



SOUTH DAKOTA INVESTMENT COUNCIL

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

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: January 24, 2020

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 a public list provided by Florida to determine the South Dakota list of Iran scrutinized companies.

The December 3, 2019 updated Florida list added two companies under Sinopec group to their list: China Petrochemical Corporation (Sinopec Group) and Sinopec Century Bright Capital Investment Ltd. The updated Florida list did not remove a company.

Upon further review of SDCL 4-5-52, Council staff sent written notice information to all the companies on the scrutinized companies list informing the company of its scrutinized status by the South Dakota Investment Council. A sample letter is attached.

SDCL 4-5-57 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 updating the South Dakota Iran scrutinized companies list by adding the two companies listed above during the February 6, 2020 Council conference call.*

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Iran Scrutinized Companies List

South Dakota Investment Council - 02/06/2020

(additions denoted by ^)

China National Petroleum Corporation (CNPC)
 Bank of Kunlun Co Ltd
 China Petroleum Engineering Corp
 CNPC Capital Company Ltd
 CNPC General Capital Ltd
 CNPC HK Overseas Capital Ltd
 Kunlun Energy Company Ltd
 Kunlun Financial Leasing Co Ltd
 PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
 China BlueChemical Ltd
 China Oilfield Services Ltd (COSL)
 CNOOC Curtis Funding No.1 Pty Ltd
 CNOOC Finance Limited
 CNOOC Nexen Finance
 COSL Finance (BVI) Limited
 COSL Singapore Capital Ltd

^ 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 2012-2017
 Sinopec Kantons Holdings Ltd
 Sinopec Oilfield Equipment Corp
 Sinopec Oilfield Service Corp
 Sinopec Shanghai Petrochemical

Gazprom
 Gazprom Neft
 Gazprom Promgaz
 GPN Capital SA
 Territorial Generating Company No 1
 Indian Oil Corp Ltd (IOCL)
 Mosenergo

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

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 Limited
 Petronas Chemicals Bhd
 Petronas Dagangan Bhd
 Petronas Gas Berhad
 Petronas Global Sukuk
 Putrajaya Management Sdn Bhd

Removed effective 02/06/2020:

none

Florida State Board of Administration - 12/03/2019

*(additions denoted by *)*

China National Petroleum Corporation (CNPC)
 Bank of Kunlun Co Ltd
 China Petroleum Engineering Corp
 CNPC Capital Company Ltd
 CNPC General Capital Ltd
 CNPC HK Overseas Capital Ltd
 Kunlun Energy Company Ltd
 Kunlun Financial Leasing Co Ltd
 PetroChina

China National Offshore Oil Corp Ltd (CNOOC)
 China BlueChemical Ltd
 China Oilfield Services Ltd (COSL)
 CNOOC Curtis Funding No.1 Pty Ltd
 CNOOC Finance Limited
 CNOOC Nexen Finance
 COSL Finance (BVI) Limited
 COSL Singapore Capital Ltd

* 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 2012-2017
 Sinopec Kantons Holdings Ltd
 Sinopec Oilfield Equipment Corp
 Sinopec Oilfield Service Corp
 Sinopec Shanghai Petrochemical

Gazprom
 Gazprom Neft
 Gazprom Promgaz
 GPN Capital SA
 Territorial Generating Company No 1
 Indian Oil Corp Ltd (IOCL)
 Mosenergo

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

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 Limited
 Petronas Chemicals Bhd
 Petronas Dagangan Bhd
 Petronas Gas Berhad
 Petronas Global Sukuk
 Putrajaya Management Sdn Bhd

Removed effective 12/03/2019:

none



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January 16, 2020

China National Petroleum Corporation
9 Dongzhimen North Street
Dongcheng District
Beijing, P.R. China 100007

admin@petrochinacorporation.com

Dear Sir:

The South Dakota Investment Council is required by South Dakota law to communicate with your company concerning your operations in Iran. The Investment Council is responsible for the investment of retirement funds, trust funds and cash accounts of the State of South Dakota.

According to publicly available information, your company has been identified as a "scrutinized company" with business operations in Iran. As a result, South Dakota law requires the South Dakota Investment Council to send this notice informing that China National Petroleum Corporation and its subsidiaries are subject to divestment.

We request that you clarify your scrutinized business activities in Iran. If you are unable to clarify that your business activities do not constitute "scrutinized business activities in Iran," we encourage you to cease or convert any such activities to inactive status. If you publicly announce your commitment to take "substantial action specific to Iran" within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that investment restrictions of South Dakota law do not apply if your company affirms it is primarily engaged in, 1) supplying goods or services to relieve human suffering; 2) promoting health, education, or journalistic, religious, or welfare activities; or 3) a US company that is authorized by the federal government to have active business operations in Iran.

Please respond in writing within 90 days of receipt of this communication. If you have any questions, please contact Tammy V. Otten at 605-362-2825 or Tammy.Otten@state.sd.us.

Sincerely,

Matthew L. Clark
State Investment Officer