

MINNESOTA
STATE
BOARD OF
INVESTMENT



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Steve Simon

Attorney General
Lori Swanson

Executive Director &
Chief Investment
Officer:

Mansco Perry

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

An Equal Opportunity
Employer

DATE: January 30, 2018

TO: Minnesota Legislative Reference Library

FROM: Mansco Perry III, Executive Director

Handwritten initials in blue ink, appearing to be "MP3".

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 a:

1. List of scrutinized companies;
2. Summary of correspondence with companies;
3. List of investments divested;
4. List of prohibited investments;
5. 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 regarding companies with business operations in Iran from IW Financial/Institutional Shareholder Services, Inc. (ISS) through Glass Lewis.

Attachment 1 displays a list of restricted (i.e. scrutinized) Iran companies sent to SBI equity and bond managers. The managers are explicitly instructed to refrain from purchasing securities of companies on this list. There were four companies added to the restricted list in 2017.

Attachment 2 displays the current list of companies requiring divestment. Two companies were added to the divestment list. 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. For the 2017 calendar year, there was a total of 722,600 shares liquidated and a total of five companies in the divestment process.

Enclosures

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ATTACHMENT 1

RESTRICTED IRAN COMPANIES

Securities of Companies May not be Purchased for Portfolio

COMPANY NAME	COUNTRY
China Petroleum & Chemical Corp	China
PetroChina Co. Ltd.	China
Total S.A.	France
Linde AG	Germany
Bharat Petroleum Corporation Ltd.	India
Indian Oil Corporation Ltd.	India
Oil & Natural Gas Corporation Ltd.	India
Eni Spa	Italy
Maire Tecnimont S.p.A.	Italy
Mitsui & Co. Ltd	Japan
Toyo Engineering Corporation	Japan
Toyota Tsusho Corporation	Japan
Gazprom OAO	Russia
PJSC Lukoil	Russia
Daelim Industrial	South Korea
Daewoo Engineering & Construction	South Korea
GS Engineering & Construction Corp	South Korea
Hyundai Engineering & Construction	South Korea
Hyundai Motor	South Korea
L G International	South Korea
Gubre Fabrikalari T.A.S.	Turkey

Effective Date: December 31, 2017

ATTACHMENT 2

LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

Company Name	Country of Origin	Divest 50 Percent by this Date	Divest 100 Percent by this Date
Eni Spa	Italy	6/30/2017	12/31/2017
Daewoo Engineering & Construction	South Korea	12/31/2017	6/30/2018
Total S.A.	France	6/30/2018	12/31/2018

Effective Date: December 31, 2017

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



March 31, 2017

Mr. Yeong Sik Park
Chief Executive Officer
Daewoo Engineering & Construction
75 Saemunan-ro, Jongno-gu
Seoul 03182
South Korea

Dear Mr. Descalzi:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. Minnesota Statutes, section 11A.244, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

As a result of your company's having scrutinized business operations in Iran, the Minnesota law requires that your company may be subject to investment restriction or divestment by the MSBI. We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations. If you publicly announce your commitment to take either of these actions within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that the investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact Patricia Ammann at (651) 296-9343.

Sincerely,

A handwritten signature in blue ink that reads "LeaAnn M. Stagg".

LeaAnn M. Stagg
Assistant Executive Director and
Chief Operating Officer

Enclosure

Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Steve Simon

Attorney General
Lori Swanson

**Executive Director &
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11A.244 INVESTMENT IN IRAN.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) "Active business operations" means all business operations that are not inactive business operations.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Direct holdings" means all publicly traded debt and equity securities of a company that are held directly by the State Board of Investment or held in an account or fund in which the State Board of Investment owns all shares or interests.

(e) "Government of Iran" means the government of the Islamic Republic of Iran or its instrumentalities or political subdivisions and companies owned or controlled by the Islamic Republic of Iran.

(f) "Inactive business operations" means the continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such a purpose.

(g) "Indirect holdings" means all investments held in an account or fund, including a mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by one or more persons who are not employed by the State Board of Investment, in which the public funds own shares or interests together with other investors who are not subject to this section.

(h) "Scrutinized company" means any company engaging in scrutinized business operations.

(i) "Scrutinized business operations" means any and 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 \$20,000,000 threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. "Scrutinized business operations" does not include the retail sale of gasoline and related products.

