

# Protecting Florida's Investments Act (PFIA)

## Quarterly Report – July 28, 2009

FLORIDA STATE BOARD OF ADMINISTRATION



INVESTING FOR FLORIDA'S FUTURE

A large, abstract graphic composed of overlapping, semi-transparent blue and grey geometric shapes, resembling a stylized architectural structure or a map of Florida. The shapes are layered, creating a sense of depth and movement.

2009

*Table of Contents*

Introduction ..... 3

Primary Requirements of the PFIA ..... 3

Definition of a Scrutinized Company..... 4

SBA Scrutinized Companies Identification Methodology ..... 5

About the State Board of Administration..... 6

Key Changes since the Previous PFIA Quarterly Report ..... 7

Table 1: Scrutinized Companies with Activities in Sudan ..... 8

Table 2: Continued Examination Companies with Activities in Sudan ..... 10

Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector..... 11

Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran..... 12

Table 5: Correspondence & Engagement Efforts with Scrutinized Companies ..... 13

Table 6: Correspondence & Engagement Efforts with Continued Examination Companies..... 15

Key Dates for PFIA Activities ..... 17

Summary of Investments Sold, Redeemed, Divested or Withdrawn..... 18

Table 7: List of Prohibited Investments (Scrutinized Companies) ..... 19

Table 8: SBA Holdings in Prohibited Investments Subject to Divestment ..... 22

Summary of Progress, SBA Investment Manager Engagement Efforts ..... 23

Listing of All Publicly Traded Securities (Including Equity Investments) ..... 24

## **Introduction**

On June 8, 2007, the Protecting Florida's Investments Act ("PFIA") was signed into law. The PFIA requires the State Board of Administration ("SBA"), acting on behalf of the Florida Retirement System Trust Fund (the "FRSTF"), to assemble and publish a list of "Scrutinized Companies" that have prohibited business operations in Sudan and Iran. Once placed on the list of Scrutinized Companies, the SBA and its investment managers are prohibited from acquiring those companies' securities and are required to divest those securities if the companies do not cease the prohibited activities or take certain compensating actions. The implementation of the PFIA by the SBA will not affect any FRSTF investments in U.S. companies. The PFIA will solely affect foreign companies with certain business operations in Sudan and Iran involving the petroleum or energy sector, oil or mineral extraction, power production or military support activities. This quarterly report is developed pursuant to Section 215.473 (4), Florida Statutes.

## **Primary Requirements of the PFIA**

The PFIA created new reporting, engagement and investment requirements for the SBA, including:

1. Quarterly reporting to the Board of Trustees of every equity security in which the SBA has invested for the quarter, along with its industry category. This report is posted on the SBA website.
2. Quarterly presentation to the Trustees of a "Scrutinized Companies" list for both Sudan and Iran for their approval. Scrutinized Company lists are available on the SBA's website, along with information on the FRSTF direct and indirect holdings of Scrutinized Companies.
3. Written notice to external investment managers of all PFIA requirements. Letters request that the managers of actively managed commingled vehicles (i.e., those with FRSTF and other clients' assets) consider removing Scrutinized Companies from the product or create a similar actively managed product that excludes such companies. Similar written requests must be provided to relevant investment managers within the defined contribution plan.
4. Written notice to any company with inactive business operations in Sudan or Iran, informing the company of the PFIA and encouraging it to continue to refrain from reinitiating active business operations. Such correspondence continues semiannually.
5. Written notice to any Scrutinized Company with active business operations, informing the company of its Scrutinized Company status and that it may become subject to divestment. The written notice must inform the company of the opportunity to clarify its Sudan-related or Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive status.
6. A prohibition on further investment on behalf of the FRSTF in any Scrutinized Company once the Sudan and Iran scrutinized lists have been approved by the Trustees. All publicly traded securities of Scrutinized Companies must be divested within 12 months after the company's initial (and continued) appearance on the Scrutinized Companies list. Divestment does not apply to indirect holdings in actively managed commingled investment funds—i.e., where the SBA is not the sole investor in the fund. Private equity funds are considered to be actively managed.
7. Reporting to each member of the Board of Trustees, President of the Senate, and the Speaker of the House of Representatives of Scrutinized Company lists within 30 days of creation, and public disclosure of each list.
8. Quarterly reporting of the following to each member of the Board of Trustees, the President of the Senate, the Speaker of the House of Representatives, the United States Presidential Special

Envoy to Sudan and, if one is appointed, the United States Presidential Special Envoy to Iran. The report is made publicly available and posted to the SBA's website.

