

MINNESOTA  
STATE  
BOARD OF  
INVESTMENT



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Chief Investment  
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Mansco Perry

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An Equal Opportunity  
Employer

DATE: January 13, 2017

TO: Minnesota Legislative Reference Library

FROM: Mansco Perry III, Executive Director *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 through Glass Lewis.

Attachment 1 displays a list of restricted Iran companies. There were four companies added to the restricted list in 2016 and two companies were removed. Three 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 2016 calendar year there was a total of 242,209 shares liquidated and a total of six companies in the divestment process.

Attachment 2 is the list of restricted and scrutinized 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**

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

Effective Date: December 31, 2016

## ATTACHMENT 2

### LIST OF IRAN COMPANIES REQUIRING DIVESTMENT

<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this Date</b>
Daelim Industrial	South Korea	December 31, 2016	June 30, 2017
Linde AG	Germany	March 31, 2017	September 30, 2017
Eni Spa	Italy	June 30, 2017	December 31, 2017

Effective Date: December 31, 2016

### COMPLETED/HISTORICAL DIVESTMENTS

<b>Company Name</b>	<b>Country of Origin</b>	<b>Divest 50 Percent By this Date</b>	<b>Divest 100 Percent By this Date</b>
GS Engineering & Construction Corp	South Korea	June 30, 2016	December 31, 2016
Lukoil Oil Co.	Russia	March 31, 2016	September 30, 2016
Gazprom OAO	Russia	December 31, 2015	June 30, 2016
Mitsui & Company, Ltd.	Japan	September 30, 2012	March 31, 2013
Toyota Tsusho	Japan	September 30, 2012	March 31, 2013



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00144 Rome  
Tel. +39 06598.21  
www.eni.com

Mr Masco PERRY III  
Executive Director and Chief Investment  
Officer  
The Minnesota State Board of  
Investment (MSBI)  
60 Empire Drive – Suite 355  
St Paul, MN 55103

S. Donato Milanese, 21st October 2016

Dear Mr Perry,

**Eni** closely follows the developments of the UN, EU and US economic and financial sanctions on Iran and has enacted specific internal rules aimed at guaranteeing a continuous monitoring of the restrictive measures, a careful due diligence on the activities and a strict screening of counterparts.

To respond to smart sanctions, increasingly targeted and focused on the financial sector, **Eni**, in the countries where it operates, has adopted a risk-based approach in order to ensure the continuation of allowed business, the compliance with the applicable law and the safeguard of the company's reputation.

**Eni** also pays special attention to possible business in countries at risk of sanctions, subject to general embargoes or comprehensive sanction programs.

In this respect – and in reply to your letter dated 7th October 2016 – we hereby confirm that in 2014 **Eni** concluded its upstream activities in Iran and handed over the Darquain project to the National Iranian Oil Company. These activities, as well as the cost recovery through the delivery of Iranian crude oil, were carried out in the past under certain waivers and authorizations granted by the EU and US competent authorities in accordance with the sanctions regimes in force.

**eni** spa  
Company share capital Euro 4,005,358,876.00 full paid up  
Rome Company Register, Tax Identification Number 0484960588  
VAT number 00905811006, R.E.A. Rome n. 756453  
Branches:  
Via Emilia, 1 and Piazza Ezio Vanoni, 1  
20097 San Donato Milanese (Milan) - Italy



We also confirm that any possible new activity in the Country will be evaluated and developed only if compliant with the applicable restrictive measures concerning Iran still in force.

For any further information on **Eni's** presence in Iran, we invite you to refer to our Annual reports and/or 20-F Form, where we give an update of all our activities.

In terms of business ethics, it is our firm belief that **Eni's** activities should be performed in full respect of law, fair competition, honesty, integrity and good faith. Since 1994 **Eni** has adopted its Code of Practice (as of April 2008 revised into the Code of Ethics) which clearly endorses and shares the aforementioned set of values. **Eni's** employees and all those having business relations with **Eni** are required to comply with the Code of Ethics.

