WHEREAS, the federal government has imposed sanctions against the government of Sudan since 1997; and

WHEREAS, on July 23, 2004, and again on September 25, 2006, the United States Congress declared and reaffirmed that "the atrocities unfolding in Darfur, Sudan, are genocide"; and

WHEREAS, the United States Congress noted that the genocide in Darfur has lead to the "systematic rape of thousands of women and girls, the abduction of women and children, and the destruction of hundreds of ethnically African villages, including the poisoning of their wells and the plunder of their crops and cattle upon which the people of such villages sustain themselves"; and

WHEREAS, over 500,000 people have died and more than 2.5 million people have been displaced from their homes by the Sudanese regime since 2003; and

WHEREAS, the Darfur crisis represents the first time the United States government has labeled the actions of another country as genocide; and

WHEREAS, since 1993 the United States Secretary of State has determined that the government of Sudan has repeatedly provided support for acts of international terrorism:

NOW, THEREFORE, BE IT RESOLVED, by the House of Representatives of the Eighty-fifth Legislature of the State of South Dakota, the Senate concurring therein, that the South Dakota Legislature directs the State Investment Council to fight the atrocities in Sudan by activating its Social Activism Policy which provides a means of engagement and potential divestment from companies identified by the United States Congress as supporters of the Sudanese government.

Adopted by the House of Representatives,

March 4, 2010

Concurred in by the Senate,

March 9, 2010

Timothy A. Rave Speaker of the House	Karen Gerdes Chief Clerk of the House	
Dennis Daugaard President of the Senate	Trudy Evenstad Secretary of the Senate	

South Dakota Investment Council

Shareholder Activism Policy
related to
Federal Divestiture Enactments

The South Dakota Investment Council (SDIC) Shareholder Activism Policy relates to foreign companies whose securities are held by South Dakota public funds and may be subject to permissive divestiture enactments by the US Government.

The SDIC will make reasonable efforts, using publicly available information, to determine whether foreign companies whose securities are held by South Dakota public funds are on recognized lists in relation to the Sudan Accountability and Divestiture Act of 2007 or other federal divestiture enactments.

The SDIC will make efforts to formally engage identified companies to urge constructive change in company activities in identified countries. The shareholder activism engagement shall include:

1. **Annual written communication**. The annual written communication shall be repeated until the company is removed from recognized lists or the SDIC no longer invests in the company.
2. **Shareholder resolutions and proxies**. The SDIC shall consider the objectives of this policy when voting on shareholder resolutions and proxies.
3. **Risk Analysis**. The SDIC shall recognize, as part of the company valuation process, the risk inherent in business activities in the identified countries, which could lead to sale through the normal investment process.

The State Investment Officer shall maintain a record of written communications and report to the SDIC annually concerning communications and company responses.

Adopted: April 20, 2010

MAN SE

From Wikipedia, the free encyclopedia

MAN SE (pronounced [ˈman ʔɛsˈʔeː], abbreviation of *Maschinenfabrik Augsburg-Nürnberg*, pronounced [maˈʃiːnənfaˈbʁiːk ˈʔaʊ̯ksbʊʁk ˈnʏʁnbɛʁk] or [-faˈbʁɪk-]), formerly **MAN AG** (pronounced [ˈman ʔaːˈgeː]), is a German mechanical engineering company and parent company of the **MAN Group**.[4] MAN SE is based in Munich. Its primary output is for the automotive industry, particularly heavy trucks. Further activities include the production of diesel engines for various applications, like ship propulsion, and also turbomachinery.[5]

MAN supplies trucks, buses,[5] diesel engines and[5] turbomachinery. Until September 2012 MAN SE was one of the top 30 companies listed on the German stock exchange (DAX).[5] The company celebrated its 250th anniversary in 2008.[5][6] In 2008, its 51,300 employees generated annual sales of around €15 billion in 120 different countries. The company operates through fully owned subsidiaries or joint ventures with local companies in India, Poland, Turkey, China,[7][8][9] United States, United Arab Emirates,[10][11] South Africa,[12] Uzbekistan,[13] Portugal and Germany/Austria.[14]

