2015

Corporate Governance Annual Report

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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"Transforming the board to embrace diversity of experience, thought, voice and generation could understandably be a significant effort for many organizations. However, those who initiate the process today may realize the value of more dynamic boardroom discussions, a clearer understanding of the changes underway in their business environments, and how to plan and capitalize on them to create shareholder value."

-DeHaas, Deborah, and Byron Spruell. "Changing Course on Boardroom Composition." NACD Directorship 41.2 (2015): 76.

Dear Colleague,

It is our pleasure to provide the 2015 Corporate Governance Annual Report to our members, retirees and interested parties. This report provides a detailed review of the proxy votes cast in relation to global public companies' annual and special meeting ballots, our corporate governance activities and a summary of key issues from the proxy season. Building on last year's report, OPERS has added a more comprehensive review of U.S. and non-U.S. proxy voting that occurred in 2015. In addition, staff members have worked to interpret the data to include a more detailed analysis of key voting patterns over the course of the past three years.

The OPERS Board of Trustees created the Corporate Governance program in the mid-1990s and has maintained high interest in supporting programs that back our investment strategies. The Board's Proxy Policy and Corporate Governance Committee meets during the year to reinforce the goals of the program and update the Corporate Governance Policy and Proxy Voting Guidelines as necessary to reflect best practices. While OPERS maintains a "quiet diplomacy" standard, staff members have been able to discuss corporate governance best practices with company directors and executive officers with the desire to add value to our investments and build relationships over the long term.

OPERS invests in public markets as a way to diversify risk and provide returns on our investments. With over one million members located across the United States and world, our investments pay, in part, our members' benefits. Those benefits are used to patronize businesses that provide goods and services for our members and their families. OPERS provides more than just retirement benefits to our members; we support the economic viability of public companies that use our patient capital to grow their businesses and provide us with returns on our investments. We are an economic engine for the business community and pride ourselves on an investment strategy that maintains a long-term focus.

The Board is committed to a Corporate Governance program that will continue to focus on adding value to our investment strategies and creating strong relationships with public companies. To that end, we think our efforts create a clearer picture of the seriousness with which we take our fiduciary responsibility. Thank you for your interest in our program.

Respectfully,

Cinthia Sledz
Chair, OPERS
Board of Trustees

Chair, Proxy Policy
and Corporate
Governance
Committee

C.J. Latsa
Vice Chair, OPERS
Proxy Policy and
Corporate Governance
Committee

Karen E. Carraher
Executive Director

Carol Nolan Drake
Chief External Affairs
Officer

“The National Association of Corporate Directors’ *Oversight of Sustainability Activities Handbook* asserts, Value creation, long-term business resiliency, strategic risk management and stewardship represent the essence of the board’s role in overseeing corporate sustainability activities. Increasingly, boards are recognizing the need to hone their climate competency.”

-Ferlauto, Richard C. “Establishing A Climate-Competent Board.” NACD Directorship 41.6 (2015): 71-73.

“Companies that take a proactive position of transparency through the publication of diversity, political lobbying, human rights, and sustainability reports may be less likely to receive environmental and stability proposals in the future.”

Weinstein, Jon, Blaine Martin and Soren Meischeid. “Activism of a Different Nature: Social Investors Advocate for Change in the Proxy.” Corporate Governance Advisor 23.4 (2015): 21-25.

OPERS HISTORY & BACKGROUND

The Ohio Public Employees Retirement System (OPERS or System) was created in 1935 by the Ohio General Assembly as a retirement fund for public employees. The Board of Trustees (Board), the governing body of the System, is responsible for the administration and oversight of OPERS. One of the committees is the Proxy Policy and Corporate Governance Committee, upon which five of the Board members are assigned by the Board chair.

With assets of $87.3 billion as of Dec. 31, 2015, OPERS is the largest state pension fund in Ohio, the 11th largest public retirement system, and16th largest retirement system in the U.S. OPERS serves more than 1 million members. Historically, two-thirds of OPERS' revenue, from which benefits are paid, is derived from investment returns. The remaining one-third of the revenue comes from employee and employer contributions.

The Board has adopted a Corporate Governance Policy and Proxy Voting Guidelines, which are revised as needed and utilized by staff members as the guiding principles for the program.

HISTORICAL TIMELINE of the OPERS Corporate Governance Program

1996 **First Domestic Proxy Policy:** The first Domestic Proxy Policy was established to highlight proxy voting as an integral component of the investment process.

2000 **Proxy Voting Platform:** The IRRC proxy voting platform was implemented.