- a. A summary of correspondence with engaged companies;
  - b. A listing of all investments sold, redeemed, divested, or withdrawn;
  - c. A listing of all prohibited investments;
  - d. A description of any progress related to external managers offering PFIA compliant funds; and
  - e. A list of all publicly traded securities held directly by the state.
9. Adoption and incorporation into the Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council and approved by the Trustees.
10. Relevant Sudan or Iran portions of the PFIA are discontinued if the Congress or President of the United States passes legislation, executive order, or other written certification that:
- a. Darfur genocide has been halted for at least 12 months;
  - b. Sanctions imposed against the Government of Sudan are revoked;
  - c. Government of Sudan honors its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons;
  - d. Government of Iran has ceased to acquire weapons of mass destruction and support international terrorism;
  - e. Sanctions imposed against the government of Iran are revoked; or
  - f. Mandatory divestment of the type provided for by the PFIA interferes with the conduct of U.S. foreign policy.
11. Cessation of divestment and/or reinvestment into previously divested companies may occur if the value of all FRSTF assets under management decreases by 50 basis points (0.5%) or more as a result of divestment. If cessation of divestment is triggered, the SBA is required to provide a written report to each member of the Board of Trustees, the President of the Senate, and the Speaker of the House of Representatives prior to initial reinvestment. Such condition is required to be updated semiannually.
12. In 2009, the Florida Legislature approved a bill requiring the SBA to identify and offer, by March 1, 2010, at least one terror-free investment product for the FRS Investment Plan. The product must allocate its funds among securities not subject to divestiture, as provided in section 215.473, Florida Statutes.

### ***Definition of a Scrutinized Company***

The following is a brief review of the criteria on which the active business operations of companies must be judged, in accordance with subsection (1) (t) of the Section 215.473, F.S.

#### ***Sudan:***

1. Have a material business relationship with the government of Sudan or a government-created project involving oil related, mineral extraction, or power generation activities, or
2. Have a material business relationship involving the supply of military equipment, or
3. Impart minimal benefit to disadvantaged citizens that are typically located in the geographic periphery of Sudan, or
4. Have been complicit in the genocidal campaign in Darfur.

#### ***Iran:***

1. Have a material business relationship with the government of Iran or a government-created project involving oil related or mineral extraction activities, or
2. Have made material investments in and significantly enhancing Iran's petroleum sector.

Affiliates of companies with scrutinized business operations are also subject to the requirements of the PFIA. An affiliated company is generally defined as any other company that either directly or indirectly controls, is controlled by or is under common control with the company conducting scrutinized active business operations. Control generally means the power to exercise a controlling influence over the management or policies of a company. As well, many companies have parent—subsidiary relationships whereby a parent company may own several other companies. In such cases, the SBA has included any known parent and/or subsidiaries which can be clearly linked to a company with scrutinized active business operations. The SBA has used a 50 percent ownership threshold in determining whether or not companies are affiliated, examining parent company—subsidiary ownership on a pro rata basis.

The SBA views companies which have explicit plans and activities related to discontinuation of active business operations as meeting the PFIA definition of substantial action. For all identified companies, the SBA will request information detailing what a company has actually done, if anything, to discontinue its active business operations or if it has pursued humanitarian efforts (applicable to Sudan only).

### ***SBA Scrutinized Companies Identification Methodology***

The SBA has developed two lists of Scrutinized Companies with active business operations by principally relying on the research and findings of four "External Research Providers:"

1. Conflict Risk Network (CRN). CRN is a project of the Genocide Intervention Network, a non-profit organization focused on fundraising for the UN-supported African Union Mission in Darfur and political activism to pressure governments and the UN to pursue a comprehensive strategy to end the genocide in Darfur. CRN was formerly known as the Sudan Divestment Task Force (SDTF).
2. RiskMetrics Group (ISS). RiskMetrics delivers proxy voting and corporate governance solutions to institutional clients. RiskMetrics offers screening services to help pension funds and their investment managers comply with the specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran.
3. KLD Research & Analytics (KLD). KLD is an investment research firm producing a Sudan Targeted Divestment Compliance product, which meets the requirements of the Sudan Divestment Task Force. While KLD consults with the SDTF on legislative criteria and certain companies, KLD independently performs all of the research involved in creating the product. KLD also produces an Iran Compliance product, which identifies companies generally meeting the criteria of the federal government elements of the Iran Sanctions Act.
4. American Israel Public Affairs Committee (AIPAC). AIPAC works on public policy issues with the intent to strengthen the U.S.-Israel relationship. AIPAC produces a list of foreign companies at risk of being sanctioned by the U.S. for investing in Iran's oil and natural gas sector, in violation of the Iran Sanctions Act (ISA).

The SBA Investment Programs and Governance unit and other senior investment professionals review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 200 companies and affiliates with reported links to Sudan or Iran:

#### Company disclosures:

- SEC filings (DEF 14A Proxy Statements, 10-K & 20-F Annual Reports, etc.)
- Investor Relations/company websites
- Industry publications and analyst research

Investment/Finance Organizations:

- Industry Analysts
- Index Providers (e.g., Russell)
- Other Institutional Investors/Private Investors

U.S Government Agencies:

- SEC Office of Global Security (EDGAR)
- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- Dept. of Energy, Energy Information Administration (EIA)
- Congressional Research Service (CRS), Library of Congress

Non-Governmental Organizations (NGOs):

- American Enterprise Institute (AEI)
- Amnesty International
- Yale University (Allard K. Lowenstein International Human Rights Project)
- Human Rights Watch

Other Sources:

- SBA External Investment Managers
- U.S. Federal Sanctions Laws covering State Sponsors of Terror
- Any other publicly available information.

Using the previous information sources, the SBA has developed two separate categorizations of a company's involvement in Sudan and/or Iran.