MAN SE

Type	Societas Europaea
Traded as	FWB: MAN (http://www.boerse-frankfurt.de/en/equities/search/result?name_isin_wkn=MAN)
Industry	Manufacturing, automotive industry, marine engineering
Founded	1758[1]
Headquarters	Munich, Germany
Number of locations	manufacturing facilities in the Ruhr area, Augsburg, and outside Germany
Area served	Worldwide
Key people	Georg Pachta-Reyhofen (CEO)
Products	Commercial Vehicles, diesel and other engines, turbomachinery
Revenue	€14.68 billion (2010)[2]
Operating income	€1.283 billion (2010)[2]
Profit	€713 million (2010)[2]
Total assets	€17.43 billion (end 2010)[2]
Total equity	€5.990 billion (end 2010)[2]
Employees	53,500 (end 2013)[3]
Parent	Volkswagen Group
Subsidiaries	MAN Truck & Bus MAN Diesel & Turbo MAN Latin America Renk (76%) Sinotruk (Hong Kong) (25%) ÖAF
Website	www.man.eu (http://www.man.eu)

Takeover by Volkswagen

In July 2011, Volkswagen AG acquired a 55.9% voting stake and 53.7% of the share capital in MAN SE. Pending regulatory approval, Volkswagen planned to merge MAN and Scania to create Europe's largest truckmaker. The combined trucks group is planned to save about 400 million euros per year, mainly by bundling procurement.[18][19] Regulatory approval was granted, and the takeover completed, in November 2011.[20]

Headquarters of MAN SE in Munich

In April 2012 MAN SE announced that Volkswagen had increased its interest to a 73.0% voting stake and 71.08% of the share capital.[21]

On 6 June 2012 Volkswagen AG announced that it had increased its share of voting rights in MAN SE to 75.03%, paving the way for a domination agreement to be put in place.[22]

Otten, Tammy

From: Denks, Clemens <Clemens.Denks@vw.com>
Sent: Monday, November 24, 2014 12:46 PM
To: Otten, Tammy
Subject: RE: Request regarding Sudan business activities of MAN SE

Dear Ms. Otten,
Dear Mr. Clark,

Thank you for your email. My colleagues at MAN SE provided me with the following information, which I'm pleased to share with you:

"The exposure of the MAN Group to Sudan has historically been very limited. Neither does it own any assets in Sudan nor does it operate any businesses or have any employees in the country. On May 30, 2012 the Board of Management of MAN SE resolved that any new business with "North Sudan" (all Sudan regions except for South Sudan) is completely prohibited. The fulfilment of existing contracts and warranty obligations shall be exempt from this prohibition as far as legally possible. Revenues derived from Sudan were about 1.2 million EUR in 2013, which represents only about 0.0078 per cent of the total 2013 revenues of the MAN Group. We expect this number to decline."

Please let us know in case you might have any further questions or concerns.

Thank you, and best regards,

Clemens

Clemens Denks
Investor Relations Liaison Office

Volkswagen Group of America, Inc.
2200 Ferdinand Porsche Drive
Herndon, VA 20171
USA

Phone: +1-703-364-7223
Fax: +1-703-364-7080
mailto: clemens.denks@vw.com
http://www.vw.com

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This message is confidential and intended solely for the use of the individual to whom it is addressed. If you receive this message in error, please delete the email, destroy any copies and notify the sender immediately. Thank you for your cooperation.

From: Otten, Tammy [mailto:Tammy.Otten@state.sd.us]
Sent: Saturday, November 22, 2014 1:29 PM
To: VWAG R: WOB, Investor Relations; Denks, Clemens
Subject: Request regarding Sudan business activities of MAN SE