2001 **Proxy Policy Revision:** The Proxy Policy was revised to include the voting of Non U.S. equity proxies.

2003 **Proxy Policy Revision:** The Proxy Policy was revised to include international language (to extend OPERS' existing domestic proxy voting policy to a global policy that addresses proxy voting for both domestic and international securities).

2004 **Board Committee Formed:**
May: The Corporate Governance Board Committee was formed. The Board's Corporate Governance Charter was approved. **Sept:** The Corporate Governance Policy Statement and Guidelines were established to expand the General Guidelines of the existing Proxy Policy and add additional details on key governance areas consistent with the philosophy of the existing Proxy Policy.

2005 **Proxy Voting:** The proxy voting function was transferred from the Investment Division to the Corporate Governance Department and then the Legal Division.

2006 **Proxy Voting:** The Corporate Governance Working Group was reactivated. The Glass Lewis research and Viewpoint voting platform replaced the IRRC Smartvoter voting platform.

2007 **Policy and Guidelines:** The Corporate Governance Policy and Proxy Voting Guidelines were established to replace the Corporate Governance Policy Statement and Guidelines approved by the Board in September 2004. The Policy and Guidelines reflected the evolution and maturation of the OPERS Corporate Governance Program.

2009 **External Relations Division:** The Corporate Governance Department was moved into the newly created External Relations Division.

2011 **Proxy Voting:** The first Corporate Governance Report was issued.

2014 **Proxy Voting:** The first Corporate Governance Forum was held for the OPERS Board of Trustees.

CORPORATE GOVERNANCE PHILOSOPHY[1]

As a long-term institutional investor, OPERS strives to manage its assets and risks in a prudent, timely and cost-effective manner within its investment objectives and legal authority. The corporate governance program seeks to protect and enhance the investment returns of OPERS' assets by effectively voting its proxies and responsibly participating in associated corporate governance activities. OPERS is a long-term investor in the U.S. and international equity markets and, as a fiduciary, OPERS exercises its shareowner rights solely in the economic interests of the System's participants and beneficiaries.

Major corporate governance failures have prompted legislative and regulatory actions like the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and amended listing standards at major U.S. exchanges. Effective corporate governance can foster a culture of corporate integrity, financial accountability, leadership and long-term strategic goals of growth and profitability. Good corporate governance can significantly contribute to the long-term financial performance of a company. OPERS' Corporate Governance Policy is intended to reflect these changes and to serve as a basis for guiding OPERS' proxy voting and supporting its corporate governance strategies.

CORPORATE GOVERNANCE OBJECTIVES[2]

The objective of OPERS' corporate governance program is to enhance the long-term value of OPERS' investments by supporting and promoting:

- Activities that ensure management and boards of directors are acting in the best interest of shareowners and in ways that protect OPERS' assets;
- Corporate accountability, financial transparency and responsibility; and
- Governmental policies and regulations that are in the best interest of OPERS.

[1]Ohio Public Employees Retirement System, Corporate Governance Policy Revised December 2013, IV. Philosophy

[2]Ohio Public Employees Retirement System, Corporate Governance Policy Revised December 2013, V. Objectives

McKinsey & Co. and others report that businesses with women on their boards make better decisions and substantially outperform less-diverse rivals in profit, sales and return on investment.

-Hunt, Vivian, Dennis Layton and Sara Prince.
“Why Diversity Matters”, Article, January 2015

In 2015, staff reached a milestone when more proxy votes were cast than any previous year. The 2015 Annual Corporate Governance Report is the fourth report in successive years to highlight significant events and statistics from the corporate governance program. The OPERS Board of Trustees has adopted a Corporate Governance Policy ("Policy") that provides the scope and purpose of the Policy, and the legal authority, objectives and strategies of the program.

Effective proxy voting remains the primary strategy of the corporate governance program. The Board retains the right to vote proxy ballots that are issued by the public companies in which OPERS invests, in the U.S. and non-U.S markets. The Board does not generally delegate this authority to third parties without Board action and approval. In limited cases, the Board has approved proxy voting by external managers when funds are held in commingled accounts or are part of an external manager investment strategy. For the vast majority of equities, the Board has empowered staff members to vote the proxy ballots in the best interests of the Fund.

Corporate Governance staff apply the Board's Corporate Governance Policy and the OPERS Proxy Voting Guidelines ("Guidelines") to all ballot items. The Guidelines provide direction on voting related to boards of directors, shareowner rights, executive pay and compensation, the role of independent advisors and social, economic and political responsibility proposals. The Guidelines are written to provide direction to staff but also provide flexibility when voting proxies. Staff members look to the language within the Guidelines to determine how to cast the votes in the best interests of our members.

