JAN 17 2017

SOUTH DAKOTA INVESTMENT COUNCIL

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

January 13, 2017

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 August 29, 2016 meeting.

Actions taken under the policy and the resulting outcomes follow with supporting documents attached. As of July 1, 2016, one company was held on the Sudan company list. A letter was emailed to Volkswagen AG, the majority owner of MAN SE, on July 6, 2016 and an email response was received on September 1, 2016. Further clarification was requested on September 8, 2016 and a follow-up email was received on October 6, 2016. The letter and email exchange is attached in which Andreas Buchta, General Manager of Investor Relations in the Americas states "...to the extent legally feasible for all concerned group companies – that related transactions and business relations (including our business partners) are checked according to national, EU and US export control regulations and are compliant with these legislations."

Investment staff views MAN Group's Sudan involvement to be minimal. 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

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: 12/9/14

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

Otten, Tammy

From: Buchta, Andreas <Andreas.Buchta@vw.com>
Sent: Thursday, October 06, 2016 3:43 PM
To: Otten, Tammy
Subject: FW: AW: Request regarding Sudan business activities of MAN SE

Hi Tammy,

Volkswagen AG sells civil vehicles and related spare parts and components to our Sudanese importer (third party). 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 (including our business partners) are checked according to national, EU and US export control regulations and are compliant with these legislations.

Andreas Buchta
General Manager, Investor Relations Americas
Volkswagen Group of America, Inc.
2200 Ferdinand Porsche Drive
Herndon, VA 20171 USA
O: +1-703-364-7220
C: +1-571-446-7551
F: +1-703-364-7071
Andreas.Buchta@vw.com
media.vw.com | @VWnews | LinkedIn

From: Otten, Tammy [mailto:Tammy.Otten@state.sd.us]
Sent: Thursday, September 08, 2016 9:44 AM
To: Buchta, Andreas <Andreas.Buchta@vw.com>
Subject: RE: Request regarding Sudan business activities of MAN SE

Andreas,
Thank you for your response to the attached correspondence. The question asked was "...a written explanation of the business activities in Sudan and any efforts to assure the activities play a helpful roll." Please provide information that lists any Sudan business activities and confirms that these activities are helpful and provide humanitarian conditions in Sudan.

Thank you for your time to enable us to complete our legal requirements.

Tammy V. Otten, CPA, CFA
Assistant Investment Officer
South Dakota Investment Council
4009 W. 49th Street, Suite 300
Sioux Falls, SD 57106

605-362-2825
Tammy.otten@state.sd.us

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From: Buchta, Andreas [mailto:Andreas.Buchta@vw.com]
Sent: Thursday, September 01, 2016 9:54 AM
To: Otten, Tammy
Subject: FW: Request regarding Sudan business activities of MAN SE

Hi Tammy,

To my knowledge, I can state that 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.

Best,

Andreas Buchta
General Manager, Investor Relations Americas
Volkswagen Group of America, Inc.
2200 Ferdinand Porsche Drive
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Von: Otten, Tammy [mailto:Tammy.Otten@state.sd.us]
Gesendet: 06 July 2016 16:47
An: VWAG R: WOB, Investor Relations; Buchta, Andreas (VW-USA 0)
Betreff: Request regarding Sudan business activities of MAN SE

Please see attachment from Matthew L. Clark, South Dakota State Investment Officer.

Tammy V. Otten, CPA, CFA
Assistant Investment Officer
South Dakota Investment Council