



SOUTH DAKOTA INVESTMENT COUNCIL

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MEMORANDUM

TO: South Dakota Investment Council

FROM: Tammy V. Otten, CPA CFA *TVO*
Assistant Investment Officer Fixed Income/Derivative

Matthew L. Clark, CFA *MLC*
State Investment Officer

DATE: March 29, 2018

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's recently updated the list on January 19, 2018 and Florida on March 7, 2018.

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 are Sinopec, CNOOC Ltd. and China Oilfield Services Ltd. These companies remain on the March 7, 2018 Florida list and therefore will continue to be included on the South Dakota list.

Florida added to their list three Sinopec subsidiaries: Sinopec Group Overseas Development 2012 Ltd, Sinopec Group Overseas Development 2014 Ltd and Sinopec Oilfield Equipment Corp. and three China National Petroleum Corporation (CNPC) subsidiaries: Bank of Kunlun Co Ltd, China Petroleum Engineering Corp and Kunlun Financial Leasing Co Ltd.

Gazprom OAO and Gazprom Neft were removed from the Colorado lists but remain on the Florida list. Removal of these companies from the South Dakota list is not recommended at this time pending further evaluation of the reasons for removal of the companies by Colorado and the continued inclusion by Florida.

The law allows SDRS to invest indirectly in companies on the list through pooled funds. SDRS has about 0.5% of total fund 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 South Dakota Iran scrutinized companies list.

STAFF RECOMMENDATION: *Staff recommends adding the three Sinopec subsidiaries and the three China National Petroleum Corp subsidiaries to the South Dakota Iran scrutinized companies list at the April 19, 2018 Council meeting.*

Iran Scrutinized Companies List Comparison

<u>South Dakota Investment Council List</u> (effective 04/19/18; with changes denoted by ^)	<u>Colorado List 01/19/18</u> (changes denoted by ##)	<u>Florida List 03/07/18</u> (changes denoted by **)
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		CNPC Capital Company Ltd
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
Bank of Kunlun Co Ltd	added ^	Bank of Kunlun Co Ltd
China Petroleum Engineering Corp	added ^	China Petroleum Engineering Corp
Kunlun Financial Leasing Co Ltd	added ^	Kunlun Financial Leasing Co Ltd
China National Offshore Oil Corp Ltd (CNOOC)		China National Offshore Oil Corp Ltd (CNOOC)
China BlueChemical Ltd		China BlueChemical Ltd
China Oilfield Services Ltd		China Oilfield Services Ltd (COSL)
CNOOC Curtis Funding No.1 Pty Ltd		CNOOC Curtis Funding No.1 Pty Ltd
CNOOC Finance Limited		CNOOC Finance Limited
CNOOC Nexen Finance		CNOOC Nexen Finance
Offshore Oil Engineering Co (CNOOC Ltd)		Offshore Oil Engineering Co (CNOOC Ltd)
		COSL Finance (BVI) Limited
China Petroleum & Chemical Corp (CPCC) Sinopec		China Petroleum & Chemical Corp (CPCC) Sinopec
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 Service Corp (fka Sinopec Yizheng Chemical Fibre)		Sinopec Oilfield Service Corp (fka Sinopec Yizheng Chemical Fibre)
Sinopec Shanghai Petrochemical		Sinopec Shanghai Petrochemical
Sinopec Group Overseas Development 2012 Ltd	added ^	Sinopec Group Overseas Development 2012 Ltd
Sinopec Group Overseas Development 2014 Ltd	added ^	Sinopec Group Overseas Development 2014 Ltd
Sinopec Oilfield Equipment Corporation (fka Kingdre added ^)		Sinopec Oilfield Equipment Corporation (fka Kingdream PLC)
Daelim Industrial Co., Ltd.	Daelim Industrial Co., Ltd.	Daelim Industrial Co., Ltd.
Gazprom OAO		Gazprom OAO
Gazprom Neft		Gazprom Neft
		Indian Oil Corp Ltd (IOCL)
		Mosenergo
MTN Group Ltd	MTN Group Ltd	
		Oil & Natural Gas Corp (ONGC)
		Mangalore Refinery & Petrochemicals Ltd
		ONGC Mangalore Petrochemicals Ltd
		ONGC Videsh Limited
Petroliam Nasional (Petronas)	Petroliam Nasional (Petronas)	Petroliam Nasional (Petronas)
Gas District Cooling (Putrajaya) Sdn Bhd	Gas District Cooling (Putrajaya) Sdn Bhd	Gas District Cooling (Putrajaya) Sdn Bhd
KLCC Property Holdings Bhd	KLCC Property Holdings Bhd	KLCC Property Holdings Bhd
Midciti Resources Sdn Bhd	Midciti Resources Sdn Bhd	
MISC Berhad	MISC Berhad	MISC Berhad
MISC Capital Ltd	MISC Capital Ltd	
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)
		Engen Botswana
		Malaysia Marine & Heavy Engineering Holdings Bhd
		Putrajaya Management Sdn Bhd