(j) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

Subd. 2. **Identification of scrutinized companies.** (a) Within 90 days following August 1, 2009, the State Board of Investment shall make its best efforts to identify all scrutinized companies in which it has direct holdings. These efforts shall include, as appropriate:

(1) reviewing and relying, as appropriate, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;

(2) contacting asset managers contracting with the State Board of Investment who invest in companies with business operations in Iran; and

(3) contacting other institutional investors that have divested from or engaged with companies with business operations in Iran.

(b) At the first meeting of the State Board of Investment after it has completed the requirements of paragraph (a), the State Board of Investment shall assemble a list of scrutinized companies in which it has direct holdings.

(c) The State Board of Investment shall update the scrutinized companies list each quarter based on continuing information, including but not limited to information from sources identified in paragraph (a).

Subd. 3. Engagement of scrutinized companies. The State Board of Investment shall use the following procedures with respect to companies on the scrutinized companies list:

(1) for each company newly identified in subdivision 2 with scrutinized business operations, the State Board of Investment shall, within 90 days following its assembly of the scrutinized companies list, send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the State Board of Investment. The notice shall offer the company the opportunity to clarify its scrutinized business operations and shall encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations, or to convert them to inactive business operations in order to avoid divestment by the State Board of Investment; and

(2) if, within 90 days following the State Board of Investment's first engagement with a company under clause (1), that company publicly announces its commitment to substantial action specific to Iran, that company shall be removed from the scrutinized companies list and the provisions of this section shall cease to apply to it unless it resumes active business operations in Iran.

Subd. 4. Divestment. (a) If, after 90 days following the State Board of Investment's first engagement with a company under subdivision 3, clause (1), the company continues to have scrutinized business operations, and only while the company continues to have scrutinized business operations, the State Board of Investment shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(1) at least 50 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management by nine months after the company's initial appearance on the scrutinized companies list; and

(2) 100 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management within 15 months after the company's initial appearance on the scrutinized companies list.

(b) If a company that ceased scrutinized business operations following engagement under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies to the company and the State Board of Investment shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

Subd. 5. Prohibition on new acquisitions. The State Board of Investment may not acquire securities of companies on the scrutinized companies list that have scrutinized business operations, except as provided in this section.

Subd. 6. Relation to federal action. If the federal government excludes a company from its present or any future federal sanctions relating to Iran, that company is exempt from the divestment requirements and the investment prohibitions in this section.

Subd. 7. Exemptions. Subdivisions 4 and 5 do not apply to any of the following:

(1) investments in a company that is primarily engaged in supplying goods or services intended to relieve human suffering in Iran;

(2) investments in a company that is primarily engaged in promoting health, education, or journalistic, religious, or welfare activities in Iran; and

(3) investments in a United States company that is authorized by the federal government to have active business operations in Iran.

Subd. 8. Excluded securities. Subdivisions 4 and 5 do not apply to indirect holdings in actively managed investment funds. The State Board of Investment shall submit letters to the managers of investment funds containing companies with scrutinized active business operations requesting the managers to consider removing such companies from the fund or to create a similar actively managed fund with indirect holdings that do not include the companies. If a manager creates a similar fund, the State Board of Investment shall promptly replace all applicable investments with investments in the similar fund consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds.

Subd. 9. Reporting. By January 15 of each calendar year, the State Board of Investment shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the State Board of Investment. The report must include:

(1) a copy of the most recent list of scrutinized companies;

(2) a summary of correspondence with companies engaged by the State Board of Investment under subdivision 3;

(3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with subdivision 4;

(4) a list of all prohibited investments under subdivision 5; and

(5) a description of any progress made under subdivision 8.

Subd. 10. Expiration. This section ceases to be operative if either of the following apply:

(1) Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide support for acts of international terrorism; or

(2) the president of the United States determines and certifies that state legislation similar to this section interferes with the conduct of United States foreign policy.

Subd. 11. Other legal obligations. The State Board of Investment is exempt from any statutory or common law obligations that conflict with actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, including any obligations regarding the choice of asset managers, investment funds, or investments for the State Board of Investment's securities portfolios.

