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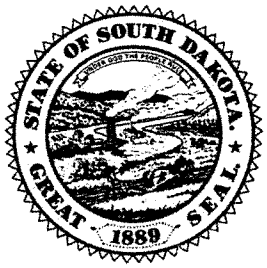

SOUTH DAKOTA INVESTMENT COUNCIL

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

January 13, 2016

Executive Board
c/o Jason Hancock, Director
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 adopted by the Council on April 10, 2010 and is reviewed annually, most recently at the August 24, 2015 meeting.

Actions taken under the policy and the resulting outcomes follow with supporting documents attached. The attached includes a letter sent to Alstom on July 7, 2015 and the reply dated July 29, 2015. The reply states that the company decided not to pursue any new business nor participate in any new projects in Sudan. SDRS continues to hold a small position in Alstom.

A letter was sent to Volkswagen AG, the majority owner of MAN SE, on July 7, 2015 and a general email response was received on August 26, 2015 indicating compliance with regulations. The Investment Office views MAN Group's Sudan involvement to be minimal. The company stated in their November 2014 response that it has 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 for both companies considers the limited materiality of the Sudan activities and the anticipated removal of the companies from the Sudan list.

Sincerely,

Matthew L. Clark
State Investment Officer

MLC/tvo

Enclosures
Cc: South Dakota Investment Council

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: 4/20/10
Most recent review: 8/24/15

SOUTH DAKOTA INVESTMENT COUNCIL

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

July 7, 2015

Patrick Kron, CEO
Alstom
3, avenue Andre Malraux
92309 Levallois-Perret Cedex
France

E-mail: investor.relations@chq.alstom.com

Dear Mr. Kron:

The South Dakota Investment Council is an investor in shares of Alstom. 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 annually to share our concern about your business activities in Sudan. Your company continues to appear on public lists of companies with business activities in Sudan that may contribute to perpetuating genocide through financial support.

The Council requests, at your earliest convenience, an updated written explanation of your 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 Alstom'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

Chairman and Chief Executive Officer

ALSTOM

Mr. Matthew L. Clark
State Investment Officer
South Dakota Investment Council
4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784
USA

Levallois-Perret, 29 July 2015

Dear Mr Clark,

Thank you for your letter dated 7 July 2015 and your continuing dialogue with us with regards to our activities in Sudan.

Over the fiscal year 2014/15 (ended 31 March 2015), Alstom had **no sale** in Sudan and all Alstom personnel have left the site.

Alstom has been involved in only one project in Northern Sudan (Merowe Dam), awarded in 2003 in a far different situation from that of today and that complied at the time with the export control rules from the countries of origin. The Group has since **decided not to pursue any new business nor participate in any new projects in the country** until the international community is satisfied with the situation in Sudan.

Alstom had no direct investment in Sudan as the company solely installed equipment that was imported and did not manufacture any domestically. Alstom does not own any properties in the country and does not directly provide any revenues to the government of Sudan.

We hope this answers any question you may have had regarding Alstom's activities in this country and remain at your disposal for any further information.

Sincerely yours,

Patrick Kron
Chairman & CEO

ALSTOM
Société Anonyme au capital de 1 935 625 916 €
Siège Social : 3, avenue André Malraux
92300 Levallois-Perret (France)
389 058 447 RCS Nanterre
Tel. : +33 (0)1 41 49 25 96 - Fax : +33 (0)1 41 49 79 21

SOUTH DAKOTA INVESTMENT COUNCIL

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

July 7, 2015

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

Otten, Tammy

From: Clark, Matt
Sent: Friday, August 28, 2015 8:19 AM
To: Otten, Tammy
Subject: FW: Your letter to Volkswagen AG
Attachments: Volkswagen_Sudan FY16.pdf

From: Riss, Laurie
Sent: Friday, August 28, 2015 8:18 AM
To: Clark, Matt
Subject: FW: Your letter to Volkswagen AG

Website email

From: Buchta, Andreas (K-GK-I) [mailto:andreas.buchta@volkswagen.de]
Sent: Wednesday, August 26, 2015 8:38 AM
To: South Dakota Investment Council
Subject: WG: Your letter to Volkswagen AG

Dear Mr. Clark,

Volkswagen AG hereby undertakes and confirms to make sure – to the extent legally feasible for all concerned group companies - that related transactions
and business relations are checked according to national, EU and US export control regulations and are compliant with these legislations.

Mit freundlichen Grüßen/ With kind regards

Andreas Buchta
Konzern Investor Relations Manager (K-GK-I)

Volkswagen Aktiengesellschaft
Brieffach 1849/0
Berliner Ring 2
D-38436 Wolfsburg
Deutschland

Tel.: +49 53 61 - 9 - 4 74 19
Fax: +49 53 61 - 9 - 4 40 91

mailto:andreas.buchta@volkswagen.de

Before printing this email, assess if it is really needed

Volkswagen Aktiengesellschaft
Sitz: Wolfsburg
Registergericht: Amtsgericht Braunschweig
HRB Nr.: 100484

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