1. **“Scrutinized”** — All applicable External Research Providers indicate that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473 (1)(t)1., 2., or 3. [Sudan] or Section 215.473 (4)(t)1. [Iran]. For Sudan, SDTF, RiskMetrics Group, and KLD must unanimously agree on the company's status under the PFIA. For Iran, AIPAC, RiskMetrics Group, and KLD must unanimously agree on the company's status under the PFIA. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.
2. **“Continued Examination”** — At least one, but not all applicable External Research Providers indicates that a company meets the classification of a Scrutinized Company as defined by the PFIA as set forth in Section 215.473, (1)(t)1., 2., or 3. [Sudan] or Section 215.473, (4)(t)1. [Iran]. In other words, the External Research Providers do not agree on the status of a company and the SBA is unable to definitively categorize the company's activities as scrutinized without further research to resolve the differences. For companies classified as “Continued Examination” the SBA will begin an engagement process to clarify each firm's current business relationships.

***About the State Board of Administration***

The statutory mission of the State Board of Administration (SBA) is to invest, manage and safeguard assets of the Florida Retirement System (FRS) Trust Fund and a variety of other funds for state and local governments. FRS Trustees are dedicated to ensuring that the SBA invests assets and discharges its duties in accordance with Florida law, guided by strict policies and a code of ethics to ensure integrity, prudent risk management and top-tier performance. The SBA is an investment fiduciary under law, and subject to the stringent fiduciary duties and standards of care defined by the Employee Retirement Income Security Act of 1974 (ERISA), as incorporated into Florida law. The SBA has three Trustees: the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

As of June 30, 2009, the net asset value of total funds under SBA management was approximately \$124 billion. The FRS Pension Plan provides defined pension benefits to 1.1 million beneficiaries and retirees. The strong long-term performance of the FRS Pension Plan, the fourth-largest public pension fund in the nation, reflects our commitment to responsible fiscal management. The SBA strives to meet the highest ethical, fiduciary and professional standards while performing its mission, with a continued emphasis on keeping operating and investment management costs as low as possible for the benefit of Florida taxpayers.

We encourage you to review additional information about the SBA and FRS on our website at [www.sbafla.com](http://www.sbafla.com).

### ***Key Changes since the Previous PFIA Quarterly Report***

#### **Sudan**

Companies **added** to the Sudan Scrutinized list this quarter:

- [AREF Energy Holdings Co.](#)
- [Jinan Diesel Engine Co. Ltd.](#)
- [PetroKazakhstan Finance BV](#)
- [SAJ Holdings](#)

Companies **removed** from the Sudan Scrutinized list this quarter:

- [Lundin Petroleum AB and its subsidiary, Lundin International SA](#), were removed from the scrutinized list after ceasing Sudan-related business operations.

Companies **added** to the Sudan Continued Examination list this quarter:

- [GAZ Group](#)

#### **Iran**

Companies **added** to the Iran Scrutinized list this quarter:

- [Persian Gold PLC](#)

Companies **added** to the Iran Continued Examination list this quarter:

- [Siemens AG](#)

Companies **removed** from the Iran Continued Examination list this quarter:

- [Persian Gold PLC](#) was moved to the scrutinized companies list this quarter.

**Table 1: Scrutinized Companies with Activities in Sudan**  
**New companies on the list are shaded and in bold.**

Company	Country of Incorporation	Date of Initial Scrutinized Classification
Alstom	France	September 19, 2007
Alstom Projects India	India	April 14, 2009
Arab Aluminum Co SAE	Egypt	April 14, 2009
<b>AREF Energy Holdings Co.</b>	<b>Kuwait</b>	<b>July 28, 2009</b>
AREF Investment Group	Kuwait	December 18, 2007
AviChina Industry & Technology Company Limited	China	September 19, 2007
Bharat Heavy Electricals, Ltd.	India	September 19, 2007
Bongaigaon Refinery & Petrochemicals	India	September 19, 2007
Chennai Petroleum Corp Ltd	India	September 19, 2007
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
CNPC Hong Kong Ltd.	Hong Kong	September 19, 2007
Daqing Huake Group Co Ltd	China	March 25, 2008
Dietswell SA	France	January 13, 2009
Dongan Motor (aka Harbin Dongan Auto Engine)	China	September 19, 2007
DongFeng Automobile Co Ltd	China	September 19, 2007
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Electricity Generating Public Co	Thailand	September 19, 2007
Favelle Favco	Malaysia	April 14, 2009
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Hafei Aviation Industry Co Ltd	China	September 19, 2007
Harbin Power Equipment	China	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Jiangxi Changhe Automobile	China	September 19, 2007
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
<b>Jinan Diesel Engine Co. Ltd.</b>	<b>China</b>	<b>July 28, 2009</b>
Kejuruteraan Samudra Timur Bhd	Malaysia	September 19, 2007
Kencana Petroleum Berhad	Malaysia	December 18, 2007
Khanom Electricity Generating Co	Thailand	December 18, 2007
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
KMCOB Capital Bhd	Malaysia	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007



