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MEMORANDUM (via e-mail)

TO: South Dakota Investment Council

FROM: Matthew L. Clark, CFA
State Investment Officer

Samantha Rains, CPA
Chief Financial Officer

DATE: January 14, 2025

RE: South Dakota Iran Scrutinized Companies List

Members of the Investment Council:

In 2010, the South Dakota Legislature enacted SDCL 4-5-48 through 4-5-60, which provides for the divestiture of state investment funds in certain companies liable to sanctions under the Iran Sanctions Act of 1996. SDCL 4-5-48 through 4-5-60 requires the South Dakota Investment Council (SDIC) to identify and compile a list of scrutinized companies engaged in scrutinized business operations and provides a process, if certain conditions are met, to divest from such companies.¹

The South Dakota Iran Scrutinized Companies List is set forth on page 3.² SDCL 4-5-51 requires the SDIC to “update the scrutinized companies list each quarter based on continuing information.” To satisfy this requirement, the SDIC utilizes the public list provided by the State Board of Administration of Florida (“SBA”) to determine South Dakota’s list.

On December 17, 2024, the SBA’s Iran Scrutinized Companies List was updated with one addition, Offshore Oil Engineering Co. (which the SDIC does not hold), and one removal, Vinci SA (which the SDIC does hold).

¹ SDCL 4-5-48(8) defines the term, scrutinized business operations, as “all active business operations that are subject or liable to sanctions under Public Law 104-172, as amended, the Iran Sanctions Act of 1996, and that involve the maintenance of a company’s existing assets or investments in Iran, or the deployment of new investments to Iran that meet or exceed the twenty million dollar threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. The term does not include the retail sale of gasoline and related products[.]”

² For disclosure purposes, SDCL 4-5-57 allows the SDRS to invest indirectly in companies on the list through pooled funds; however, as of this date, SDRS does not currently have any externally managed pooled funds that would be invested in any company on the list.

In relation to Vinci SA, the SDIC would note that it sent written notice to Vinci SA per SDCL 4-5-52 on November 19, 2024; and to date, no response has been received. Although Vinci SA did not respond to the SDIC's written notice, Vinci SA did provide a comprehensive response to the SBA and demonstrated that it did not have operations in Iran in violation of Florida statutes. Accordingly, the SBA removed Vinci SA from their list. Since the SDIC utilizes the public list provided by the SBA, SDIC staff recommends adding Offshore Oil Engineering Co. and removing Vinci SA from the SDIC's Iran Scrutinized Companies List.

On December 16, 2024, Japan Post Bank Co., Ltd., which is currently on the SDIC's Iran Scrutinized Companies List (which the SDIC does not hold), provided the SDIC with communications from the SBA indicating that the SBA intends to remove the company from its list in March 2025. Based on the information provided to the SDIC, and the fact that the SDIC does not currently have any holdings of Japan Post Bank Co., Ltd., SDIC staff supports removing Japan Post Bank Co., Ltd, from the SDIC's Iran Scrutinized Companies List.

Recommendation: SDIC staff recommends adding Offshore Oil Engineering Co., and removing Vinci SA and Japan Post Bank Co., Ltd., from the SDIC's Iran Scrutinized Companies List.

The SDIC will continue to monitor changes to the Federal sanctions law or its application to determine the effect on the South Dakota Iran Scrutinized Companies List.

South Dakota Investment Council - 01/28/2025

South Dakota Iran Scrutinized Companies List

Effective January 28, 2025

(additions denoted by *)

China National Petroleum Corporation (CNPC)

Bank of Kunlun Co Ltd

China Petroleum Engineering Corp

CNPC Capital Company Ltd

CNPC Finance HK Ltd

CNPC General Capital Ltd

CNPC Global Capital Ltd

CNPC HK Overseas Capital Ltd

Kunlun Energy Company Ltd

PetroChina

China National Offshore Oil Corp Ltd (CNOOC Ltd)

China BlueChemical Ltd

China Oilfield Services Ltd (COSL)

CNOOC Energy Technology & Services Ltd

CNOOC Finance Limited

CNOOC Finance (fka CNOOC Nexen Finance)

COSL Finance (BVI) Limited

COSL Singapore Capital Ltd

* Offshore Oil Engineering Co

China Petrochemical Corporation (Sinopec Group)

China Petroleum & Chemical Corp (CPCC) Sinopec

Sinopec Capital 2013 Ltd

Sinopec Century Bright Capital Investment Ltd

Sinopec Engineering Group Co Ltd

Sinopec Group Overseas Development 2013-2018

Sinopec Kantons Holdings Ltd

Sinopec Oilfield Equipment Corp

Sinopec Oilfield Service Corp

Sinopec Shanghai Petrochemical

Gazprom

Gazprom Neft

Gazprom Promgaz

GPN Capital SA

Moscow Integrated Power Co PJSC

OGK-2 PJSC

Territorial Generating Company No 1

Indian Oil Corp Ltd (IOCL)

IndOil Global BV

Mosenergo

Oil & Natural Gas Corp (ONGC)

Hindustan Petroleum Corp Ltd

Mangalore Refinery & Petrochemicals Ltd

ONGC Videsh Limited (OVL)

China Railway Group Limited

Engineers India Limited

Norinco International Cooperation Ltd

Power Construction Corporation of China Ltd

Sberbank Russia PJSC

Removed effective 01/28/2025:

Vinci SA

Japan Post Bank Co Ltd