JUL 22 2019

SOUTH DAKOTA INVESTMENT COUNCIL

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July 18, 2019

Executive Board
c/o Jason Hancock, Director
Legislative Research Council
500 E. Capitol Ave.
Pierre, SD 57501

SDCL 3-12C-223 requires the South Dakota 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 House Concurrent Resolution No. 1012 directed the State Investment Council to activate a Social Activism Policy regarding Sudan. The enclosed policy was adopted by the Council on April 10, 2010 and was most recently reviewed at the August 27, 2018 meeting. The Investment Council will review the policy at the August 26, 2019 council meeting.

The source for the South Dakota Sudan scrutinized companies list is compiled by the Florida State Board of Administration, the organization responsible for the investment management of Florida's financial assets. Florida recently reported that there was a change in the government of Sudan in April of 2019 that could alter Florida's Sudan divestment activities. This could impact the availability of the Florida scrutinized companies list in the future.

The current Sudan divestiture list for South Dakota is enclosed. There are currently no companies directly held by the South Dakota Retirement System that appear on the list therefore no engagement action has been required. The Council will continue to monitor Federal government changes regarding Sudan.

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: 8/27/18

Sudan Scrutinized Companies List

Florida State Board of Administration - 07/12/19
(additions denoted by **)

** AviChina Industry & Technology (AviChina)
** AVIC International
** China Avionics Systems
** FACC AG

China National Petroleum Corp (CNPC)
- Bank of Kunlun Co
- China Petroleum Engineering Corp
- CNPC Capital Co Ltd
- CNPC General Capital Ltd
- CNPC HK Overseas Capital Ltd
- Daqing Huake Group Co Ltd
- Kunlun Energy Co Ltd
- Kunlun Financial Leasing Co Ltd
- PetroChina Co Ltd

China Petroleum & Chemical Corp (CPCC Sinopec)
- Sinopec Capital 2013 Ltd
- Sinopec Engineering Group Co Ltd
- Sinopec Group Overseas Development 2012-2016
- Sinopec Kantons Holdings Ltd
- Sinopec Oilfield Equipment
- Sinopec Oilfield Service Corp
- Sinopec Shanghai Petrochemical

Egypt Kuwait Holding Co SAE
Energy House Holding Co (Energy House)
** Al-Enmaa Real Estate Co
Harbin Electric Co Ltd
Indian Oil Corp Ltd (IOCL)
- Chennai Petroleum Corp Ltd
- Lanka IOC Ltd

Jiangxi Hongdu Aviation
Kuwait Finance House

Managem SA
- Societe Metallurgique D'imiter
- Societe Nationale d'Investissement

Oil & Natural Gas Corp Ltd (ONGC)
- Hindustan Petroleum Corp Ltd
- Mangalore Refinery & Petrochemicals
- ONGC Mangalore Petrochemicals Ltd
- ONGC Videsh Ltd

Oil India Ltd
Orca Gold Inc

Petroliam Nasional (Petronas)
- Engen Botswana
- Gas District Cooling Putrajaya Sdn Bhd
- KLCC Property Holdings Bhd
- Malaysia Marine & Heavy Engineering Holdings Bhd
- MISC Berhad
- Petronas Capital Ltd
- Petronas Chemicals Bhd
- Petronas Dagangan Bhd
- Petronas Gas Berhad
- Petronas Global Sukuk
- Putrajaya Management Snd Bhd

Removed effective 07/12/19:
none