We hope that you will find this letter helpful in assessing your investment.

Sincerely,

Francesco Gattei

Scenarios, Strategic Options & Investor Relations  
Executive Vice President

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## THE LINDE GROUP

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LeaAnn M. Stagg  
Assistant Executive Director and  
Chief Operating Officer  
Minnesota State Board of Investment  
60 Empire Drive  
Suite 355  
St. Paul, MN 55103

Our Ref. SUW/RV	Phone +49.89.35757-1470	Fax +49.89.35757-1475	E-mail solms.witt@g@linde.com	Date September 2, 2016
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Dear Ms. Stagg:

Thank you for the opportunity to respond to your letter to Dr. Wolfgang Büchele, CEO of Linde, dated July 12, 2016.

In your letter, you explained that Linde AG ("Linde") has been identified as "having scrutinized business operations in Iran" and may be subject to investment restriction or divestment by the Minnesota State Board of Investment (MSBI). Your letter invites Linde to respond within ninety (90) days from the date of your letter.

As described in more detail below, Linde is a responsible corporate citizen that has acted in full compliance with applicable European Union and United States sanctions laws targeting Iran, and in our interpretation does not maintain "scrutinized business operations" as defined in Minnesota Statutes, Section 11A.244.

### About Linde

Linde is a publicly traded gas and engineering company headquartered in Munich, Germany with a network of global affiliates and total annual revenues in excess of 17 billion Euros. Linde has approximately 64,000 employees based in approximately 100 countries worldwide. In the United States alone, Linde employs more than 15,000 employees and generates approximately 4.7 billion Euros (US\$5.24 billion) in sales.

Linde operations are concentrated in two key business areas – gases and engineering. The gases business produces and distributes gases including oxygen, nitrogen, hydrogen, noble gases, acetylene, and high-purity specialty gases, and also provides pharmaceutical and medical gas solutions. Linde's industrial gases are used worldwide in virtually every branch of industry, commerce, science, and research, while Linde's pharmaceutical and medical gas solutions enable healthcare professionals to provide optimal therapy to patients. The engineering business focuses on plant engineering and construction in market segments such as hydrogen and synthesis gas, oxygen and olefins, as well as plants for natural gas treatment. With more than 4,000 completed plant

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Telefon 089.35757-01, Telefax 089.35757-1075, E-Mail [info@linde.com](mailto:info@linde.com)  
Sitz der Gesellschaft: München, Registergericht: München, HRB 169850  
Aufsichtsrat: Wolfgang Reltzle (Vorsitzender), Vorstand: Wolfgang Büchele (Vorsitzender),  
Christian Bruch, Georg Denoke, Bernd Eulitz, Sanjiv Lamba





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projects worldwide, Linde ranks among the world's leading plant contractors. Linde is also proud of its leadership in such important areas such as alternative fuels, solar energy, and carbon capture and sequestration.

Linde is fully committed to compliance with applicable laws and regulations, including Iran sanctions administered by the European Union and the United States. In the United States, for example, Linde works closely with internal and external legal counsel to ensure that it remains in full compliance with economic sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and other regulators.

#### **Linde's Past Business in Iran and 2010 Decision to Withdraw from Iran**

Prior to September 2010, Linde AG and other non-U.S. companies in the Linde Group lawfully conducted limited business activities in Iran, similar to the activities of other respected international non-U.S. companies. Specifically, an Iranian subsidiary supplied industrial gases to various commercial customers in Iran. Additionally, Linde AG and certain of its non-U.S. affiliates also supplied various engineering services, technologies, and parts for projects in Iran's petrochemical and natural gas sectors. To put these various activities in perspective, the combined value of Linde's business in Iran represented no more than 0.3% of Linde's total global revenues (2009).

