



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
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August 4, 2006

Report to the New Jersey Legislature
pursuant to P.L. 2005, c.162
(Investments in Sudan)

Chapter 162 of the Public Laws of 2005 (the "Act") provides that no assets of any pension and annuity fund under the jurisdiction of the Division of Investment (the "Division") shall be invested in any foreign company with an equity tie to the government of Sudan or its instrumentalities and is engaged in business in or with the same. The provisions shall not apply to the activities of any foreign company providing humanitarian aid to the Sudanese people through either a governmental or non-governmental organization. The Act requires that any investment held in violation of the provisions of the Act must be sold, redeemed, divested or withdrawn no later than August 1, 2008.

The Act requires that the Director of the Division annually file with the Legislature a report summarizing all investments sold, redeemed, divested or withdrawn in compliance with the Act. Each annual report shall provide a description of the progress which the Division has made since the previous report and since the enactment of the Act in implementing the provisions of the Act.

In accordance with the provisions of the Act, the State Investment Council and the Director of the Division reviewed the recommendations of, and consulted with an independent research firm that specializes in global security risk for portfolio determinations. In addition, the Division undertook an effort to identify which foreign

companies in its pension and annuity fund portfolios were covered by the prohibitions in the Act, by mailing questionnaires to 524 foreign corporations whose stock was purchased for such portfolios through December 20, 2005. Through responses to the questionnaires, the Division identified eight companies with equity ties to Sudan that had not been identified by the independent research firm.

As part of the implementation of the Act, the Division and the Department of the Treasury felt it was important to initiate a dialogue with companies doing business in Sudan to encourage these companies to withdraw from the country. To date, the Division has been successful in persuading two companies to withdraw their operations from Sudan.

Barclays PLC, which through a subsidiary had a lending and banking relationship with the government of Sudan, has terminated these relationships and implemented a company-wide prohibition on any business activities in the country. Roche Holdings, Ltd. also terminated its equity ties to Sudan after a series of communications, although this occurred after divestment. The Division commends both companies for their actions.

In addition, the Division received commitments from two other companies to withdraw their operations from Sudan. Diageo PLC represented that, in response to the concerns raised by the State of New Jersey, it will be terminating its business activities in Sudan. The Division also met with representatives of Novartis AG on several occasions to discuss their equity ties to Sudan. Representatives of Novartis have represented that they have commenced actions to bring the company into compliance with the Act. If and when these companies follow through on their representations and bring their companies into compliance with the Act, the Division will be permitted to again hold their shares in the pension and annuity fund portfolios.

The Division also submitted shareholder resolutions to two Swiss companies (Nestle SA and Syngenta AG) asking shareholders to require that they cease any operations in the Sudan. Unfortunately, both companies rejected the inclusion of these proposals in their annual proxies.

As of May 23, 2006, well ahead of the three year timeline required by the Act, the Division had divested all of the holdings that had been identified as being in violation with the provisions of the Act. The individual stocks and sales proceeds for each are listed below:

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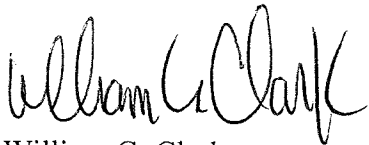
Company	Shares	Sale Proceeds (000's)
ABB Ltd.	2,000,000	\$ 27,078
AstraZeneca PLC	2,475,000	130,575
Daihatsu Motor	2,500,000	26,191
Deutsche Lufthansa AG	4,000,000	72,212
Diageo PLC	13,000,000	212,274
Ericsson	61,500,000	268,366
Novartis AG	3,500,000	198,160
Nestle SA	700,000	204,282
Roche Holdings Ltd (1)	1,050,000	162,152
Royal Dutch Shell	2,936,665	94,858
Schlumberger Ltd.	3,876,200	284,569
SGS SA	97,952	89,723
Siemens AG	800,000	73,661
Sony Corp.	1,283,400	58,881
Sumitomo Corp	1,700,000	24,545
Syngenta AG	1,000,000	70,623
Total SA	591,324	164,414
	103,010,541	\$ 2,162,564

(1) Subsequent to divestment, the Division was informed that Roche Holdings Ltd. terminated its equity tie to the government of Sudan. Roche Holdings, Ltd. is currently eligible for investment.

The Division also identified the following additional companies which have equity ties to the government of Sudan or its instrumentalities and are engaged in business in or with the same which will not be eligible for investment by the pension and annuity fund portfolios: Alcatel SA, Alstom SA, AMEC PLC, BAE Systems PLC, Bollore, Deutsche Post SG, Harbin Power Equipment Co. Ltd, Lafarge SA, Lundin Petroleum, Sojitz Holdings Corp. and Weir Group PLC.

On July 17, 2006, the Rules of the State Investment Council were revised to expand the permitted emerging market countries eligible for investment by the pension and annuity fund portfolios. Prior to investing in any of the companies incorporated in these countries, the Division will identify those which have equity ties to the government of Sudan or its instrumentalities and are engaged in business in or with the same, and prohibit investment.

The Division will continue to periodically consult with the independent research firm to identify any additional companies that are identified as having equity ties to the government of Sudan or its instrumentalities and are engaged in business in or with the same. Such companies will be added to the prohibited investment list, and the Division will divest of any pension and annuity fund holdings in those companies accordingly.



William G. Clark
Director