The Board has a Proxy Policy and Corporate Governance Committee ("Committee") on which five members of the Board serve. The Committee meets at least twice per year, and hosted the Second Annual Corporate Governance Forum in 2015. Staff members assist the Committee in the preparation of agenda items, the maintenance of the Policy and Guidelines so they reflect best practices, and providing the attendance of well-known speakers to address the Committee on interesting trends and developments.

The statistics within this report are taken from the voted ballots for the calendar year 2015. The report provides information on the voting activity for the U.S. and non-U.S. markets in which OPERS invests. Under the Board's Annual Investment Plan, the allocation from U.S. equities to non-U.S. equities has slightly changed in the past three years. The allocation change to more indexed accounts across the world has provided Corporate Governance staff with the opportunity to handle registration requirements and/or other legal documentation necessary in many countries to effectuate our voting rights.

The proxy voting statistics provide detailed numbers for votes cast for Boards of Director nominees, management and shareholder proposals, executive pay and compensation, ratification of auditor and mergers and acquisitions. A detailed review of votes cast in 2015 is found at the end of the report.

During the year, staff members also engaged many company representatives and directors who serve on public company boards. One of the highlights of the OPERS corporate governance program is the overarching tenet of "quiet diplomacy." Staff members work directly with company representatives and directors in such a way that bolsters a robust discussion. Company dialogue is one of the hallmarks of the program because it provides an opportunity for staff to discuss best practices and issues with company representatives, thereby developing a long-term relationship that is intended to provide supportive feedback to the companies' representatives for the benefit of our members.

In the Appendix, the report includes detailed voting results for the calendar year 2015 and the most recent version of the Corporate Governance Policy and Proxy Voting Guidelines.

PROXY VOTING INITIATIVES

The OPERS Board of Trustees recognizes that proxy voting is a fiduciary responsibility. It considers the right to vote shares in the companies in which it invests as a valuable asset to the Fund. OPERS staff members analyze the issues presented during annual and/or special meetings and vote the proxy ballots in such a way as to consider the economic best interests of the System's participants and beneficiaries. For these reasons, proxy voting is a primary strategy of the OPERS' corporate governance program. OPERS casts its proxy votes in accordance with the Proxy Voting Guidelines approved by the OPERS' Board of Trustees and reviewed as necessary, consistent with Chapter 145 of the Ohio Revised Code.

HIGHLIGHTS of the 2015 calendar year

16	Annual meetings attended for companies headquartered in Ohio that held the annual shareholder meeting in the state
18	Majority vote supported for election of directors proposals
25	Management and shareholder proposals voted for a declassified board structure
75.7%	OPERS votes cast in support of management proposals, a slight decrease from last year
227	Social responsibility proposals supported, including Improving Labor Practices, Reporting on Company's Compliance with International Human Rights, and Reviewing Political Spending or Lobbying
486	Votes cast "Against" the ratification of auditors (9.5 percent), down from 2014
1,089	Shareowner rights proposals supported
1,253	Votes cast "Against" the management advisory vote on executive compensation (26.7 percent), a 7.6 percent increase from 2014
1,922	Merger and Acquisition ("M&A") proposals voted with 92.3 percent support for managements' position on the M&A
10,093	Company meetings voted, of which 1,774 were U.S. companies and 8,319 were non-U.S. companies
227,310	Proposals voted on company ballots, a 12.3 percent increase from 2014

Engaged with numerous board members and company representatives to discuss corporate governance issues and develop long-term relationships

Provided the OPERS' Board of Trustees with quarterly proxy voting statistics, covering the quarter's proxy votes and the application of the Board's Guidelines to the votes

