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  

Petromiam 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