

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Lori Swanson

Executive Director:

Howard J. Bicker

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An Equal Opportunity
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DATE: January 31, 2012

TO: Senator Mike Parry, Chair, Senate Committee on
State Government Innovation and Veterans
Senator Charles W. Wiger, Senate Committee on State
Government Innovation and Veterans

Senator Claire Robling
Chair, Senate Committee on Finance

Representative Joyce Peppin, Chair, House Committee on
Government Operations and Elections
Representative Michael V. Nelson, House Committee on
Government Operations and Elections

Representative Mary Liz Holberg, Chair, House Committee
on Ways and Means
Representative Lyndon Carlson, Sr., House Committee
on Way and Means

Representative Morrie Lanning, Chair, House Committee
on State Government Finance
Representative Phyllis Kahn, House Committee on State
Government Finance

FROM: Howard Bicker, Executive Director 

SUBJECT: Report on Iran Required by *Minnesota Statutes*, Section 11A.244.

Minnesota Statutes, section 11A.244, requires the State Board of Investment (SBI) to submit a report to the chairs of the legislative committees and divisions with jurisdiction over the SBI concerning the SBI's identification of, communication with and discontinuance of investment in certain companies with operations in Iran.

Section 11A.244, subdivision 9 specifies that the SBI include in the report:

1. A list of scrutinized companies
2. Summary of correspondence with companies
3. A list of investments divested
4. A list of prohibited investments
5. A description of any progress in having investment management firms create investment funds that exclude Iran companies

As provided for in Section 11A.244, subdivision 2, the SBI purchases Iran research services from IW Financial, through Glass Lewis, regarding companies with business operations in Iran. The SBI retained Glass Lewis/IW Financial in the fourth quarter of 2011 after having used ISS for a couple years.

Attachment 1 is the list of scrutinized companies. Please note that the list is much different because it comes from the new provider who has a different research methodology.

Attachment 2 displays copies of letters received in 2011 from companies to which the SBI sent correspondence. The SBI sent letters to two companies in April 2011, one of which was removed from the restricted list later in the year. The SBI sent letters to two companies in August 2011, both of which were removed from the restricted list later in the year. The SBI sent letters to seven companies in December 2011. One company replied in early January 2012. A copy of the response is included in this report.

The law calls for divestment of securities of companies which do not publicly announce substantial action specific to Iran within 90 days of the SBI correspondence. The SBI divested approximately 1.66 million shares of stock of six companies in 2011. However, three of the companies were removed from the restricted list later in the year.

Attachment 3 is the list of restricted companies sent to SBI equity and bond managers. The managers are explicitly instructed to refrain from purchasing securities of companies on this list.

Enclosures

ATTACHMENT 1
RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO

COMPANY_NAME	COUNTRY
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	South Korea
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
KBR Inc	United States
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Tecnicas Reunidas	Spain
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: December 13, 2011

Char Olson

From: 이승례 [srlee@gsconst.co.kr]
Sent: Wednesday, June 22, 2011 9:12 PM
To: Minn.Sbi@state.mn.us
Cc: Jae-Sung Lee
Subject: [GS E&C] Response to your inquiry

Hello.

This is GS E&C IR Team.

GS E&C confirm that projects in Iran were completed by the end of 2009 and we shut down Iran site office after the completion of Iran projects.

74 billion KRW is remaining backlogs for Iran projects. But the maintenance work has been suspended after Iran sanction.

I enclosed the message that we have sent on the cancellation of the Iran South Pars project (July 1, 2010) to comply with the US sanction as below.

Hello.

This is GS E&C IR Team.

*GS E&C announced the cancellation of Iran SP 6-8 Gas Sweetening Project on 1**st** July, 2010.*

Although SP 6-8 project would contribute to increase sales by 1,416 billion KRW for 42 months,

GS E&C gave up the opportunity to minimize risk from the sanction. Order backlogs in Iran are

74 billion KRW, only 0.25% out of 29,149 billion KRW total order backlogs. GS E&C has no more

plans to launch new projects in Iran.

