AUG 11 2016

SOUTH DAKOTA INVESTMENT COUNCIL

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

August 9, 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 at least annually, most recently at the February 4, 2016 meeting.

Actions taken under the policy and the resulting outcomes follow with supporting documents attached. A letter was sent to Volkswagen AG, the majority owner of MAN SE, on July 1, 2016 and a response was not received as of this date. Investment staff views MAN Group's Sudan involvement to be minimal. The company stated in their August 2015 response that "related transactions and business relations are checked according to national, EU and US export control regulations and are compliant with these legislations." The 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 Volkswagen considers the materiality of the Sudan activities and potential for eventual removal of the company from the Sudan 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

FROM: Matthew L. Clark, CFA MLC
State Investment Officer

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

DATE: August 9, 2016

RE: Compliance with Shareholder Activism Policy

The Shareholder Activism Policy related to Federal Divestiture Enactments (attached) was adopted by the South Dakota Investment Council in April of 2010. This policy was enacted per SDCL 3-12-117 and 2010 House Concurrent Resolution No. 1012 on Sudan.
The policy requires an annual report to the Investment Council concerning communications and company responses. The law requires a semi-annual report from the Investment Council.

1. **Annual written communication:** The Shareholder Activism Policy requires an annual written communication to a company that is a current investment and appears on the scrutinized companies list (attached). As of June 30, 2016, the South Dakota Retirement System had a direct holding Volkswagen. On July 1, 2016 a letter was emailed to Matthias Muller, CEO of Volkswagen AG. A reply has not been received to date.

2. **Shareholder resolutions and proxies:** The policy states that the objectives of the policy should be considered when voting on shareholder resolutions and proxies for the scrutinized companies. The individual responsible for voting proxies has been informed to consider the policy.

3. **Risk Analysis:** The portfolio managers that analyze Volkswagen have been informed to consider the company's inherent risk in its Sudan business activities in the valuation process as outlined in the Policy.

tvo

SOUTH DAKOTA INVESTMENT COUNCIL

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

July 1, 2016

Matthias Muller
Chief Executive Officer
Volkswagen AG
Letterbox 1970
38436 Wolfsburg, Germany

E-mail: investor.relations@volkswagen.de

Dear Mr. Muller:

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

Compliance with 2010 Legislative Session SB 134 - Sudan Divestiture
(List of Companies from Colorado Report dated 03/11/2016)