In September 2010, Linde chose to withdraw from Iran, and since that time has worked diligently to ensure that it (1) undertook no new business in Iran, and (2) withdrew from preexisting commitments in Iran to the greatest extent practicable.

Linde respectfully submits that any de minimis legacy activities since 2010 in Iran have been consistent with U.S. sanctions laws and on average represented less than 0.0001% of Linde's total revenue per year.

#### **January 2016 Relaxation of Sanctions and Current Business Operations in Iran**

On January 16, 2016, the United States and the European Union relaxed certain of their economic sanctions against Iran pursuant to the Joint Comprehensive Plan of Action ("JCPOA"). As a result of the JCPOA, Linde reconsidered its 2010 decision to withdraw from Iran and began evaluating the possibility of doing business in Iran in compliance with all applicable law. In addition to certain legacy activities in Iran from which it was not practicable for Linde to withdraw completely as mentioned above, Linde has begun to develop a small amount of new business in Iran representing significantly less than 0.01% of Linde's total revenue. Linde's current investment in Iran has been de minimis and below the US\$20 million threshold set out for a "scrutinized company" under Minnesota Statutes, Section 11A.244.



**THE LINDE GROUP**

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**Linde does not maintain "scrutinized business operations"**

While Linde has some legacy and new activities in Iran, as detailed herein, as explained above, Linde does not maintain "scrutinized business operations" as defined in the Minnesota Statutes, Section 11A.244.

**Other Considerations Relevant to MSBI's Review**

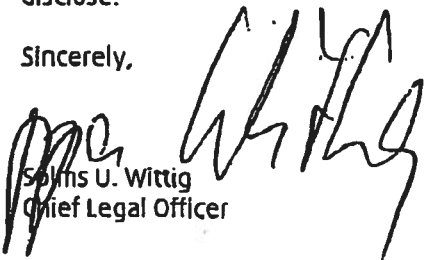
Linde respectfully requests that the MSBI consider the JCPOA developments in its evaluation of Linde's response. The JCPOA specifically states: "The United States will actively encourage officials at the state or local level to take into account the changes in the U.S. policy reflected in the lifting of sanctions under this JCPOA and to refrain from actions inconsistent with this change in policy." To that end, we understand that Ambassador Stephen Mull, the State Department's Lead Coordinator for implementation of the JCPOA, sent a letter to all 50 state governors earlier this year regarding the JCPOA. The Minnesota legislature has made clear its intention not to interfere with the conduct of U.S. foreign policy. See Minnesota Statutes, Section 11A.244, Subd. 10.

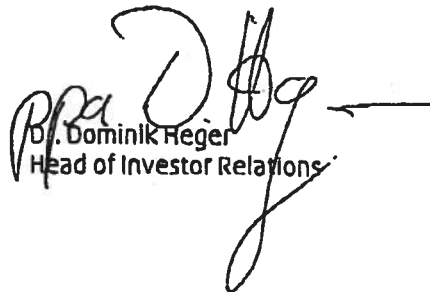
\* \* \* \* \*

We trust this letter provides sufficient additional information to refute the information the MSBI has acquired in its research. Please know that our outside legal counsel, Covington & Burling LLP assisted with the analysis contained in this letter. If you have any questions about the arguments set forth herein, please feel free to contact Marcus Alston, Senior Counsel - Global Trade Compliance (+1-908-771-1709). Please know that Linde is committed to communicating openly and transparently with the MSBI if there are any follow-up questions.

Please be advised that this letter contains confidential information regarding Linde and its business, which, if disclosed, could adversely affect the financial and competitive position of Linde and the normal conduct of its business operations. Accordingly, Linde requests that this letter be withheld in the event of a demand for its disclosure. Linde understands that in the event of such a demand, the MSBI will give Linde prompt notice and an opportunity to be heard before taking any action to disclose.

Sincerely,

  
Sabine U. Wittig  
Chief Legal Officer

  
D. Dominik Heger  
Head of Investor Relations