<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Muhibbah Engineering BHD	Malaysia	September 19, 2007
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
Optimal Olefins Sdn Bhd	Malaysia	September 19, 2007
PECD Bhd.	Malaysia	September 19, 2007
PetroChina	China	September 19, 2007
<b>PetroKazakhstan Finance BV</b>	<b>Canada</b>	<b>July 28, 2009</b>
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Ranhill Bhd	Malaysia	September 16, 2008
Ranhill Labuan Ltd.	Malaysia	April 14, 2009
Ranhill Powertron Sdn	Malaysia	April 14, 2009
<b>SAJ Holdings</b>	<b>Malaysia</b>	<b>July 28, 2009</b>
Scomi Engineering BHD	Malaysia	September 19, 2007
Scomi Group Bhd	Malaysia	September 19, 2007
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Wartsila Oyj	Finland	December 18, 2007
Wuhan Boiler Company	China	September 19, 2007
<b># of Companies</b>	<b>59</b>	

The following companies were **removed** from the Scrutinized Company list for SUDAN during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<i>Lundin International SA</i>	<i>France</i>
<i>Lundin Petroleum AB</i>	<i>Sweden</i>

**Table 2: Continued Examination Companies with Activities in Sudan**

New companies on the list are shaded and in bold.

<b>Company</b>	<b>Country of Incorporation</b>
ABB Ltd.	Switzerland
Areva SA	France
Bharat Electronics Limited	India
Bollore Group	France
<b>GAZ Group</b>	<b>Russia</b>
Korea Plant Service and Engineering Co. Ltd.	South Korea
La Mancha Resources	Canada
LS industrial Systems Co. Ltd.	South Korea
Managem	Morocco
MMC Bhd	Malaysia
Nam Fatt	Malaysia
China North Industries Group Corp (CNGC/Norinco)	China
PetroFac	United Kingdom
Sinohydro	China
Sudan Telecommunications (Sudatel)	Sudan
Total SA	France
<b># of Companies</b>	<b>16</b>

No companies were **removed** from the Continued Examination list for SUDAN during the quarter.

**Table 3: Scrutinized Companies with Activities in the Iran Petroleum Energy Sector**  
 New companies on the list are shaded and in bold. No companies were **removed** from the list during the quarter.

Company	Country of Incorporation	Date of Initial Scrutinized Classification
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
CNPC Hong Kong Ltd.	Hong Kong	September 19, 2007
ENI	Italy	September 19, 2007
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Gazprom	Russia	September 19, 2007
Gazprom Neft	Russia	September 16, 2008
GS Engineering & Construction Corp.	S. Korea	September 16, 2008
GS Holdings	S. Korea	September 19, 2007
Indian Oil Corp Ltd (IOCL)	India	September 19, 2007
Inpex Corp.	Japan	September 19, 2007
Kingdream PLC	China	April 14, 2009
KLCC Property Holdings Bhd	Malaysia	April 14, 2009
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Mosenergo	Russia	September 16, 2008
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
Optimal Olefins Sdn Bhd	Malaysia	September 19, 2007
<b>Persian Gold PLC</b>	<b>United Kingdom</b>	<b>July 28, 2009</b>
Petrobras Energia (Participaciones)	Argentina	April 14, 2009
PetroChina	China	September 19, 2007
Petroleo Brasileiro (Petrobras)	Brazil	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Dagangan Bhd	Malaysia	September 19, 2007
Petronas Gas Berhad	Malaysia	September 19, 2007
Repsol YPF	Spain	September 19, 2007
Royal Dutch Shell PLC	United Kingdom	September 19, 2007
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical Fibre	China	March 25, 2008
Snam Rete Gas	Italy	September 19, 2007
StatoilHydro	Norway	September 19, 2007
Total (Nigeria) PLC	Nigeria	March 25, 2008
Total SA	France	September 19, 2007
<b># of Companies</b>	<b>36</b>	

**Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran**

New companies on the list are shaded and in bold.

<b>Company</b>	<b>Country of Incorporation</b>
Aker Kvaerner ASA	Norway
CNOOC Ltd.	China
Daelim Industrial Co.	South Korea
Edison Spa	Italy
Engineers India Ltd.	India
GAIL Ltd.	India
GVA Consultants	Sweden
Hyundai Engineering & Construction Co.	South Korea
Hyundai Heavy Industries	South Korea
Liquefied Natural Gas LNFL	Australia
Lukoil OAO	Russia
OMV AG	Austria
Petrofac Ltd.	United Kingdom
PT Citra Tubindo Tbk	Indonesia
PTT Exploration & Production PCL	Thailand
Samsung Engineering Co. Ltd.	Korea
Sasol Ltd.	South Africa
Siam Cement PCL	Thailand
<b>Siemens AG</b>	<b>Germany</b>
Technip	France
Trevi-Finanziaria Industriale SpA	Italy
Welspun-Gujarat Stahl Rohren Ltd.	India
<b># of Companies</b>	<b>22</b>

The following companies were **removed** from the Continued Examination list for IRAN during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<i>Persian Gold PLC</i>	<i>United Kingdom</i>

**Table 5: Correspondence & Engagement Efforts with Scrutinized Companies**

In accordance with Section 215.473(3)(a), F.S., the SBA began to engage companies on the September 19, 2007, Scrutinized Company lists. The SBA sent letters to each Scrutinized Company that was owned and held as of September 19, 2007, per the requirements of the law.

The SBA also sent written communication to other scrutinized firms since the initial company engagement effort in September 2007. Each letter encouraged the company to cease any active business operations within 90 days or convert such operations to inactive status to avoid qualifying for divestment by the SBA. In addition, the SBA sent a second letter to scrutinized companies on January 25, 2008, again requesting companies to provide all information necessary to avoid divestment.