Subd. 12. Severability. The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

History: 2009 c 90 s 1

Date: April 28, 2017

Ref.: N.J.S.A. 52:18A-89.12

Mr. Mansco Perry
Executive Director and Chief Investment Officer
Minnesota State Board of Investment
60 Empire Drive Suite 355, St. Paul, MN 55103

Subject: Request for removal from the list of companies subject to investment restriction or divestment

Dear Mr. Perry:

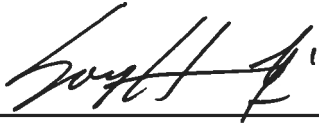
This letter is filed on behalf of Daewoo Engineering & Construction Co., Ltd. ("Daewoo E&C"), in response to the letter dated March 31, 2017 from Ms. LeaAnn M. Stagg, Assistant Executive Director and Chief Operating Officer of the Minnesota State Board of Investment ("March 31 Letter," copy attached for reference) under the Minnesota Statutes, section 11A.244. For the reasons provided below, we request respectfully that the Minnesota State Board of Investment ("MSBI") reverse its preliminary identification and rectify its records so that Daewoo E&C is not unfairly and adversely affected in its future dealings in the State of Minnesota.

First and foremost, the March 31 Letter states or implies that Daewoo E&C has been engaged in certain investment activities in Iran involving \$20 million or more. This is not correct. We do not currently have such business operations in Iran. Moreover, Daewoo E&C, as a construction and engineering company, would not undertake any business in any sector in Iran that would involve Daewoo E&C investing in and/or financing such business.

Secondly, we believe that the MSBI may have mistakenly identified Daewoo E&C for purposes of its provisional identification by confusing our company with another company with a similar name. For example, Daewoo E&C also shares its "Daewoo" name with other companies, such as POSCO Daewoo Corp., formerly Daewoo International Corp. Daewoo E&C is not affiliated with this company. We therefore request respectfully that the MSBI confirm if it has identified Daewoo E&C in error by mistaking our company for another company with which we have no affiliation.

Based on the foregoing, we request that the MSBI remove Daewoo E&C from the list of companies subject to investment restriction or divestment. If you have any questions regarding this, please contact us.

Sincerely,



Song-Hun, Yi

Senior Vice President

Daewoo Engineering & Construction Co., Ltd.

Attachment

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Mark Dayton

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Secretary of State
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Attorney General
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**Executive Director &
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Mansco Perry

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March 31, 2017

Mr. Yeong Sik Park
Chief Executive Officer
Daewoo Engineering & Construction
75 Saemunan-ro, Jongno-gu
Seoul 03182
South Korea

Dear Mr. Descalzi:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. Minnesota Statutes, section 11A.244, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

As a result of your company's having scrutinized business operations in Iran, the Minnesota law requires that your company may be subject to investment restriction or divestment by the MSBI. We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations. If you publicly announce your commitment to take either of these actions within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that the investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact Patricia Ammann at (651) 296-9343.

Sincerely,

A handwritten signature in black ink that reads "LeaAnn M. Stagg".

LeaAnn M. Stagg
Assistant Executive Director and
Chief Operating Officer

Enclosure

11A.244 INVESTMENT IN IRAN.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) "Active business operations" means all business operations that are not inactive business operations.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Direct holdings" means all publicly traded debt and equity securities of a company that are held directly by the State Board of Investment or held in an account or fund in which the State Board of Investment owns all shares or interests.

(e) "Government of Iran" means the government of the Islamic Republic of Iran or its instrumentalities or political subdivisions and companies owned or controlled by the Islamic Republic of Iran.

(f) "Inactive business operations" means the continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such a purpose.

(g) "Indirect holdings" means all investments held in an account or fund, including a mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by one or more persons who are not employed by the State Board of Investment, in which the public funds own shares or interests together with other investors who are not subject to this section.

(h) "Scrutinized company" means any company engaging in scrutinized business operations.

(i) "Scrutinized business operations" means any and 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 \$20,000,000 threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. "Scrutinized business operations" does not include the retail sale of gasoline and related products.

(j) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

Subd. 2. **Identification of scrutinized companies.** (a) Within 90 days following August 1, 2009, the State Board of Investment shall make its best efforts to identify all scrutinized companies in which it has direct holdings. These efforts shall include, as appropriate:

(1) reviewing and relying, as appropriate, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;

(2) contacting asset managers contracting with the State Board of Investment who invest in companies with business operations in Iran; and

(3) contacting other institutional investors that have divested from or engaged with companies with business operations in Iran.

(b) At the first meeting of the State Board of Investment after it has completed the requirements of paragraph (a), the State Board of Investment shall assemble a list of scrutinized companies in which it has direct holdings.

