

# Protecting Florida's Investments Act (PFIA)

## Quarterly Report – February 22, 2011



**4Q / 2010**

FLORIDA STATE BOARD OF ADMINISTRATION



[www.sbafla.com](http://www.sbafla.com)

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### ***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 December 31, 2010, the net asset value of total funds under SBA management was approximately \$151 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).

## **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 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 FRSTF Investment Policy Statement (IPS) of SBA actions taken in accordance with the PFIA. Changes to the IPS are reviewed by the Investment Advisory Council (IAC) 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 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 with the effect of 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-subsidary 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-subsidary 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 (the Sudan List and the Iran List) of Scrutinized Companies with active business operations. The lists are developed by principally relying on the research and findings of our "External Research Providers". Below is a brief description of our External Research Providers. MSCI has acquired and combined the operations of two of our longtime providers, RiskMetrics Group and KLD Research & Analytics, resulting in MSCI ESG Research. To maintain input from multiple consultants, we have added research from IW Financial and Jantzi-Sustainalytics.

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. **MSCI ESG Research (MSCI).** MSCI combined, through acquisition, the resources of the RiskMetrics Group (Institutional Shareholder Services) and KLD Research & Analytics (KLD). MSCI delivers proxy voting and corporate governance analysis to institutional investors. Through its ESG Research unit, MSCI offers screening services with specific and unique components of state law pertaining to investments in sanctioned countries, including Sudan and Iran. Although MSCI's integration of legacy research platforms offered by ISS and KLD has been virtually completed, company research from both firms was used in this quarter's analysis. For future quarterly reports, company research from MSCI will supplant the research formerly supplied by ISS and KLD.
1. **IW Financial (IWF).** IWF is a provider of environmental, social, and governance research and consulting. IWF partners with Conflict Securities Advisory Group (CSAG) to provide clients with detailed information on the business ties of publicly traded companies in Sudan and Iran.
2. **Jantzi-Sustainalytics, Inc. (Jantzi).** Jantzi provides environmental, social and governance research and analysis, sustainability benchmarks, and investment services, and is the result of the merger between Jantzi Research, Inc. and Sustainalytics in 2009. Jantzi's company database, "Sustainalytics Global Platform," covers business operations in both Iran and Sudan.

SBA staff within the Investment Programs & Governance unit, as well as other senior investment staff, review the assessments of the External Research Providers and other publicly available information. The SBA has utilized the following sources to evaluate over 250 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:

- U.S. Treasury, Office of Foreign Asset Control (OFAC)
- U.S. Government Accountability Office (GAO)
- SEC Office of Global Security (EDGAR)
- 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”** — Information provided by several 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]. Upon SBA review, no other information sources clearly contradict the conclusions of the External Research Providers.
2. **“Continued Examination”** — At least one External Research Provider 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.

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

#### **Sudan**

Companies added to the Sudan Scrutinized List this quarter:

- None

Companies removed from the Sudan Scrutinized List this quarter:

- **Bharat Heavy Electricals, Ltd.** was removed because it is no longer scrutinized by any external provider.
- **PECD Bhd.** was removed because it is no longer scrutinized by any external provider.

Companies added to the Sudan Continued Examination List this quarter:

- **ASEC Company for Mining S.A.E.**
- **Bharat Heavy Electricals, Ltd.**
- **Drake & Scull International PJSC**

Companies removed from the Sudan Continued Examination List this quarter:

- None

***Recent developments with respect to Sudan: On February 7, 2011, the U.S. Department of State recognized the Southern Sudan referendum results and the creation of the Government of Southern Sudan. Secretary of State Clinton also declared that the United States is “initiating the process of withdrawing Sudan’s State Sponsor of Terrorism designation, the first step of which is initiating a review of that designation.” In the future, such developments may affect the Sudan divestment criteria of the PFIA (see page 4, item 10 for more criteria).***

#### **Iran**

Companies added to the Iran Scrutinized List this quarter:

- None

Companies removed from the Iran Scrutinized List this quarter:

- None

Companies added to the Iran Continued Examination List this quarter:

- **China Oilfield Services Limited**
- **Saipem SpA**

Companies removed from the Iran Continued Examination List this quarter:

- None

**Table 1: Scrutinized Companies with Activities in Sudan**  
**New companies on the list are shaded and in bold (none this quarter).**

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
Alstom	France	September 19, 2007
Alstom Projects India	India	April 14, 2009
AREF Energy Holdings Co.	Kuwait	July 28, 2009
AviChina Industry & Technology Company Limited	China	September 19, 2007
Chennai Petroleum Corp Ltd	India	September 19, 2007
China Petroleum & Chemical Corp (CPCC) Sinopec	China	September 19, 2007
China Petroleum Finance Co.	China	November 9, 2010
Daqing Huake Group Co Ltd	China	March 25, 2008
Dongan Motor (aka Harbin Dongan Auto Engine)	China	September 19, 2007
Dongfeng Motor Group Co. Ltd.	China	July 29, 2010
Egypt Kuwait Holding Co. SAE	Kuwait	January 13, 2009
Electricity Generating Public Co	Thailand	September 19, 2007
Gas District Cooling (Putrajaya) Sdn Bhd	Malaysia	April 14, 2009
Groupe ONA (ONA SA)	Morocco	November 9, 2010
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 Hongdu Aviation (aka Hongdu Aviation)	China	September 19, 2007
Jinan Diesel Engine Co. Ltd.	China	July 28, 2009
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
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
Kuwait Finance House	Kuwait	April 14, 2009
Lanka IOC Ltd	India	September 19, 2007
Managem SA	Morocco	November 9, 2010
Mangalore Refinery & Petrochemicals Ltd	India	September 19, 2007
Midciti Resources Sdn Bhd	Malaysia	September 19, 2007
MISC Bhd	Malaysia	September 19, 2007
MISC Capital Ltd.	Malaysia	April 14, 2009
Oil & Natural Gas Corp (ONGC)	India	September 19, 2007
PetroChina	China	September 19, 2007
Petroliam Nasional (Petronas)	Malaysia	September 19, 2007
Petronas Capital Limited	Malaysia	September 19, 2007
Petronas Dagangan Bhd	Malaysia	September 19, 2007



<i>Company</i>	<i>Country of Incorporation</i>	<i>Date of Initial Scrutinized Classification</i>
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
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
Societe Metallurgique D’imiter	Morocco	November 9, 2010
Wuhan Boiler Company	China	September 19, 2007
<b># of Companies</b>	<b>48</b>	

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

<i>Removed Company</i>	<i>Country of Incorporation</i>
<i>Bharat Heavy Electricals, Ltd.</i>	<i>India</i>
<i>PECD Bhd.</i>	<i>Malaysia</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>
AREF Investment Group	Kuwait
<b>ASEC Company for Mining S.A.E.</b>	<b>Egypt</b>
<b>Bharat Heavy Electricals, Ltd.</b>	<b>India</b>
Bollore Group	France
China North Industries Group Corp (CNGC/Norinco)	China
Dongfeng Automobile Co. Ltd.	China
<b>Drake &amp; Scull International PJSC</b>	<b>United Arab Emirates</b>
El Sewedy Cables Holding Company	Egypt
GAZ Group	Russia
Glencore International AG	Switzerland
Kejuruteraan Samudra Timur Berhad	Malaysia
Kencana Petroleum Berhad	Malaysia
Korea Plant Service and Engineering Co. Ltd.	South Korea
LS Industrial Systems Co. Ltd.	South Korea
Mercator Lines Limited (Mercator Lines Singapore)	India
Nam Fatt	Malaysia
Nippon Oil Finance	Japan
Oil India Limited	India
PetroFac	United Kingdom
PTT Public Company Ltd.	Thailand
Seadrill Ltd.	Bermuda
Sinohydro	China
Sudan Telecommunications (Sudatel)	Sudan
Total SA	France
Wartsila Oyj	Finland
<b># of Companies</b>	<b>25</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 (none this quarter).*