Thank you. Your sincerely.

Jim Heidelberg

From: Char Olson [Minn.Sbi@state.mn.us]
Sent: Monday, September 26, 2011 8:50 AM
To: Jim Heidelberg
Subject: FW: Malaysia Marine and Heavy Engineering Holdings Berhad - no business transactions/contracts in Iran
Attachments: mhb 201108 quarterly IR updates.pdf; mhb 201105 4QFY11 FINAL ---- pdf upload v.pdf

From: Chang Kong Meng (MMHE) [<mailto:chang.km@mmhe.com.my>]
Sent: Monday, September 26, 2011 6:17 AM
To: minn.sbi@state.mn.us
Subject: Malaysia Marine and Heavy Engineering Holdings Berhad - no business transactions/contracts in Iran

Dear Howard Bicker,

With reference to your letter dated 9 August 2011, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") would like to clarify and state that we have no business dealings or contracts in Iran.

MHB is 66.5% owned by MISC. MHB's operations are based in Malaysia (with our Yard in Pasir Gudang) and in Turkmenistan (where we manage and operate a Yard in Kiyarly).

Our projects are for clients in Malaysia and Turkmenistan. Attached are the previous 2 Quarterly IR Updates which we have issued and posted on our website (www.mhb.com.my) since MHB was listed in October 2010. Below are projects we have been working on:

Clients	Projects	To Be Installed In
Petronas Carigali Turkmenistan	Turkmenistan Block 1, Phase 1	Turkmenistan
MISC in Malaysia	Gumusut-Kakap FPS	Malaysian offshore
Petronas Carigali Malaysia	Kinabalu Gas Processing Topside	Malaysian offshore
Petronas Carigali Malaysia	Tangga Barat Topside+Jacket	Malaysian offshore (completed)
Sofec Inc	BP Angola External Turret	For FPSO PSVM, Angola offshore (completed)
MISC in Malaysia	FPSO Cendor	Malaysian offshore
MISC in Malaysia	FSU Lekas	Malaysian offshore

Please do email me if you do require further information.

Thank you and best regards,

Chang Kong Meng

Investor Relations & Business Research | Malaysia Marine and Heavy Engineering Holdings Berhad

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email : chang.km@mmhe.com.my | website : www.mmhe.com.my

This message has been scanned for malware by Websense. www.websense.com



James E. Heidelberg
Minnesota State Board of Investment
60 Empire Drive
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Saint Paul, MN 55103-1888
United States of America

Royal Dutch Shell plc
PO Box 162
2501 AN The Hague
The Netherlands
Tel +31(0)70377 4540
Fax +31(0)70377 3115
Internet <http://www.shell.com>

02 February 2011

Dear Sir,

We are writing to inform you about recent developments regarding Royal Dutch Shell (“Shell”) and its subsidiaries activities in Iran. This is in respect to the recently announced “Comprehensive Iran Sanctions Accountability and Divestments Act of 2010”.

Shell and its subsidiaries have taken significant action with regard to its previous activities in Iran and now have ceased all sanctionable activities as defined under the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA).

This has been recognized by the US Department of State as shown in the enclosed letter from the Deputy Secretary of State. A full transcript of the September 30th 2010 briefing on Iran Sanctions Act Implementation can be found at the following URL:

<http://www.state.gov/s/d/2010/148479.htm>

In addition to the recognition above, the California Department of Insurance has removed Shell from its list of barred Iran investments. This news release from the California Department of Insurance is also enclosed.

In summary, we believe this demonstrates that Shell is complying with the legislation and that our inclusion on various lists of “scrutinized companies” is not merited.



We trust the information provided in this letter is clear and helpful to you. Please do not hesitate to contact us at our US offices +1 713 241 1042 in case you have any further questions.

Yours sincerely,

On behalf of Royal Dutch Shell plc,

A handwritten signature in black ink, appearing to read "JJ Traynor", with a long horizontal flourish extending to the right.