On September 30, 2008, the SBA sent a follow-up letter to all Scrutinized Companies. Although, these companies are no longer held by the SBA, the September 30, 2008 letter was intended to once again provide notice of the requirements of the PFIA. Since our original correspondence, several companies on the scrutinized list have replied with valuable information. Each company's response and classification status is summarized below. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Status
ABB	Yes; January 29, 2009	Moved to Sudan Continued Examination List
Alstom	Yes; October 1, 2007	Sudan Scrutinized Classification Continues
Bharat Heavy Electricals Limited	Yes; October 4, 2007	Sudan Scrutinized Classification Continues
Bow Valley Energy	Yes; October 22, 2008	Removed from Iran Scrutinized List
Chennai Petroleum Corporation Limited	Yes; October 16, 2008	Sudan Scrutinized Classification Continues
China Petroleum & Chemical Corp (Sinopec)	No	Iran & Sudan Scrutinized Classification Continues
CNPC Hong Kong Limited	Yes; October 5, 2007 and May 24, 2008	Iran & Sudan Scrutinized Classification Continues
Electricity Generating PCL	No	Sudan Scrutinized Classification Continues
ENI	Yes; February 13, 2008	Iran Scrutinized Classification Continues
Gazprom	Yes; November 1, 2007	Iran Scrutinized Classification Continues
Harbin Power Equipment	No	Sudan Scrutinized Classification Continues
Indian Oil Corp Ltd (IOCL)	No	Iran & Sudan Scrutinized Classification Continues
Inpex Corp.	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Kencana Petroleum	Yes; October 31, 2008	Sudan Scrutinized Classification Continues
Lukoil OAO	Yes; October 8, 2007	Moved to Iran Continued Examination List
Lundin Petroleum AB	Yes; October 17, 2008	Removed from Sudan Scrutinized List
Lundin International SA	No	Removed from Sudan Scrutinized List
MISC Bhd	No	Iran & Sudan Scrutinized Classification Continues
Norsk Hydro	Yes; November 30, 2007	Removed from Iran Scrutinized List
OMV AG	Yes; November 6, 2007	Moved to Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	No	Iran & Sudan Scrutinized Classification Continues
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues

Company	Company Responsive to SBA Communications	Status
Repsol YPF	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Royal Dutch Shell PLC	Yes; October 5, 2007	Iran Scrutinized Classification Continues
Sinopec Kantons Holdings	No	Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Iran Scrutinized Classification Continues
StatoilHydro	Yes; February 4, 2008	Iran Scrutinized Classification Continues
Total SA	Yes; October 12, 2007	Iran Scrutinized Classification Continues
Wärtsilä Oyj	Yes; December 4, 2007	Sudan Scrutinized Classification Continues

**Table 6: Correspondence & Engagement Efforts with Continued Examination Companies**

In addition to Scrutinized Companies, the SBA engaged companies on our initial September 19, 2007 Continued Examination company lists. The SBA also sent written communication to firms added to the Continued Examination list since the initial company engagement effort in September 2007. Such companies were asked to provide information to the SBA in order to assist us in determining the extent of their activities, if any, in Sudan and Iran. The SBA sent a follow-up letter to all companies on September 30, 2008. Each company's response and classification is summarized below.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construcción y Servicios S.A.(ACS)	No	Removed from Iran List
<a href="#">Aggreko PLC</a>	<a href="#">Yes; January 28, 2008</a>	Removed from Iran List
<a href="#">Air Liquide</a>	<a href="#">Yes; November 30, 2007 January 28, 2008</a>	Removed from Iran List
Aker Kvaerner ASA	No	Iran CE Classification Continues
AREF Investment Group	No	Sudan CE Classification Continues
<a href="#">Areva SA</a>	<a href="#">Yes; October 27, 2008</a>	Sudan CE Classification Continues
<a href="#">Bauer Aktiengesellschaft</a>	<a href="#">Yes; March 13, 2008</a>	Removed from Sudan List
<a href="#">BG Group</a>	<a href="#">Yes; November 23, 2007</a>	Removed from Iran List
Bharat Electronics Limited	No	Sudan CE Classification Continues
Bollere Group	No	Sudan CE Classification Continues
<a href="#">CNOOC Ltd</a>	<a href="#">Yes; October 28, 2008</a>	Iran CE Classification Continues
<a href="#">Costain Group PLC</a>	<a href="#">Yes; November 5, 2007</a>	Removed from Iran List
Daelim Industrial Co.	No	Iran CE Classification Continues
<a href="#">Engineers India Ltd.</a>	<a href="#">Yes; October 16, 2008</a>	Iran CE Classification Continues
<a href="#">Essar Oil</a>	<a href="#">Yes; January 9, 2009</a>	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan list
<a href="#">GVA Consultants</a>	<a href="#">Yes; September 26, 2007</a>	Iran CE Classification Continues
ICSA India Limited	No	Removed from Sudan List
<a href="#">Itochu Corp</a>	<a href="#">Yes; May 9, 2008</a>	Removed from Iran List
<a href="#">JGC Corp</a>	<a href="#">Yes; October 1, 2007</a>	Removed from Iran List
<a href="#">La Mancha Resources</a>	<a href="#">Yes; October 21, 2008</a>	Sudan CE Classification Continues
<a href="#">Linde AG</a>	<a href="#">Yes; November 14, 2007</a>	Removed from Iran List
Liquefied Natural Gas LNG	No	Iran CE Classification Continues
<a href="#">Mitsubishi Heavy Industries Ltd.</a>	<a href="#">Yes; October 26, 2007</a>	Removed from Iran List
<a href="#">Mitsui &amp; Co.</a>	<a href="#">Yes; October 17, 2007</a>	Removed from Iran List
<a href="#">Mitsui Engineering &amp; Shipbuilding</a>	<a href="#">Yes; November 21, 2007 December 18, 2007</a>	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Sudan CE Classification Continues
<a href="#">Saipem</a>	<a href="#">Yes; December 12, 2007</a>	Removed from Iran List
Samsung Engineering Co. Ltd.	No	Iran CE Classification Continues