(c) The State Board of Investment shall update the scrutinized companies list each quarter based on continuing information, including but not limited to information from sources identified in paragraph (a).

Subd. 3. Engagement of scrutinized companies. The State Board of Investment shall use the following procedures with respect to companies on the scrutinized companies list:

(1) for each company newly identified in subdivision 2 with scrutinized business operations, the State Board of Investment shall, within 90 days following its assembly of the scrutinized companies list, send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the State Board of Investment. The notice shall offer the company the opportunity to clarify its scrutinized business operations and shall encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations, or to convert them to inactive business operations in order to avoid divestment by the State Board of Investment; and

(2) if, within 90 days following the State Board of Investment's first engagement with a company under clause (1), that company publicly announces its commitment to substantial action specific to Iran, that company shall be removed from the scrutinized companies list and the provisions of this section shall cease to apply to it unless it resumes active business operations in Iran.

Subd. 4. Divestment. (a) If, after 90 days following the State Board of Investment's first engagement with a company under subdivision 3, clause (1), the company continues to have scrutinized business operations, and only while the company continues to have scrutinized business operations, the State Board of Investment shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(1) at least 50 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management by nine months after the company's initial appearance on the scrutinized companies list; and

(2) 100 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management within 15 months after the company's initial appearance on the scrutinized companies list.

(b) If a company that ceased scrutinized business operations following engagement under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies to the company and the State Board of Investment shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

Subd. 5. Prohibition on new acquisitions. The State Board of Investment may not acquire securities of companies on the scrutinized companies list that have scrutinized business operations, except as provided in this section.

Subd. 6. Relation to federal action. If the federal government excludes a company from its present or any future federal sanctions relating to Iran, that company is exempt from the divestment requirements and the investment prohibitions in this section.

Subd. 7. Exemptions. Subdivisions 4 and 5 do not apply to any of the following:

(1) investments in a company that is primarily engaged in supplying goods or services intended to relieve human suffering in Iran;

(2) investments in a company that is primarily engaged in promoting health, education, or journalistic, religious, or welfare activities in Iran; and

(3) investments in a United States company that is authorized by the federal government to have active business operations in Iran.

Subd. 8. Excluded securities. Subdivisions 4 and 5 do not apply to indirect holdings in actively managed investment funds. The State Board of Investment shall submit letters to the managers of investment funds containing companies with scrutinized active business operations requesting the managers to consider removing such companies from the fund or to create a similar actively managed fund with indirect holdings that do not include the companies. If a manager creates a similar fund, the State Board of Investment shall promptly replace all applicable investments with investments in the similar fund consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds.

Subd. 9. Reporting. By January 15 of each calendar year, the State Board of Investment shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the State Board of Investment. The report must include:

(1) a copy of the most recent list of scrutinized companies;

(2) a summary of correspondence with companies engaged by the State Board of Investment under subdivision 3;

(3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with subdivision 4;

(4) a list of all prohibited investments under subdivision 5; and

(5) a description of any progress made under subdivision 8.

Subd. 10. Expiration. This section ceases to be operative if either of the following apply:

(1) Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide support for acts of international terrorism; or

(2) the president of the United States determines and certifies that state legislation similar to this section interferes with the conduct of United States foreign policy.

Subd. 11. Other legal obligations. The State Board of Investment is exempt from any statutory or common law obligations that conflict with actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, including any obligations regarding the choice of asset managers, investment funds, or investments for the State Board of Investment's securities portfolios.

Subd. 12. Severability. The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

History: 2009 c 90 s 1

Mader, Melissa (SBI)

From: 임준형 <junhyung.ihm@daewooenc.com>
Sent: Wednesday, May 10, 2017 8:44 PM
To: Ivo.kresta@issgovernance.com
Cc: MN_SBI_Minn SBI; 이성훈; 최선호
Subject: RE: Minnesota State Board of Investment Iran Response

Dear Sir:

This letter is filed on behalf of Daewoo E&C, in response to the e-mail dated May 6 from Minnesota State Board of Investment ("e-mail", copy attached for reference). For the reasons stated below, we request to rectify your records so that Daewoo E&C is not unfairly and adversely affected in its future dealings in the State of Minnesota.