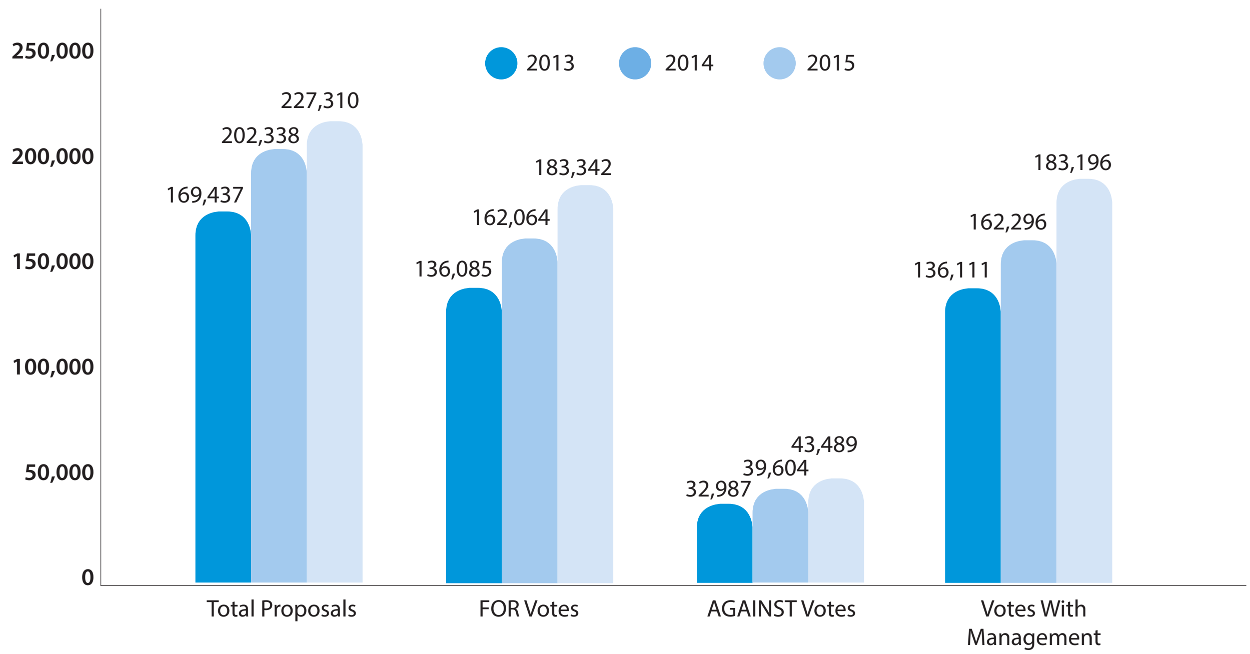
The charts on the following pages show OPERS' proxy voting trend analysis and statistics for 2015

TREND ANALYSIS

Trend Analysis for Three Years

	Proposals (Total)	For Votes	Percent For	Against Votes	Percent Against	Abstain Votes	Percent Abstain
2013	169,437	136,085	63.56	32,987	35.38	169	0.15
2014	202,338	162,064	65.77	39,604	32.89	232	0.17
2015	227,310	183,342	66.00	43,489	33.38	226	0.01

	No Votes	Percent No Votes	Exec. Comp. Freq. Votes	With Mgmt	Percent With Mgmt
2013	135	1.09	61	136,111	74.53
2014	279	0.74	157	162,296	77.61
2015	46	10.19	208	183,196	75.73



