



DENISE L. NAPPIER
TREASURER

State of Connecticut
Office of the Treasurer

HOWARD G. RIFKIN
DEPUTY TREASURER

June 4, 2008

Members of the Investment Advisory Council

Re: Report on the Connecticut Retirement Plans and Trust Funds' Sudan Initiative

Dear Fellow IAC Member:

Enclosed is a full report, prepared by Shelagh McClure, Director of Compliance, regarding the activities undertaken by Treasury staff in fulfillment of the Sudan law, Conn. Gen. Stat. §3-21e. This report is provided to you pursuant to the statute, which requires the State Treasurer to report to the IAC at least once per fiscal year on actions taken under the law.

As the report details, I am sending a letter to Petroliam Nasional Bhd (Petronas) informing the company of my intention to divest from any holdings in publicly traded securities of the company or its subsidiaries within 90 days. Currently CRPTF has holdings in two Petronas subsidiaries, Petronas Capital Ltd. and MISC Bhd, valued at \$4.3 million. In addition, we are pursuing engagement with four additional companies in which CRPTF has holdings valued at approximately \$25 million.

Finally, the report explains the impact of the federal Sudan Accountability and Divestment Act on state divestment laws. You may recall that I had urged passage of a similar bill sponsored by Senator Dodd, and I am pleased at the passage of this legislation, which adds clarity to the issue of the status of state divestment laws, and confirms the validity of Sudan laws such as Connecticut's which passed prior to the federal legislation.

I look forward to your comments on these documents.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denise L. Nappier".

Denise L. Nappier
State Treasurer

OFFICE OF THE STATE TREASURER
MEMORANDUM



TO: Hon. Denise L. Nappier
CC: Howard Rifkin, Deputy Treasurer
FROM: Shelagh P. McClure, Director of Compliance *SPM*
DATE: May 30, 2008
SUBJECT: Sudan

The purpose of this memo is to report on the status of current efforts of Treasury staff under Connecticut's Sudan statute, Conn. Gen. Stat. §3-21e, and to discuss the impact of the federal Sudan Accountability and Divestment Act (SADA) which was signed into law in December, 2007.

STATUS OF COMPANY ENGAGEMENT

We reported to the IAC last May on the decision to divest and prohibit investment in the following companies:

China Petroleum and Chemical Corp. (Sinopec)
Bharat Heavy Electricals
Nam Fatt Corp.
ONGC Corp.
PECD Group
Sudatel

In addition, we had a standing prohibition on investments in PetroChina Co. Ltd.

Since May, 2007, we have been monitoring a number of companies, through media reports and the Sudan Divestment Taskforce (SDTF) web site, but no additional companies have been added to the prohibited investment list.

In January, 2008 we sent engagement letters to four companies: Alstom, MISC Bhd, Petroliaam Nasional Bhd (Petronas) and Wartsila Oyj. MISC Bhd and Wartsila were first time contacts. Based upon the responses received, we have decided to continue to monitor Alstom and Wartsila. Petronas and MISC Bhd, a Petronas subsidiary, failed to respond to our letters. The letter to Petronas marked our third try at engagement with the company, all of which went unanswered. Accordingly, we will be notifying Petronas of our intention to divest from any holdings of the company and any of its publicly traded

subsidiaries, including MISC Bhd. Under SADA (see discussion, below), divestment cannot be implemented until 90 days after the date the company receives notice of such intended action.

Finally, we intend to send engagement letters to publicly-traded affiliates of two companies currently on our prohibited list: Sinopec Shanghai Petrochemical Corp., as subsidiary of Sinopec Corp.; and CNPC (Hong Kong) Ltd., a subsidiary of CNPC Corp., the parent company of PetroChina Co. Ltd. Under both federal and state laws, these affiliates are treated as the same entity as the parent corporation. Both federal and state law authorizes divestment of a subsidiary where divestment is warranted from the parent corporation. Currently, CRPTF's prohibition on investment in Sinopec and PetroChina does not extend to affiliates.

A report of our holdings in the above companies is attached. The approximate value of CRPTF holdings is \$30 million.

IMPACT OF SADA

On December 31, President Bush signed SADA into law. It specifically authorizes state and local governments to adopt and enforce measures to divest or prohibit investment in companies conducting or having direct investments in "business operations" in Sudan, and makes clear that measures adopted prior to the effective date of the Act (such as Connecticut's law) are valid. The Act defines "business operations" as power production activities, mineral extraction activities, oil-related activities, or the production of military equipment. It excludes from the definition of "business operations", business conducted under contract with the Government of Southern Sudan, business authorized under an OFAC license or exempt from such licensure, goods or services for humanitarian, education or health purposes or provided to marginalized population in Sudan, and business operations that have been voluntarily suspended.

Under SADA, a state or local government, before it can apply a measure (i.e. divestment or prohibition on investment) to any company, must provide at least 90 days notice to the company affected in order to provide the company an opportunity to comment on any proposed action. During that period, a company may be able to demonstrate that it has no "business operations" in Sudan; if so, SADA provides that the state or local measure can not be applied to that company. The Act permits reliance on trustworthy sources of information about companies—such as the SDTF and research firms—in recognition of the fact that some companies refuse to respond to shareholder inquiries.

Although SADA does not affect actions already taken under Connecticut's Sudan statute, it does apply to ongoing engagement activities. Therefore, any further action under the Connecticut statute is subject to SADA, including the 90 day notice requirement.

Attachment

<u>Security Name</u>	<u>Market Value</u>	<u>Shares/Par Value</u>
Alstom	21,622,480.34	86,196
CNPC(Hong Kong) LTD	2,333,109.13	4,336,000
MISC BHD	1,645,300.93	576,300
Petronas Capital LTD	2,692,914.59	2,275,000
Sinopec S/Petroche	560,034.85	1,462,000
Wartsila	1,110,589.13	15,768