<b>Company</b>	<b>Country of Incorporation</b>	<b>Date of Initial Scrutinized Classification</b>
China Petroleum & Chemical Corp (CPC) Sinopec	China	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
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Hong Kong	September 19, 2007
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
Persian Gold PLC	United Kingdom	July 28, 2009
PetroChina	China	September 19, 2007
Petroleum 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
Shell International Finance BV	Netherlands	October 27, 2009
Sinopec Finance	China	April 14, 2009
Sinopec Kantons Holdings Ltd	Bermuda	September 19, 2007
Sinopec Shanghai Petrochemical	China	September 19, 2007
Sinopec Yizheng Chemical F bre	China	March 25, 2008
Snam Rete Gas	Italy	September 19, 2007
Statoil ASA (fka: StatoilHydro)	Norway	September 19, 2007
Total Capital	France	November 9, 2010
Total Gabon	Gabon	November 9, 2010
Total (Nigeria) PLC	Nigeria	March 25, 2008
Total SA	France	September 19, 2007
<b># of Companies</b>	<b>36</b>	

No companies were **removed** from the Scrutinized Company List for IRAN during the quarter.

**Table 4: Continued Examination Companies with Petroleum Energy Activities in Iran**  
*New companies on the list are shaded and in bold.*

Company	Country of Incorporation
Aker Solutions ASA (fka Aker Kvaerner ASA)	Norway
<b>China Oilfield Services Ltd.</b>	<b>China</b>
CNOOC Ltd.	China
Daelim Industrial Co.	South Korea
Edison Spa	Italy
GAIL (India) Limited, aka GAIL Ltd.	India
Hyundai Engineering & Construction Co.	South Korea
Hyundai Heavy Industries	South Korea
INA-Industrija Nafta DD	Croatia
Liquefied Natural Gas LNG	Australia
Lukoil OAO	Russia
Mangalore Refinery & Petrochemicals Ltd.	India
OMV AG	Austria
Petrofac Ltd.	United Kingdom
PTT Exploration & Production PCL	Thailand
<b>Saipem SpA</b>	<b>Italy</b>
Sasol Ltd.	South Africa
Siam Cement PCL	Thailand
Technip	France
Welspun Corp. Limited (fka Welspun-Gujarat Stahl Rohren Ltd.)	India
<b># of Companies</b>	<b>20</b>

No companies were **removed** from the Continued Examination Company List for IRAN during the quarter.

**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	Removed from Sudan Scrutinized 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
Dongfeng Motor Group Co. Ltd.	No	Sudan Scrutinized Classification Continues
Electricity Generating PCL	No	Sudan Scrutinized Classification Continues
ENI	Yes; February 13, 2008	Iran Scrutinized Classification Continues
GAIL (India) Limited, aka GAIL Ltd.	Yes; October 5, 2010	Moved to Iran Continued Examination List
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	Moved to Sudan Continued Examination List
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Yes; October 5, 2007 and May 24, 2008	Iran & 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 and April 14, 2010	Moved to Iran Continued Examination List
PetroChina	Yes; December 22, 2008	Iran & Sudan Scrutinized Classification Continues
Petroleo Brasileiro (Petrobras)	Yes; January 13, 2010	Removed from Iran Scrutinized List

Company	Company Responsive to SBA Communications	Status
Ranhill Bhd	Yes; October 22, 2008	Sudan Scrutinized Classification Continues
Repsol YPF	Yes; October 15, 2007	Iran Scrutinized Classification Continues
Royal Dutch Shell PLC	Yes; October 5, 2007 and January 27, 2011	Iran Scrutinized Classification Continues
Sinopec Kantons Holdings Ltd.	No	Iran & Sudan Scrutinized Classification Continues
Sinopec Shanghai Petrochemical Company	No	Sudan Scrutinized Classification Continues
Snam Rete Gas	Yes; October 9, 2008	Iran Scrutinized Classification Continues
Statoil ASA (fka: StatoilHydro)	Yes; February 4, 2008 and January 24, 2011	Iran Scrutinized Classification Continues
Total Capital	January 26, 2011	Iran Scrutinized Classification Continues
Total SA	Yes; October 12, 2007 and October 29, 2010	Iran Scrutinized Classification Continues
Wärtsilä Oyj	Yes; December 4, 2007	Moved to Sudan Continued Examination List

**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. Any company that responded to the SBA's written correspondence is highlighted in blue text.