Company	Company Responsive to SBA Communications	Continued Examination Status
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	No	Iran CE Classification Continues
Schlumberger Limited NV	Yes; October 19, 2007	Removed from Iran and Sudan Lists
Siam Cement PCL	Yes; October 21, 2008	Iran CE Classification Continues
SNC - Lavalin Group Inc.	Yes; September 25, 2007	Removed from Iran List
Sudan Telecommunications (Sudatel)	No	Sudan CE Classification Continues
Technip	No	Iran CE Classification Continues
The Weir Group PLC	Yes; November 16, 2007	Removed from Iran and Sudan Lists
Total SA	Yes; October 12, 2007	Sudan CE Classification Continues
Weatherford International, Ltd.	No	Removed from Sudan List



### **Key Dates for PFIA Activities**

**June 8, 2007** — Legislation's effective date, upon becoming a law.

**August 6, 2007** — SBA letter to state agencies requesting data on all publicly traded securities held directly by the State.

**August 20, 2007** — First of two letters to investment managers providing written notice of PFIA enactment and amendment to Schedule B of investment management contracts.

**September 19, 2007** — SBA assembles initial Scrutinized Companies lists for Sudan and Iran.

**September 20, 2007** — SBA engages companies classified as either Scrutinized or needing Continued Examination through written correspondence, subsequent conference calls and additional communication. SBA disclosed the Scrutinized Companies lists on its website, including reporting of all equities held by the State.

**September 21, 2007** — Second of two letters to investment managers providing Scrutinized Companies lists.

**October 16, 2007** — SBA formally submits the Scrutinized Companies lists to the Legislature and the United States Special Envoy to Sudan, and continues to do so every quarter.

**November 30, 2007** — SBA sends notification via email to any owned scrutinized company that has not responded to initial written correspondence. Similar notification was sent to each company classified as needing continued examination.

**December 18, 2007** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date.

**January 25, 2008** — SBA sends additional notice of divestment and request for information to all Scrutinized Companies, with emphasis to companies that have been unresponsive to the SBA's prior request for the necessary information.

**March 25, 2008** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**June 10, 2008** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**July 1, 2008** — In March 2008, the SBA developed a policy approach directing all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008.

**September 16, 2008** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**September 18, 2008** — Statutory deadline for the SBA to complete divestment of *initial* Scrutinized Companies (i.e., within 12 months of their initial appearance on the September 19, 2007 list), if they do not stop scrutinized active business operations.

**January 13, 2009** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**April 14, 2009** — SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**July 28, 2009**— SBA assembles updated Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities to date and related investment activity.

**March 1, 2010**— Prior to this date, the SBA is to identify and offer at least one terror-free investment product for the FRS Investment Plan.

### **Summary of Investments Sold, Redeemed, Divested or Withdrawn**

In accordance with the PFIA, the SBA must divest all holdings of any scrutinized companies within 12 months of their original appearance on the prohibited securities list. Since September 20, 2007, there has been no increase (i.e. additional, new buying) in holdings of any scrutinized companies. External managers are contractually responsible for administering investments in accordance with restrictions set forth by the SBA, including the prohibited securities list of the PFIA. Beginning in April 2008, the SBA developed a policy approach that directed all affected managers to sell their remaining PFIA related holdings no later than July 1, 2008, approximately three months earlier than the statutory deadline of September 18, 2008. Historical divestment transaction data is contained in prior PFIA Quarterly Reports.

Below is a table showing the aggregate amounts divested by the SBA, by company, since the PFIA's inception:

Royal Dutch Shell	\$215,784,700.79
Total SA	\$214,536,015.45
Petroleo Brasileiro SA	\$206,135,264.10
ENI	\$141,403,034.78
Gazprom (a.k.a. OAO Gazprom)	\$71,275,453.14
Alstom	\$65,897,698.67
Repsol YPF	\$53,420,179.87
StatoilHydro	\$44,648,662.58
China Petroleum and Chemical Corp (CPCC) Sinopec	\$38,455,440.48
PetroChina	\$25,723,158.75
Inpex Corp.	\$24,835,110.63
MISC Bhd	\$16,448,397.44
Snam Rete Gas	\$9,596,905.78
Lukoil OAO**	\$9,487,631.46
OMV AG **	\$8,601,977.98
Wärtsilä Oyj	\$1,797,871.96
Petrofac Ltd **	\$1,496,881.43
The Weir Group PLC **	\$1,322,666.62
Lundin Petroleum AB **	\$1,133,120.04
Oil & Natural Gas Corporation (ONGC)	\$945,363.83
Petrobras Energia (Participaciones)	\$298,632.08
Dongfeng Motor Group	\$158,623.49
Electricity Generating Public Company	\$121,321.38
Gazprom Neft	\$37,892.73
	<b>\$1,153,562,006</b>
** Denotes a company which is no longer on the Prohibited Companies list.	

