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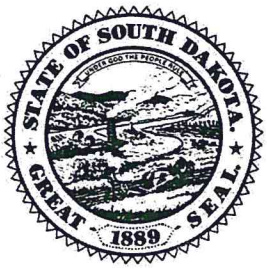


# SOUTH DAKOTA INVESTMENT COUNCIL

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

January 10, 2018

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 memorandums to the Investment Council dated January 19, 2017, April 2, 2017 and August 4, 2017 are attached. These memorandums included staff recommendations to update the scrutinized companies list that were approved by the Council. The Council approved the current list (attached) at their August 28, 2017 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 A list of all investments sold, redeemed, divested, or withdrawn in compliance with §4-5-53 (Divestiture of securities in companies with scrutinized business operations);
   *No direct holdings were sold, redeemed, divested or withdrawn as a result of the Iran divestiture law.*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 October 22, 2017. 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, then 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

# SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300
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Phone: (605) 362-2820


## 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: January 19, 2017

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 Colorado list was last updated on January 15, 2016 and the Florida list on December 6, 2016. The updated Florida list adds three new companies to the list that are subsidiaries of companies currently on the South Dakota list. These are China Natural Gas Corp (CNPC sub), Petronas Global Sukuk (Petronas sub), and Sinopec Group Overseas Development 2016 Ltd (Sinopec sub).

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 ware Sinopec, CNOOC Ltd. and China Oilfield Services. These companies remain on the December 6, 2016 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 less than 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 continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the Iran scrutinized companies list. The US Government has lifted some but not all sanctions regarding companies engaging in transactions with Iran.

**STAFF RECOMMENDATION:** *Staff recommends the inclusion of China Natural Gas Corp (CNPC sub), Petronas Global Sukuk (Petronas sub), and Sinopec Group Overseas Development 2016 Ltd (Sinopec sub) to the Council's Iran Scrutinized Companies List at the February 2, 2017 Council meeting.*

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# 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: April 3, 2017

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.

Colorado updated their list on March 6, 2017 and Florida updated their list on March 14, 2017. Colorado removed three companies: Aban Offshore Ltd., Chennai Petroleum Corp., and Dragon Oil PLC. These companies do not appear on the Florida list. The Florida list added one company that is a subsidiary of China National Petroleum Corp., currently on the South Dakota list. This company is CNPC General Capital Ltd.

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 ware Sinopec, CNOOC Ltd. and China Oilfield Services. These companies remain on the March 14, 2017 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 less than 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 continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the Iran scrutinized companies list.

**STAFF RECOMMENDATION:** *Staff recommends the removal of Aban Offshore Ltd., Chennai Petroleum Corp., and Dragon Oil PLC from the Council's Iran Scrutinized Companies List and the addition of CNP General Capital Ltd. (sub of CNPC) to the list at the April 20, 2017 Council meeting.*

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Phone: (605) 362-2820


## 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, 2017

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.

Colorado updated their list on March 6, 2017 and Florida updated their list on June 14, 2017. The Florida list added two companies. One is CNPC Capital Company Ltd, a subsidiary of China National Petroleum Corp., currently on the South Dakota list. The other company is Offshore Oil Engineering Co, a subsidiary of CNOOC Ltd. also on the current South Dakota 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 ware Sinopec, CNOOC Ltd. and China Oilfield Services. These companies remain on the June 14, 2017 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 has about 0.5% of total assets invested in a pooled fund managed by Dimensional Fund Advisors (DFA) which at times has held companies on the list. DFA has been informed of the law and their response is on file. SDRS is less than 1% of the DFA pooled fund.

Staff continues to monitor changes to the Federal sanctions law, or its application, to determine the effect on the Iran scrutinized companies list.

**STAFF RECOMMENDATION:** *Staff recommends the inclusion of CNPC Capital Company Ltd and Offshore Oil Engineering Co to the Council's Iran Scrutinized Companies List at the August 28, 2017 Council meeting.*

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**Iran Scrutinized Companies List Comparison**

| South Dakota Investment Council List (effective 08/28/17; with changes denoted by ^^) | | Colorado List 03/06/17 (changes denoted by ##) | Florida List 06/14/17 (changes denoted by **) | |
|---|---|---|---|---|
| China BlueChemical Ltd | | | China BlueChemical Ltd | |
| China National Petroleum Corporation (CNPC) | | China National Petroleum Corporation (CNPC) | China National Petroleum Corporation (CNPC) | |
| China Natural Gas Corp (CNPC sub) | | | | |
| CNPC Capital Company Ltd | added ^^ | | CNPC Capital Company Ltd | added ** |
| CNPC General Capital Ltd | | | CNPC General Capital Ltd | |
| CNPC HK Overseas Capital Ltd | | CNPC HK Overseas Capital Ltd | CNPC HK Overseas Capital Ltd | |
| Kunlun Energy Company Ltd (CNPC Hong Kong Ltd) | | Kunlun Energy Company Ltd (CNPC Hong Kong Ltd) | Kunlun Energy Company Ltd (CNPC Hong Kong Ltd) | |
| PetroChina Co Ltd | | PetroChina Co Ltd | PetroChina Co Ltd | |
| China Petroleum & Chemical Corp (CPCC) Sinopec | | | China Petroleum & Chemical Corp (CPCC) Sinopec | |
| China Oilfield Services Ltd | | | China Oilfield Services Ltd | |
| CNOOC Ltd (China National Offshore Oil Corp) | | | CNOOC Ltd (China National Offshore Oil Corp) | |
| CNOOC Finance Limited | | | CNOOC Finance Limited | |
| Offshore Oil Engineering Co (CNOOC Ltd) | added ^^ | | Offshore Oil Engineering Co (CNOOC Ltd) | added ** |
| | | | 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 | |
| | | | Indian Oil Corp Ltd (IOCL) | |
| KLCC Property Holdings Bhd | | KLCC Property Holdings Bhd | KLCC Property Holdings Bhd | |
| | | | Malaysia Marine & Heavy Engineering Holdings Bhd | |
| | | | Mangalore Refinery & Petrochemicals Ltd | |
| Midciti Resources Sdn Bhd | | Midciti Resources Sdn Bhd | | |
| MISC Berhad | | MISC Berhad | MISC Berhad | |
| MISC Capital Ltd | | MISC Capital Ltd | | |
| | | | Mosenergo | |
| MTN Group Ltd | | MTN Group Ltd | | |
| | | | Oil & Natural Gas Corp (ONGC) | |
| | | | ONGC Videsh Limited | |
| 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 | |
| Petronas Global Sukuk (Petronas sub) | | | Petronas Global Sukuk (Petronas sub) | |
| | | | 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 Group Overseas Development 2016 Ltd | | | Sinopec Group Overseas Development 2016 Ltd | |
| Sinopec Kantons Holdings Ltd | | | Sinopec Kantons Holdings Ltd | |
| | | | Sinopec Oilfield Equipment Corporation (fka Kingdream PLC) | |
| Sinopec Oilfield Service Corp (fka Sinopec Yizheng Chemical Fibre) | | | Sinopec Oilfield Service Corp (fka Sinopec Yizheng Chemical Fibre) | |
| Sinopec Shanghai Petrochemical | | | Sinopec Shanghai Petrochemical | |