First and foremost, Daewoo E&C or its affiliate has not engaged in certain scrutinized business operations in Iran under the Minnesota State Law. Although Daewoo E&C has been looking for business opportunities in Iran as an EPC contractor since nuclear sanctions were lifted, we are not actively proceeding with any business operations as an investor or financial provider. We therefore request you to provide the basis of your findings Daewoo E&C was placed on Minnesota's scrutinized companies list.

Secondly, we respectfully request to check if the findings were properly placed and sent to Minnesota State Board of Investment before. We believe that you may have mistakenly identified Daewoo E&C for purposes of its findings by confusing our company with another Korean construction company with similar name. For example, the company Daelim Industrial Co. has long been known as a leading company in Iran construction market. Daewoo E&C is not affiliated with Daelim Industrial Co. Daewoo E&C also shares its "Daewoo" name with other companies, such as POSCO Daewoo Corp., formerly Daewoo International Corp. Daewoo E&C is not affiliated with this company. Information on those companies can be found on below websites:

<http://www.businesskorea.co.kr/english/news/industry/16898-iranian-oil-refinery-facility-daelim-industrial-wins-2b-construction-deal-iran>

<http://english.hankyung.com/business/2016/04/29/1616551/posco-daewoo-expands-business-in-iran>

Thank you for your attention to this correspondence for IW Financial to modify and reverse its preliminary findings concerning Daewoo E&C. If you have any questions regarding this, please contact us.

Sincerely,

Junhyung Ihm

Legal Counsel, Daewoo Engineering & Construction Co., Ltd.

보낸 사람: MN_SBI_Minn SBI <minn.sbi@state.mn.us>

보낸 날짜: 2017 년 5 월 6 일 토요일 오전 4:23:33

받는 사람: 임준형

제목: Minnesota State Board of Investment Iran Response

Hello,

Thank you for your letter dated April 28, 2017, in response to the Minnesota State Board of Investment's (SBI) communication that Daewoo E&C will be placed on the SBI's restricted holdings list as a result of the company's scrutinized business operations in Iran.

Your response was shared with our vendor, IW Financial. According to their findings Daewoo E&C was properly placed on Minnesota's scrutinized companies list. Daewoo E&C will need to follow up with IW Financial with any information to the contrary so that they can make the appropriate changes, if necessary. The IW Financial contact is: Ivo Kresta, ivo.kresta@issgovernance.com

Thank you.

Minnesota State Board of Investment

60 Empire Drive, Suite 355, St. Paul, MN 55103

P 651-296-3328 F 651-296-9572

Email: minn.sbi@state.mn.us

**MINNESOTA
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www.sbi.state.mn.us*

*An Equal Opportunity
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September 26, 2017

Mr. Patrick Pouyanne
Chairman and Chief Executive Officer
Total S.A.
La Défense 6
2 Pl. Jean Millier
Paris 92078
France

Dear Mr. Pouyanne:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. *Minnesota Statutes*, section 11A.244, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

As a result of your company's having scrutinized business operations in Iran, the Minnesota law requires that your company may be subject to investment restriction or divestment by the MSBI. We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations. If you publicly announce your commitment to take either of these actions within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that the investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact Iryna Shafir at (651) 215-0752.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul T. Anderson".

Paul T. Anderson
Director, Investment Administration

Enclosure

11A.244 INVESTMENT IN IRAN.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) "Active business operations" means all business operations that are not inactive business operations.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Direct holdings" means all publicly traded debt and equity securities of a company that are held directly by the State Board of Investment or held in an account or fund in which the State Board of Investment owns all shares or interests.

(e) "Government of Iran" means the government of the Islamic Republic of Iran or its instrumentalities or political subdivisions and companies owned or controlled by the Islamic Republic of Iran.

(f) "Inactive business operations" means the continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such a purpose.

(g) "Indirect holdings" means all investments held in an account or fund, including a mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by one or more persons who are not employed by the State Board of Investment, in which the public funds own shares or interests together with other investors who are not subject to this section.

(h) "Scrutinized company" means any company engaging in scrutinized business operations.

(i) "Scrutinized business operations" means any and 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 \$20,000,000 threshold referred to in Public Law 104-172, as amended, the Iran Sanctions Act of 1996. "Scrutinized business operations" does not include the retail sale of gasoline and related products.