In accordance with the PFIA, the SBA will report on the performance implications of PFIA-related divestitures and restrictions. Generally, the impact of PFIA legislation on performance is measured as the opportunity cost of not being able to hold prohibited securities, measured by comparing the monthly return of the standard foreign equity benchmark (i.e., the MSCI ACWI ex-US) to a custom foreign equity benchmark based upon PFIA divestiture requirements. The difference in returns between the standard benchmark and custom benchmark represents the opportunity cost to the SBA of not being able to invest in (or hold) prohibited companies. The percent return difference is then applied to the average monthly balance of foreign equity investments to determine a dollar impact. Monthly dollar impacts, whether positive or negative, are added together through time and then compared to the total value of the FRS Pension Plan to determine the percentage or basis point impact of PFIA legislation.

**Table 7: List of Prohibited Investments (Scrutinized Companies)**

New companies on the list are shaded and in bold.

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
Alstom	Sudan	France	September 19, 2007	Yes
Alstom Projects India	Sudan	India	April 14, 2009	Yes
Arab Aluminum Co SAE	Sudan	Egypt	April 14, 2009	Yes
<b>AREF Energy Holdings Co.</b>	<b>Sudan</b>	<b>Kuwait</b>	<b>July 28, 2009</b>	<b>Yes</b>
AREF Investment Group	Sudan	Kuwait	December 18, 2007	Yes
AviChina Industry & Technology Company Limited	Sudan	China	September 19, 2007	Yes
Bharat Heavy Electricals, Ltd.	Sudan	India	September 19, 2007	Yes
Bongaigaon Refinery & Petrochemicals	Sudan	India	September 19, 2007	Yes
Chennai Petroleum Corp Ltd	Sudan	India	September 19, 2007	Yes
China Petroleum & Chemical Corp (CPCC) Sinopec	Sudan & Iran	China	September 19, 2007	Yes
CNPC Hong Kong Ltd.	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Dietswell SA	Sudan	France	January 13, 2009	Yes
Dongan Motor (aka Harbin Dongan Auto Engine)	Sudan	China	September 19, 2007	Yes
DongFeng Automobile Co Ltd	Sudan	China	September 19, 2007	Yes
Egypt Kuwait Holding Co. SAE	Sudan	Kuwait	January 13, 2009	Yes
Electricity Generating Public Co	Sudan	Thailand	September 19, 2007	Yes
ENI	Iran	Italy	September 19, 2007	Yes
Favelle Favco	Sudan	Malaysia	April 14, 2009	Yes
Gas District Cooling (Putrajaya) Sdn Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
Gazprom	Iran	Russia	September 19, 2007	Yes
Gazprom Neft	Iran	Russia	September 16, 2008	Yes
GS Engineering & Construction Corp.	Iran	S. Korea	September 16, 2008	Yes
GS Holdings	Iran	S. Korea	September 19, 2007	Yes
Hafei Aviation Industry Co Ltd	Sudan	China	September 19, 2007	Yes
Harbin Power Equipment	Sudan	China	September 19, 2007	Yes
Indian Oil Corp Ltd (IOCL)	Sudan & Iran	India	September 19, 2007	Yes
Inpex Corp.	Iran	Japan	September 19, 2007	Yes
Jiangxi Changhe Automobile	Sudan	China	September 19, 2007	Yes
Jiangxi Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
<b>Jinan Diesel Engine</b>	<b>Sudan</b>	<b>China</b>	<b>July 28, 2009</b>	<b>Yes</b>
Kejuruteraan Samudra Timur Bhd	Sudan	Malaysia	September 19, 2007	Yes
Kencana Petroleum Berhad	Sudan	Malaysia	December 18, 2007	Yes
Khanom Electricity Generating Co	Sudan	Thailand	December 18, 2007	Yes
Kingdream PLC	Sudan & Iran	China	April 14, 2009	Yes