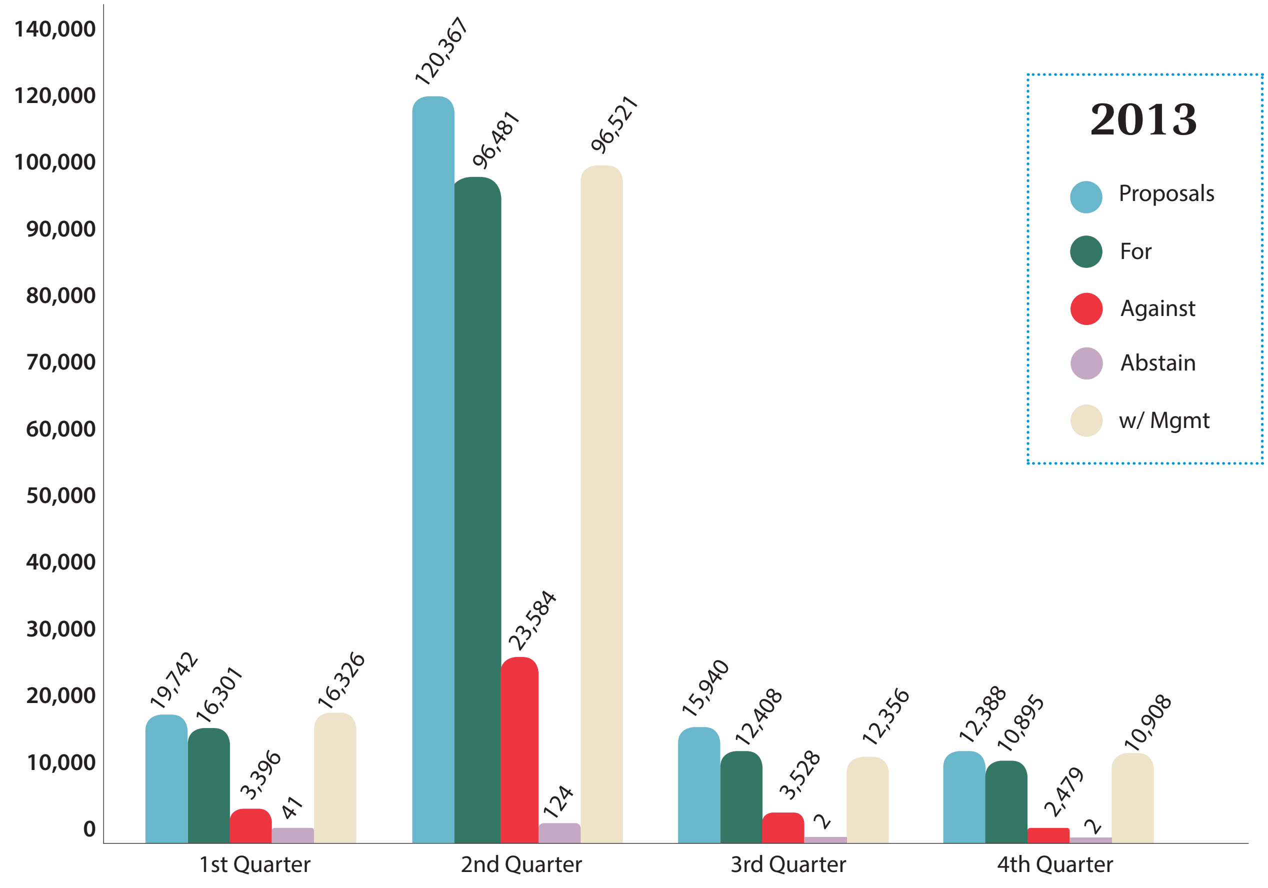
Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned an equity stake.

TREND ANALYSIS FOR FOUR QUARTERS OF VOTING

Proxy Season

The proxy season in the United States is primarily concentrated in the late part of the first and second quarters of the calendar year. There are companies that hold their annual meetings later in the year; however, they are in much smaller numbers. International proxy voting increases during the second quarter of the calendar year but continues throughout the remainder of the year with increased activity in the fourth quarter, as well.