(j) "Substantial action specific to Iran" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

Subd. 2. **Identification of scrutinized companies.** (a) Within 90 days following August 1, 2009, the State Board of Investment shall make its best efforts to identify all scrutinized companies in which it has direct holdings. These efforts shall include, as appropriate:

(1) reviewing and relying, as appropriate, on publicly available information regarding companies with business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;

(2) contacting asset managers contracting with the State Board of Investment who invest in companies with business operations in Iran; and

(3) contacting other institutional investors that have divested from or engaged with companies with business operations in Iran.

(b) At the first meeting of the State Board of Investment after it has completed the requirements of paragraph (a), the State Board of Investment shall assemble a list of scrutinized companies in which it has direct holdings.

(c) The State Board of Investment shall update the scrutinized companies list each quarter based on continuing information, including but not limited to information from sources identified in paragraph (a).

Subd. 3. Engagement of scrutinized companies. The State Board of Investment shall use the following procedures with respect to companies on the scrutinized companies list:

(1) for each company newly identified in subdivision 2 with scrutinized business operations, the State Board of Investment shall, within 90 days following its assembly of the scrutinized companies list, send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the State Board of Investment. The notice shall offer the company the opportunity to clarify its scrutinized business operations and shall encourage the company to cease, within 90 days of the date of the notice, its scrutinized business operations, or to convert them to inactive business operations in order to avoid divestment by the State Board of Investment; and

(2) if, within 90 days following the State Board of Investment's first engagement with a company under clause (1), that company publicly announces its commitment to substantial action specific to Iran, that company shall be removed from the scrutinized companies list and the provisions of this section shall cease to apply to it unless it resumes active business operations in Iran.

Subd. 4. Divestment. (a) If, after 90 days following the State Board of Investment's first engagement with a company under subdivision 3, clause (1), the company continues to have scrutinized business operations, and only while the company continues to have scrutinized business operations, the State Board of Investment shall sell, redeem, divest, or withdraw all publicly traded securities of the company, according to the following schedule:

(1) at least 50 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management by nine months after the company's initial appearance on the scrutinized companies list; and

(2) 100 percent of the holdings in the company shall be removed from the State Board of Investment's assets under management within 15 months after the company's initial appearance on the scrutinized companies list.

(b) If a company that ceased scrutinized business operations following engagement under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies to the company and the State Board of Investment shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

Subd. 5. Prohibition on new acquisitions. The State Board of Investment may not acquire securities of companies on the scrutinized companies list that have scrutinized business operations, except as provided in this section.

Subd. 6. Relation to federal action. If the federal government excludes a company from its present or any future federal sanctions relating to Iran, that company is exempt from the divestment requirements and the investment prohibitions in this section.

Subd. 7. Exemptions. Subdivisions 4 and 5 do not apply to any of the following:

(1) investments in a company that is primarily engaged in supplying goods or services intended to relieve human suffering in Iran;

(2) investments in a company that is primarily engaged in promoting health, education, or journalistic, religious, or welfare activities in Iran; and

(3) investments in a United States company that is authorized by the federal government to have active business operations in Iran.

Subd. 8. Excluded securities. Subdivisions 4 and 5 do not apply to indirect holdings in actively managed investment funds. The State Board of Investment shall submit letters to the managers of investment funds containing companies with scrutinized active business operations requesting the managers to consider removing such companies from the fund or to create a similar actively managed fund with indirect holdings that do not include the companies. If a manager creates a similar fund, the State Board of Investment shall promptly replace all applicable investments with investments in the similar fund consistent with prudent investing standards. For the purposes of this section, "private equity" funds shall be deemed to be actively managed investment funds.

Subd. 9. Reporting. By January 15 of each calendar year, the State Board of Investment shall submit a report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over the State Board of Investment. The report must include:

(1) a copy of the most recent list of scrutinized companies;

(2) a summary of correspondence with companies engaged by the State Board of Investment under subdivision 3;

(3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with subdivision 4;

(4) a list of all prohibited investments under subdivision 5; and

(5) a description of any progress made under subdivision 8.

Subd. 10. Expiration. This section ceases to be operative if either of the following apply:

(1) Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide support for acts of international terrorism; or

(2) the president of the United States determines and certifies that state legislation similar to this section interferes with the conduct of United States foreign policy.

Subd. 11. Other legal obligations. The State Board of Investment is exempt from any statutory or common law obligations that conflict with actions taken in compliance with this section, including all good faith determinations regarding companies as required by this section, including any obligations regarding the choice of asset managers, investment funds, or investments for the State Board of Investment's securities portfolios.

Subd. 12. Severability. The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity does not affect other provisions or applications that can be given effect without the invalid provision or application.