Dr. JJ Traynor

Executive Vice President Investor Relations



601 Jefferson Street • Suite 3400
Houston, Texas 77002-7900
Direct: 713.753.4604 • Fax: 713.753.3310

Jeffrey B. King
Vice President Public Law

January 4, 2012

Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103

**RE: Minnesota State Board of Investment Letter of December 22, 2011 regarding
Scrutinized Business Activities in Iran**

Dear Mr. Bicker,

Mr. William P. Utt has asked me to respond to your letter of December 22, 2011, regarding KBR, Inc. ("KBR") operations in Iran. Specifically you have asked KBR, Inc. to clarify its scrutinized business activities in Iran (as defined in Minnesota Statutes, section 11A.244) and to cease these activities.

KBR became an independent company on April 5, 2007. At the time of KBR's separation from Halliburton, some of KBR's foreign subsidiaries had contracts involving Iran related to design and engineering services and to ammonia/urea plants. GVA, a KBR Swedish subsidiary, was involved in a contract to provide design and engineering services for a semi-submersible rig in Iran; and M.W. Kellogg Limited ("MWKL"), a U.K.-based joint venture in which KBR held a majority interest (KBR subsequently purchased the other interests), was involved in three contracts involving ammonia and urea technology licenses, related to engineering and procurement services. All of these contracts originated before the KBR separation. None of the technology involved was U.S.-origin and none of the individuals involved in the projects were U.S. persons.

After separation, KBR's foreign subsidiaries continued to perform their pre-existing contractual obligations independently of their U.S. parent companies. This primarily consisted of providing technical support and procurement support services in order to obtain payment for prior work on the projects. GVA activity under the contract was formally terminated in May 2009, and MWKL activities ended during the first quarter of 2010.

All such Halliburton legacy projects are now concluded and KBR's current corporate policy precludes pursuit of new projects in Iran. KBR does not hold any Iranian assets, nor has it made any investments that would support the development of petroleum resources or refining facilities

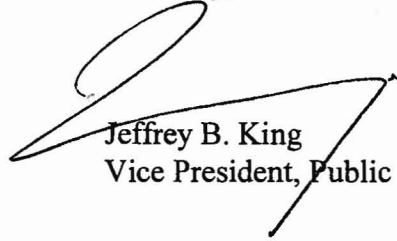
January 4, 2012

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in Iran. KBR has stringent internal controls to prevent its foreign subsidiaries from engaging in future work in Iran or with Iranian government entities, or the sale of products, services, or technology to Iran or to Iranian entities. KBR's commitment to this policy and its internal controls to implement this policy are a matter of public record.

KBR appreciates this opportunity to respond to your inquiry. Should you require any additional information or further clarification of the information provided above, please contact me at 713-753-4604 or by email at jeff.king@kbr.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey B. King', is written over the typed name and title.

Jeffrey B. King
Vice President, Public Law

ATTACHMENT 3
RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO

COMPANY_NAME	COUNTRY
Bharat Petroleum Corporation Ltd.	India
China Petroleum & Chemical Corp	China
Daelim Industrial	Korea South
Gail (India) Ltd.	India
Gazprom	Russia
GS Engineering & Construction Corp	Korea South
GS Holdings	South Korea
Gubre Fabrikalari T.A.S.	Turkey
Ina-Industrija Nafta DD	Croatia
Indian Oil Corporation Ltd.	India
KBR Inc	United States
L G International	Korea South
Liquefied Natural Gas Ltd	Australia
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Mitsui Engineering & Shipbuilding Co. Ltd.	Japan
MOL Magyar Olaj-es Gazipari Nyrt	Hungary
Nagarjuna Fertilizers & Chemicals Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
PetroChina Co. Ltd.	China
Petrofac	United Kingdom
Punj Lloyd Ltd.	India
Saipem Spa	Italy
Sasol Ltd	South Africa
Technip	France
Tecnicas Reunidas	Spain
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan

Effective Date: December 13, 2011