Company	Company Responsive to SBA Communications	Continued Examination Status
Actividades de Construccion y Servicios S.A.(ACS)	No	Removed from Iran List
Aggreko PLC	Yes; January 28, 2008	Removed from Iran List
Air Liquide	Yes; November 30, 2007 January 28, 2008	Removed from Iran List
Aker Solutions ASA (fka Aker Kvaerner ASA)	No	Iran CE Classification Continues
AREF Investment Group	No	Removed from Sudan List
Areva SA	Yes; October 27, 2008 December 29, 2009	Removed from Sudan List
Bauer Aktiengesellschaft	Yes; March 13, 2008	Removed from Sudan List
BG Group	Yes; November 23, 2007	Removed from Iran List
Bharat Electronics Limited	No	Removed from Sudan CE List
Bollore Group	No	Sudan CE Classification Continues
CNOOC Ltd	Yes; October 28, 2008	Iran CE Classification Continues
Costain Group PLC	Yes; November 5, 2007	Removed from Iran List
Daelim Industrial Co.	No	Iran CE Classification Continues
Engineers India Ltd.	Yes; October 16, 2008; September 9, 2010	Removed from Iran CE List
Essar Oil	Yes; January 9, 2009	Removed from Iran List
Finmeccanica SpA	No	Removed from Sudan List
Glencore International AG	Yes; September 20, 2010	Sudan CE Classification Continues
GVA Consultants	Yes; September 26, 2007 September 30, 2010	Removed from Iran CE List
ICSA India Limited	No	Removed from Sudan List
Itochu Corp	Yes; May 9, 2008	Removed from Iran List
JGC Corp	Yes; October 1, 2007	Removed from Iran List
La Mancha Resources	Yes; October 21, 2008	Removed from Sudan List
Linde AG	Yes; November 14, 2007	Removed from Iran List
Liquefied Natural Gas LNG	No	Iran CE Classification Continues
Mitsubishi Heavy Industries Ltd.	Yes; October 26, 2007	Removed from Iran List
Mitsui & Co.	Yes; October 17, 2007	Removed from Iran List
Mitsui Engineering & Shipbuilding	Yes; November 21, 2007 December 18, 2007	Removed from Iran and Sudan Lists
MMC Bhd	No	Sudan CE Classification Continues
Nam Fatt	No	Sudan CE Classification Continues



Company	Company Responsive to SBA Communications	Continued Examination Status
PT Citra Tubindo Tbk.	Yes; September 27, 2010	Removed from Iran CE List
PTT Public Company Limited	Yes; October 1, 2010	Sudan CE Classification Continues
Saipem	Yes; December 12, 2007	Removed from Iran List
Samsung Engineering Co. Ltd.	No	Removed from Iran CE List
Samsung Heavy Industries Co. Ltd.	No	Removed from Iran List
Sasol Ltd.	Yes; May 25, 2010 September 29, 2010	Iran CE Classification Continues
Seadrill Management AS	Yes; September 20, 2010	Sudan CE Classification Continues
Siam Cement Group (SCG)	Yes; September 24, 2010	Iran CE Classification Continues
Siemens AG	Yes; October 22, 2009 October 8, 2010	Removed from Iran CE List
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	Yes; April 30, 2010 and November 30, 2010	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
Trevi-Finanziaria Industriale S.p.A.	Yes; September 17, 2010	Removed from Iran CE List
Weatherford International, Ltd.	No	Removed from Sudan List
Welspun Corp. Limited (fka Welspun-Gujarat Stahl Rohen Ltd.)	Yes; September 24, 2010	Iran CE Classification Continues

### **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.

**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.

**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 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.

**March 1, 2010**— Deadline for the SBA to identify and offer at least one terror-free investment product for the FRS Investment Plan (Defined Contribution).

