JAN 15 2016

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

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 lists produced by the State of Colorado and Florida.*
   §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 most recent memorandums to the Investment Council dated November 3, 2015 and August 4, 2015 are attached. The Council approved the current list (attached) at their August 24, 2015 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 A list of all investments sold, redeemed, divested, or withdrawn in compliance with §4-5-53 (Divestiture of securities in companies with scrutinized business operations);
   No direct holdings were sold, redeemed, divested or withdrawn as a result of the Iran divestiture law.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 August 26, 2015. 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 were made and staff will continue to monitor.

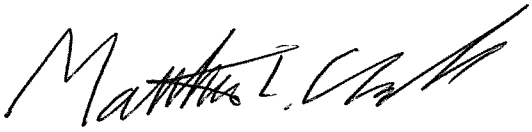
On July 1, 2010 the President of the United States signed H.R.2194: Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009 which amended the Iran Sanctions Act of 1996. The State of South Dakota is subject to the federal law if it enacted divestiture legislation "before, on or after 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 includes:

1. Providing written notice of the South Dakota law to the US Attorney General in the Department of Justice.
   Wade Hubbard, 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.
   §4-5-22 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

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MEMORANDUM

TO: South Dakota Investment Council and
Matthew L. Clark, CFA, State Investment Officer

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

DATE: November 3, 2015

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.

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 were Sinopec, CNOOC Ltd. and China Oilfield Services. The companies remain on the Florida list and therefore will continue to be included on the South Dakota list.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS holds approximately 1% of a pooled fund managed by Dimensional Fund Advisors (DFA). DFA has been informed of the law and their response is on file.

The South Dakota Iran scrutinized companies list was updated for the Colorado and Florida changes outlined in the August 4, 2015 memo. The internal and direct external managers were informed of the updated list after the August council meeting.

STAFF RECOMMENDATION: *Staff recommends no changes to the list at the November 17, 2015 Council meeting.*

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MEMORANDUM

TO: South Dakota Investment Council and
Matthew L. Clark, CFA, State Investment Officer

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

DATE: August 4, 2015

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.

There were four companies removed from the Colorado List dated July 29, 2015; Hyundai Heavy Industries Co., Ltd., Midciti Resources Sdn Bhd, MISC Capital Ltd., and PetroChina Co Ltd. PetroChina Co Ltd. remains on the recent Florida list date 6/23/2015. There were no changes to the most recent list from Florida.

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 were Sinopec, CNOOC Ltd. and China Oilfield Services. The companies remain on the June 23, 2015 Florida list and therefore will continue to be included on the South Dakota list.

The attachment lists the proposed South Dakota Iran scrutinized companies list with the updated Colorado and Florida comparisons. The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS holds approximately 1% of a pooled fund managed by Dimensional Fund Advisors (DFA). DFA has been informed of the law and their response is on file.

STAFF RECOMMENDATION: *Staff recommends that Hyundai Heavy Industries Co., Ltd., Midciti Resources Sdn Bhd, and MISC Capital Ltd. be removed from the Council's Iran Scrutinized Companies List at the August 24, 2015 Council meeting.*

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attachment

Iran Scrutinized Companies List Comparison

South Dakota Investment Council List (effective 04/08/15; with changes denoted by ^^)	Colorado List 07/29/15 (changes denoted by ##)		Florida List 06/23/15 (changes denoted by **)
Chennai Petroleum Corporation Ltd	Chennai Petroleum Corporation Ltd		
China BlueChemical Ltd			China BlueChemical Ltd
China National Petroleum Corporation (CNPC)	China National Petroleum Corporation (CNPC)		China National Petroleum Corporation (CNPC)
China Oilfield Services Ltd			China Oilfield Services Ltd
China Petroleum & Chemical Corp (CPCC) Sinopec			China Petroleum & Chemical Corp (CPCC) Sinopec
CNOOC Finance Limited			CNOOC Finance Limited
CNOOC Ltd (China National Offshore Oil Corp)			CNOOC Ltd (China National Offshore Oil Corp)
CNPC HK Overseas Capital Ltd	CNPC HK Overseas Capital Ltd		CNPC HK Overseas Capital Ltd
			COSL Finance (BVI) Limited
Daelim Industrial Co., Ltd.	Daelim Industrial Co., Ltd.		Daelim Industrial Co., Ltd.
			Engen Botswana
Gas District Cooling (Putrajaya) Sdn Bhd	Gas District Cooling (Putrajaya) Sdn Bhd		Gas District Cooling (Putrajaya) Sdn Bhd
Gazprom OAO			Gazprom OAO
Gazprom Neft			Gazprom Neft
Hyundai Heavy Industries Co., Ltd			
			Indian Oil Corp Ltd (IOCL)
KLCC Property Holdings Bhd	KLCC Property Holdings Bhd		KLCC Property Holdings Bhd
Kunlun Energy Company Ltd (CNPC Hong Kong Ltd)	Kunlun Energy Company Ltd (CNPC Hong Kong Ltd)		Kunlun Energy Company Ltd (CNPC Hong Kong Ltd)
			Malaysia Marine & Heavy Engineering Holdings Bhd
			Mangalore Refinery & Petrochemicals Ltd
Midciti Resources Sdn Bhd			
MISC Berhad	MISC Berhad		MISC Berhad
MISC Capital Ltd			
			Mosenergo
MTN Group Ltd	MTN Group Ltd		
			Oil & Natural Gas Corp (ONGC)
			ONGC Videsh Limited
PetroChina Co Ltd			PetroChina Co Ltd
Petroliam Nasional (Petronas)	Petroliam Nasional (Petronas)		Petroliam Nasional (Petronas)
Petronas Capital Limited	Petronas Capital Limited		Petronas Capital Limited
Petronas Chemicals Bhd	Petronas Chemicals Bhd		Petronas Chemicals Bhd
Petronas Dagangan Bhd	Petronas Dagangan Bhd		Petronas Dagangan Bhd
Petronas Gas Berhad	Petronas Gas Berhad		Petronas Gas Berhad
			Putrajaya Management Sdn Bhd
Sinopec Capital 2013 Ltd			Sinopec Capital 2013 Ltd
Sinopec Engineering Group Co Ltd			Sinopec Engineering Group Co Ltd
Sinopec Group Overseas Development 2013 Ltd			Sinopec Group Overseas Development 2013 Ltd
Sinopec Kantons Holdings Ltd			Sinopec Kantons Holdings Ltd
Sinopec Shanghai Petrochemical			Sinopec Shanghai Petrochemical
Sinopec Yizheng Chemical Fibre			Sinopec Yizheng Chemical Fibre
	Hyundai Heavy Industries Co., Ltd.	removed ##	
	Midciti Resources Sdn Bhd	removed ##	
	MISC Capital Ltd	removed ##	
	PetroChina Co Ltd	removed ##	