Holdings Date: 06/21/2016

Company	Date Added to SDIC List	SDIC Holdings Fund	Portfolio	Ticker Sedol	Type	Shares	Comments
Scrutinized Companies with Activities in Sudan							
Andritz AG	03/31/2014		No holdings				
ASEC Company for Mining (ASCOM)	03/20/2015		No holdings				
Bharat Electronics Limited	03/31/2014		No holdings				
Bharat Heavy Electricals Limited	03/31/2014		No holdings				
China Gezhouba Group Company Limited	12/31/2011		No holdings				
China Hydraulic and Hydroelectric Construction Group (Sinohydro)	05/31/2011		No holdings				
Power Construction Corp. of China (fka Sinohydro Group Ltd.)	12/31/2011		No holdings				
Power China Hydropower Development Group (fka Sichuan Power Development Co	02/28/2013		No holdings				
Sinohydro Bureau 7 Co Ltd	02/28/2013		No holdings				
Sinohydro Engineering Bureau 8 Co Ltd	03/31/2014		No holdings				
China National Petroleum Corporation (CNPC)	07/01/2010		No holdings				
CNPC General Capital Ltd	09/21/2012		No holdings				
CNPC HK Overseas Capital Ltd	12/31/2011		No holdings				
Daqing Huake Group Co Ltd	07/01/2010		No holdings				
Jinan Diesel Engine Co Ltd	07/01/2010		No holdings				
Kunlun Energy Company Ltd (CNPC Hong Kong Ltd)	07/01/2010		No holdings				
PetroChina Co Ltd	07/01/2010		No holdings				
China North Industries Group Corporation (CNGC/NORINCO)	05/31/2011		No holdings				
AKM Industrial Co Ltd	05/31/2011		No holdings				
NORINCO International Cooperation	05/31/2011		No holdings				
North Huajin Chemical Industries (fka Liaoning Huajin Tongda Chemicals)	05/31/2011		No holdings				
North Navigation Control Technology	05/31/2011		No holdings				
Sichuan Nitrocell Co Ltd	05/31/2011		No holdings				
China Petrochemical Corporation (Sinopec Group)	07/01/2010		No holdings				
China Petroleum & Chemical Corp (Sinopec Corp)	07/01/2010		No holdings				
Sinopec Capital 2013 Ltd	09/20/2013		No holdings				
Sinopec Engineering Group Co Ltd	03/31/2014		No holdings				
Sinopec Group Overseas Development 2012, 2013, 2014, 2015	09/21/2012		No holdings				
Sinopec Kantons Holdings Ltd	07/01/2010		No holdings				
Sinopec Oilfield Equipment (fka Kingdream PLC)	07/01/2010		No holdings				
Sinopec Shanghai Petrochemical	07/01/2010		No holdings				
Sinopec Oilfield Service Corp (fka Sinopec Yizheng Chemical Fibre)	07/01/2010		No holdings				
China Poly Group Corporation	06/30/2014		No holdings				
Poly Energies Holding Co Ltd	06/30/2014		No holdings				
Poly Property Group Co Ltd	06/30/2014		No holdings				
DongFeng Motor Group Co Ltd	07/01/2010		No holdings				
Egypt Kuwait Holding Co SAE	07/01/2010		No holdings				
Energy House Holding Co (fka Energy Holding Co)	07/01/2010		No holdings				
GAZ Group	03/31/2014		No holdings				
GAS OAO (fka GAZ Auto Plant)	03/31/2014		No holdings				
Pavlovo Bus (fka Pavlosky Bus Plant)	03/31/2014		No holdings				
Glencore PLC (fka Glencore Xstrata PLC)	05/31/2011		No holdings				
* Glencore Australia Holdings Pty	03/11/2016		No holdings				
Glencore Canada Corp (Xstrata Canada Corp)	09/20/2013		No holdings				
Glencore Canada Financial Corp (Xstrata Canada Financial Corp)	09/20/2013		No holdings				
Glencore Finance Canada Ltd (Xstrata Finance Canada Ltd)	09/20/2013		No holdings				
Glencore Finance Dubai Ltd (Xstrata Finance Dubai Ltd)	09/20/2013		No holdings				
Glencore Finance Europe	05/31/2011		No holdings				
Glencore Funding LLC	05/31/2011		No holdings				
Viterra Inc	02/28/2013		No holdings				
Harbin Electric Co Ltd	03/31/2014		No holdings				
Indian Oil Corp Ltd (IOCL)	07/01/2010		No holdings				
Chennai Petroleum Corporation Ltd	07/01/2010		No holdings				
Lanka IOC Ltd	07/01/2010		No holdings				
Jiangxi Hongdu Aviation	07/01/2010		No holdings				
JX Holdings, Inc	05/31/2011		No holdings				
Eneos Globe Co	03/16/2012		No holdings				
Nippo Corporation	12/31/2011		No holdings				
Toho Titanium Co	03/31/2014		No holdings				
* Kamaz OJSC	03/11/2016		No holdings				
* Neftekamsky Avtozavod	03/11/2016		No holdings				
LS Industrial Systems	12/31/2011		No holdings				
MAN SE	03/31/2014		No holdings				
Renk AG	03/31/2014		No holdings				
Volkswagen AG	09/19/2014	SDRS	G6	VOW3.GR	Ordinary	5,400	
	09/19/2014	SDRS	G10	VOW3.GR	Ordinary	4,150	
Managem SA	09/30/2010		No holdings				
* Societe Nationale d'Investissement	03/11/2016		No holdings				
ONA SA	09/30/2010		No holdings				
Societe Metallurgique D'imiter	09/30/2010		No holdings				
Oil & Natural Gas Corp Ltd (ONGC)							
Mangalore Refinery & Petrochemicals	07/01/2010		No holdings				
ONGC Videsh Limited	07/01/2010		No holdings				
Oil India Ltd	05/31/2011		No holdings				
Orca Gold Inc	09/20/2013		No holdings				
Pertamina Persero PT	03/20/2015		No holdings				
PETRONAS (Petroliam Nasional Bhd)	07/01/2010		No holdings				
Engen Botswana	03/31/2014		No holdings				
Gas District Cooling Putrajaya Sdn Bhd	07/01/2010		No holdings				
KLCCP Stapled Group	03/20/2015		No holdings				
Malaysia International Shipping Company	03/20/2015		No holdings				

Compliance with 2010 Legislative Session SB 134 - Sudan Divestiture
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Scrutinized Companies with Activities in Sudan							
Malaysia Marine & Heavy Engineering Holdings Bhd	03/31/2014		No holdings				
PETRONAS Capital Limited	07/01/2010		No holdings				
PETRONAS Chemicals Bhd	05/31/2011		No holdings				
PETRONAS Dagangan Bhd	07/01/2010		No holdings				
PETRONAS Gas Berhad	07/01/2010		No holdings				
Putrajaya Holdings Snd Bhd	12/31/2011		No holdings				
Scomi Group Bhd	07/01/2010		No holdings				
KMCOB Capital Bhd	07/01/2010		No holdings				
Scomi Energy Service Bhd	03/31/2014		No holdings				
Scomi Engineering Bhd	07/01/2010		No holdings				
Shanghai Electric Group Ltd.	09/18/2015		No holdings				
Shanghai Electric Group Corp.	09/18/2015		No holdings				
Shanghai Mechanical & Electrical Industry Co. Ltd	09/18/2015		No holdings				
Trafigura Beheer	05/31/2011		No holdings				

* Recently added to list

DFA Note: Positions were not looked at since we are holders of the company indirectly

None Brandes
None Sanders