Company	Scrutinized Country	Country of Incorporation	Initial Appearance on Scrutinized List	Full Divestment
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
KMCOB Capital Bhd	Sudan	Malaysia	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan	India	September 19, 2007	Yes
Midciti Resources Sdn Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
MISC Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
MISC Capital Ltd.	Sudan & Iran	Malaysia	April 14, 2009	Yes
Mosenergo	Iran	Russia	September 16, 2008	Yes
Muh bbah Engineering BHD	Sudan	Malaysia	September 19, 2007	Yes
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
Optimal Olefins Sdn Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
PECD Bhd.	Sudan	Malaysia	September 19, 2007	Yes
<b>Persian Gold</b>	<b>Iran</b>	<b>United Kingdom</b>	<b>July 28, 2009</b>	<b>Yes</b>
Petrobras Energia (Participaciones)	Iran	Argentina	April 14, 2009	Yes
PetroChina	Sudan & Iran	China	September 19, 2007	Yes
<b>PetroKazakhstan</b>	<b>Sudan</b>	<b>Canada</b>	<b>July 28, 2009</b>	<b>Yes</b>
Petroleo Brasileiro (Petrobras)	Iran	Brazil	September 19, 2007	Yes
Petroliam Nasional (Petronas)	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Capital Limited	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Dagangan Bhd	Sudan & Iran	Malaysia	September 19, 2007	Yes
Petronas Gas Berhad	Sudan & Iran	Malaysia	September 19, 2007	Yes
Ranhill Bhd	Sudan	Malaysia	September 16, 2008	Yes
Ranhill Labuan Ltd.	Sudan	Malaysia	April 14, 2009	Yes
Ranhill Powertron Sdn	Sudan	Malaysia	April 14, 2009	Yes
Repsol YPF	Iran	Spain	September 19, 2007	Yes
Royal Dutch Shell PLC	Iran	United Kingdom	September 19, 2007	Yes
<b>SAJ Holdings</b>	<b>Sudan</b>	<b>Malaysia</b>	<b>July 28, 2009</b>	<b>Yes</b>
Scomi Engineering BHD	Sudan	Malaysia	September 19, 2007	Yes
Scomi Group Bhd	Sudan	Malaysia	September 19, 2007	Yes
Sinopec Finance	Sudan & Iran	China	April 14, 2009	Yes
Sinopec Kantons Holdings Ltd	Sudan & Iran	Bermuda	September 19, 2007	Yes
Sinopec Shanghai Petrochemical	Sudan & Iran	China	September 19, 2007	Yes
Sinopec Yizheng Chemical Fibre	Sudan & Iran	China	March 25, 2008	Yes
Snam Rete Gas	Iran	Italy	September 19, 2007	Yes
StatoilHydro	Iran	Norway	September 19, 2007	Yes
Total (Nigeria) PLC	Iran	Nigeria	March 25, 2008	Yes
Total SA	Iran	France	September 19, 2007	Yes
Wartsila Oyj	Sudan	Finland	December 18, 2007	Yes

---

<b>Company</b>	<b>Scrutinized Country</b>	<b>Country of Incorporation</b>	<b>Initial Appearance on Scrutinized List</b>	<b>Full Divestment</b>
Wuhan Boiler Company	Sudan	China	September 19, 2007	Yes
<b># of Companies</b>	<b>75</b>	-	-	

**Table 8: SBA Holdings in Prohibited Investments Subject to Divestment**

[For the reporting period April 1, 2009 to June 30, 2009]

The SBA currently has no holdings in companies on the July 28, 2009 Prohibited Investments list in accounts subject to the PFIA divestiture requirements.

Due to its initial appearance on the Prohibited Investments list last quarter, Petrobras Energia was the only investment holding subject to divestment under the PFIA. All Petrobras Energia shares have been divested, as noted in the table below.

<b>Date</b>	<b>Company</b>	<b>Action</b>	<b>Number of Shares</b>	<b>Account Name</b>
4/2/2009	Petrobras Energia Participaciones ADR	<b>Sold</b>	15,200	FRSFGHN010 ACADIAN
4/15/2009	Petrobras Energia Participaciones ADR	<b>Sold</b>	33,384	FRSFGHN010 ACADIAN

### ***Summary of Progress, SBA Investment Manager Engagement Efforts***

On August 20, 2007, the SBA sent letters to 66 external investment managers notifying them of the Act and informing them of new contract language that would enforce their cooperation with the requirements of the new law.

On September 19, 2007, the SBA sent letters to all affected managers outlining the list of prohibited securities for any future purchases. The letter described the SBA's engagement process with companies on the list, which affords companies a 90-day period in which to comply with the conditions of the law or clarify their activities. The letter directed these managers to cease purchase of securities on the list and to await the direction of the SBA for any divestment necessary in the event engagement fails, with a deadline for divestment under the law of September 18, 2008.

On September 19, 2007, the SBA sent letters to actively-managed, indirectly held funds holding scrutinized securities, including managers of the defined contribution program, asking the funds to review the list of scrutinized securities and consider eliminating such holdings from the portfolio or create a similar fund, devoid of such holdings, per the requirements of the law.

Each quarter, the SBA sends written and electronic notification to all affected managers about the list of prohibited companies.

The SBA has received responses noting our concerns in writing and by telephone from several of the contacted managers.

***Listing of All Publicly Traded Securities (Including Equity Investments)***

Due to the large number of individual securities and the volume of information, this list has been electronically posted to the SBA's website and is updated quarterly. A list of all publicly traded securities owned by the State of Florida can be found at [www.sbafla.com](http://www.sbafla.com) within the PFIA information section. Please observe the electronic report's notes page for important clarifying explanations of included data.



For more information, please contact:

Florida State Board of Administration (SBA)  
Investment Programs & Governance  
1801 Hermitage Blvd., Suite #100  
Tallahassee, FL 32308  
[www.sbafla.com](http://www.sbafla.com)

or send an email to:

[pfia@sbafla.com](mailto:pfia@sbafla.com)