Trend Analysis for 4 Quarters of Voting Over Three Years



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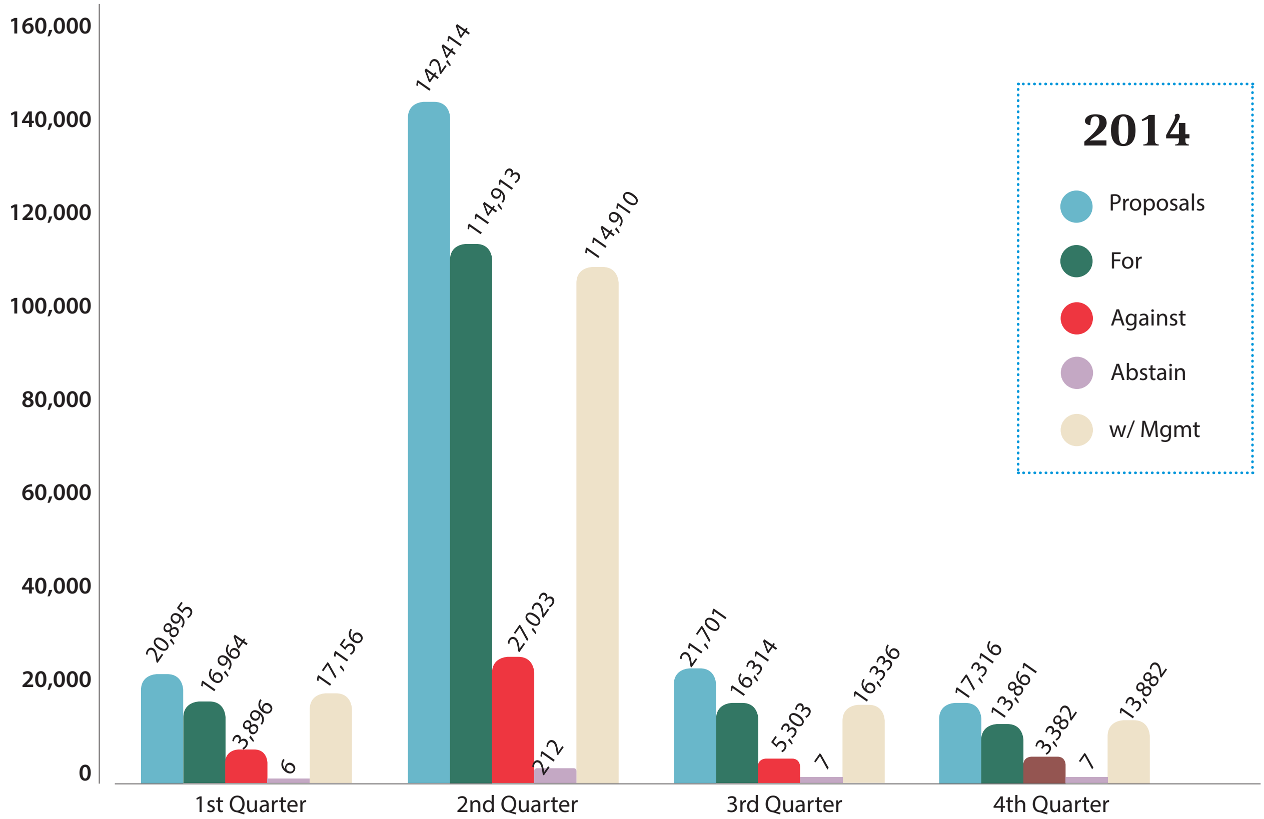
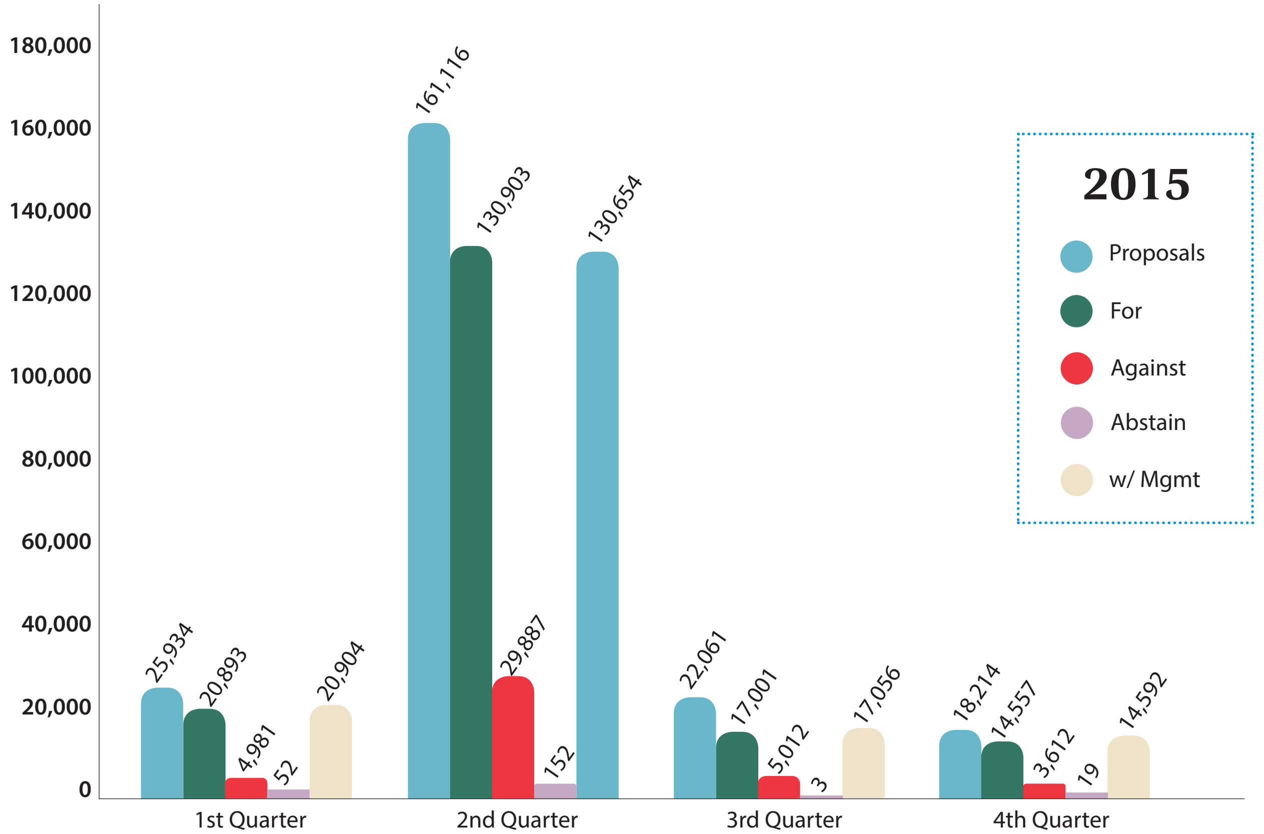
TREND ANALYSIS