History: 2009 c 90 s 1

From: Jemma BURCH
To: [MN_SBI_Minn_SBI](#)
Subject: Letter to TOTAL S.A.
Date: Tuesday, October 17, 2017 10:13:16 AM
Attachments: [image001.png](#)
[10 - 04102017 - Response of TOTAL SA to the MINNESOTA BOARD OF INVESTMENT.pdf](#)

Dear Mr. Paul T. Anderson,,

Please find attached a copy of our response, following your letter addressed to Total on the 26th September 2017.

Please do not hesitate to contact us, should you have any further questions.

Kind regards

Jemma

Jemma Burch

INVESTOR RELATIONS
Tel: +44 (0)207 719 7958
Email : jemma.burch@total.com



Total - TFCS
10 Upper Bank Street
Level 18, Canary Wharf
London E14 5BF, UK

London, October 2, 2017

Minnesota State Board of Investment

Paul T. Anderson, Director, Investment Administration

60 Empire Drive, Suite 355

St. Paul, MN 55103

USA

Dear Mr. Anderson,

We are in receipt of your letter dated September 26, 2017 and we appreciate your interest in our company.

In response to your queries, please find hereafter an update of the situation in Iran of TOTAL S.A. and its subsidiaries and affiliates (collectively, "TOTAL" or the "Group").

TOTAL continually monitors its activities to ensure full compliance with applicable laws and regulations, including international economic sanctions and notably remaining U.S. economic sanctions against Iran.

As of today, TOTAL's activities in Iran are conducted in full compliance with the remaining applicable international economic sanctions. Furthermore, in order to reinforce and centralize its compliance efforts concerning Iran, TOTAL appointed a dedicated Iran Compliance Officer on December 1, 2016.

Information concerning certain limited activities of the Group in Iran is reported annually in TOTAL S.A.'s annual report on Form 20-F filed with the SEC. For TOTAL's most recent disclosure, refer to pages 70-73 of Exhibit 15.1 to the 2016 Form 20-F filed on March 17, 2017.

As of today, TOTAL's main source of revenue linked to Iran concerns the purchase of Iranian crude, which started in February 2016 and is destined in particular for the Group's French and European refineries. These purchases followed the suspension of certain international economic sanctions against Iran on January 16, 2016 and TOTAL's subsequent signing of a framework crude oil purchase agreement.

TOTAL is currently contemplating several projects in Iran, which at the present time do not generate any revenue as they are still in a preliminary phase. We mention in particular the following projects:

- In January 2016, TOTAL signed a memorandum of understanding ("MoU") with the National Iranian Oil Company (NIOC), which allowed TOTAL to access technical data on certain oil and gas projects in order to assess potential developments in Iran.
- In March 2016, TOTAL signed a non-binding MoU with Iran National Petrochemical Company (NPC) to jointly consider a project for the construction of a steamcracker and polyethylene production lines in Iran.



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- In July 2017, TOTAL and NIOC signed a contract for the development and production of phase 11 of South Pars gas field (SP11). The produced gas is expected to start supplying the Iranian domestic market in 2021 and this contract is based on the newly defined terms of the Iranian Petroleum Contract. TOTAL is the operator of the SP11 project with a 50.1% interest alongside CNPC (30%), the Chinese state-owned oil and gas company, and Petropars (19.9%), a wholly owned subsidiary of NIOC.

We note that NIOC was removed from the Specially Designated Nationals List ("SDN") following the enactment in 2015 of the Joint Comprehensive Plan of Action, and is not, therefore, subject to secondary sanctions that are applicable to TOTAL.

This was confirmed by OFAC in its FAQ (B.7), issued on January 16, 2016, which clearly states that "the Department of the Treasury determined that NIOC is no longer an agent or affiliate of the IRGC. Beginning on Implementation Day, non-U.S. persons are no longer subject to sanctions for engaging in activities with Iran's energy sector, including transactions with NIOC".

We hope this letter helps you gain a better understanding of TOTAL's position in Iran, and we would be very pleased to further discuss these points and answer any additional questions you may have. Please do not hesitate to contact me should you have any questions.

Yours sincerely,

Mike Sangster
SVP, Investor Relations

Copy

P. Pouyanné, Chairman and Chief Executive Officer
R. Hammond, Director Investor Relations, North America
V. Dufief, Investor Relations Manager CSR

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