**Quarterly Reporting**—SBA provides quarterly updates to the Scrutinized Companies lists for Sudan and Iran, including a summary of engagement activities. PFIA quarterly reports have been issued on the following dates:

**September 19, 2007**  
**December 18, 2007**  
**March 25, 2008**  
**June 10, 2008**  
**September 16, 2008**  
**January 13, 2009**  
**April 14, 2009**  
**July 28, 2009**  
**October 27, 2009**  
**January 26, 2010**  
**April 27, 2010**  
**July 29, 2010**  
**November 9, 2010**  
**February 22, 2011**

### 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. 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 (Petrobras) **	\$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
Statoil ASA (fka: StatoilHydro)	\$46,792,677.58
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
Shell International Finance	\$8,599,813.40
Wärtsilä Oyj**	\$1,797,871.96
Petrofac Ltd **	\$1,496,881.43
The Weir Group PLC **	\$1,322,666.62
Petrobras International Finance**	\$1,148,750.00
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
** denotes companies no longer on the Prohibited Company list.	<b>\$1,165,454,584</b>

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 (none this quarter).*

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
AREF Energy Holdings Co.	Sudan	Kuwait	July 28, 2009	Yes
AviChina Industry & Technology Company Limited	Sudan	China	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
China Petroleum Finance Co.	Sudan	China	November 9, 2010	Yes
Daqing Huake Group Co Ltd	Sudan	China	March 25, 2008	Yes
Dongan Motor (aka Harbin Dongan Auto Engine)	Sudan	China	September 19, 2007	Yes
Dongfeng Motor Group Co. Ltd.	Sudan	China	July 29, 2010	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
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
Groupe ONA (ONA SA)	Sudan	Morocco	November 9, 2010	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 Hongdu Aviation (aka Hongdu Aviation)	Sudan	China	September 19, 2007	Yes
Jinan Diesel Engine	Sudan	China	July 28, 2009	Yes
Khanom Electricity Generating Co	Sudan	Thailand	December 18, 2007	Yes
Kingdream PLC	Sudan & Iran	China	April 14, 2009	Yes
KLCC Property Holdings Bhd	Sudan & Iran	Malaysia	April 14, 2009	Yes
KMCOB Capital Bhd	Sudan	Malaysia	September 19, 2007	Yes
Kunlun Energy Company Ltd. (fka: CNPC Hong Kong Limited)	Sudan & Iran	Hong Kong	September 19, 2007	Yes
Kuwait Finance House	Sudan	Kuwait	April 14, 2009	Yes
Lanka IOC Ltd	Sudan	India	September 19, 2007	Yes
Managem SA	Sudan	Morocco	November 9, 2010	Yes
Mangalore Refinery & Petrochemicals Ltd	Sudan	India	September 19, 2007	Yes
Midciti Resources Sdn Bhd	Sudan	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
Oil & Natural Gas Corp (ONGC)	Sudan & Iran	India	September 19, 2007	Yes
Persian Gold	Iran	United Kingdom	July 28, 2009	Yes

<b>Company</b>	<b>Scrutinized Country</b>	<b>Country of Incorporation</b>	<b>Initial Appearance on Scrutinized List</b>	<b>Full Divestment</b>
PetroChina	Sudan & Iran	China	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
Scomi Engineering BHD	Sudan	Malaysia	September 19, 2007	Yes
Scomi Group Bhd	Sudan	Malaysia	September 19, 2007	Yes
Shell International Finance BV	Iran	Netherlands	October 27, 2009	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
Societe Metallurgique D'imiter	Sudan	Morocco	November 9, 2010	Yes
Statoil ASA (fka: StatoilHydro)	Iran	Norway	September 19, 2007	Yes
Total Capital	Iran	France	November 9, 2010	Yes
Total Gabon	Iran	Gabon	November 9, 2010	Yes
Total (Nigeria) PLC	Iran	Nigeria	March 25, 2008	Yes
Total SA	Iran	France	September 19, 2007	Yes
Wuhan Boiler Company	Sudan	China	September 19, 2007	Yes
<b># of Companies</b>	<b>65</b>	<b>-</b>	<b>-</b>	

The following companies were **removed** from the Prohibited Investments List during the quarter.

<b>Removed Company</b>	<b>Country of Incorporation</b>
<b><i>Bharat Heavy Electricals, Ltd</i></b>	<b><i>India</i></b>
<b><i>PECD Bhd.</i></b>	<b><i>Malaysia</i></b>

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

[As of December 31, 2010]

The SBA currently has no holdings in companies on the Prohibited Investments List in accounts subject to the PFIA divestiture requirements.

**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 phone 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:

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FLORIDA STATE BOARD OF ADMINISTRATION



[www.sbafla.com](http://www.sbafla.com)