Trend Analysis for 4 Quarters of Voting Over Three Years





Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned an equity stake

U.S. PROXY VOTING

The OPERS Board of Trustees approved strategic asset allocation changes in the Defined Benefit and Health Care Funds at its January 2015 meeting. Within the Fixed Income Asset Class, a new internally-managed U.S. Treasury portfolio will be funded with a one percent allocation to both Defined Benefit and Health Care Funds. The funding source is the internally managed Core Fixed Income portfolio.

The Public Equity benchmark in the Defined Benefit and Health Care Funds is determined by the global weighting of U.S. Equity and Non-U.S. Equity based on the MSCI All Country World Index-Investable Market Index ("MSCI ACWI-IMI"). Therefore, market prices determine the split between U.S. and Non-U.S. Equities.

Other initiatives within the traditional asset classes are being considered in order to manage a greater proportion of assets internally. These will be discussed as they are developed and will be part of a multi-year effort to continue to control risks and remain cost-effective. But they are implementation initiatives, not changes in allocation.

Within the Alternatives asset class, no strategic allocation changes are expected.

The Fund Management Committee will continue to monitor overall fund asset allocation and exposures, rebalancing as appropriate in observance of Board Policies.

1 Ohio Public Employees Retirement System 2015 Investment Plan, page 4

U.S. PROXY VOTING

Board of Directors

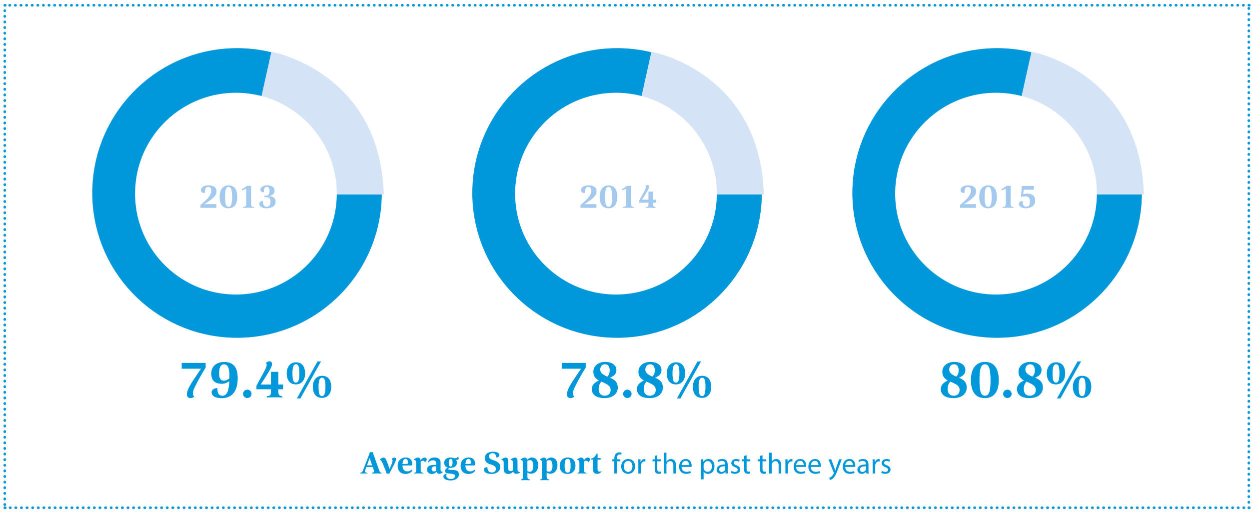
Directors, who serve on public company boards, represent the shareowners of the company. OPERS has a history of voting "For" a majority of directors nominated by the companies and looks to support directors who maintain an independent view, bring expertise for the relevant business sector and are able to provide the necessary attention to board responsibilities.

The Proxy Voting Guidelines suggest that OPERS may withhold its vote from a director if:

- The director has served on the Compensation Committee and there is a lack of connecting executive pay and company performance;
- The director has served on the Audit Committee and the non-audit fees for the independent auditor exceed more than 30 percent of the audit fees, without explanation;
- The director is "overboarded," meaning that he or she serves on more public company boards than OPERS believes are advisable.

Support for director nominees has remained in the high 70 percent over the past three years and just crossed above 80 percent in 2015. There are a number of reasons why OPERS supports a high percentage of director candidates. One important factor is that more companies have adopted an annual election of directors rather than supporting a classified board structure. This gives shareowners the opportunity each year to evaluate a director's service relative to company performance on an annual basis. Many candidates do not have immediate ties to the company or business relationships, leading to a more independent viewpoint. Candidates are being nominated that have a more diverse background, leading to different educational and business perspectives.

DIRECTOR CANDIDATES



"In an uncertain world of globalization, depressed oil prices, and unrest, the role of the chairman is increasingly under scrutiny to set the tone for stability and long term growth of the business. By building more effective, professional boards and through adopting the highest standards of corporate governance and transparency in communications, all types of organizations from family-owned businesses to publicly listed companies and state-owned enterprises can bring greater certainty and confidence to their shareholders, while also winning greater public trust."

Comment by Mohammed Al Shroogi, co-CEO of Investcorp and chairman of the GCC Board Directors Institute, in "Boards of GCC Businesses Becoming More Professional, Adopting Higher Standards of Corporate Governance and Transparency," Arabia 2000, Sept. 17, 2015.

U.S. PROXY VOTING

Advisory Votes on Executive Compensation ("Say-on-Pay")

Advisory votes on executive compensation give shareowners a voice in the compensation of senior executives. The advisory vote also gives corporate boards and the company's Compensation Committee a means to determine whether investors view the company's compensation practices to be in line with company performance and in the best interest of shareowners. The advisory vote by shareowners on executive compensation does not take the place of any fiduciary duty of the board of directors to manage compensation practices.

OPERS voted 4,693 Say-on-Pay proposals giving management 73.2 percent support, slightly lower support than the past two years. Analysis regarding the advisory vote on executive compensation proposals is generally centered on four major aspects of a company's executive compensation practices:

1. Overall compensation structure;
2. Disclosure of compensation policies and procedures;
3. The link between pay and performance;
4. The amounts paid to executive officers.

2013	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Advisory Vote on Executive Compensation	3,507	2,681	76.50%	825	23.50%	2,681	76.50%

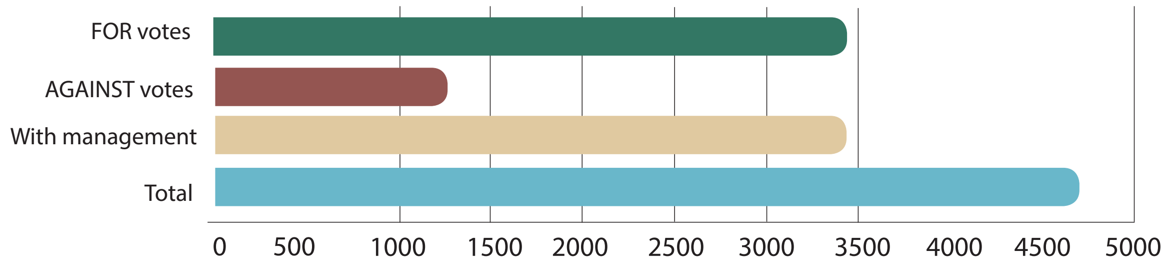
2014	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Advisory Vote on Executive Compensation	4,868	3,935	80.80%	928	19.10%	3,934	80.90%

2015	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Advisory Vote on Executive Compensation	4,693	3,440	73.30%	1,253	26.70%	3,436	73.20%

U.S. PROXY VOTING

Advisory Votes on Executive Compensation ("Say-on-Pay")

2015 Advisory Vote on Executive Compensation



Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned an equity stake.

According to Glass Lewis & Co., 54 U.S. companies did not receive the majority of shareowner support on Say-on-Pay proposals in 2015. OPERS owned shares on the record date and voted the proposals at 29 of these companies, which are listed below. OPERS voted "For" the advisory vote on executives' compensation at the two companies highlighted below and voted "Against" at the remaining 27 companies, in large part because staff noted a lack of correlation between the executives' compensation, short and long term incentives, additional compensation factors and the companies' performance.

Allegheny Technologies Inc.	Astoria Financial Corporation	BankUnited Inc.	Basic Energy Services, Inc.
Checkpoint Systems, Inc. (supported)	Cornerstone OnDemand Inc	Customers Bancorp. Inc.	Darling Ingredients Inc.
Dex Media Inc.	Eagle Bancorp, Inc.	Fidelity National Financial, Inc.	Hospira, Inc
Kate Spade & Company	Mack-Cali Realty Corporation[1]	Marvell Technology Group Ltd.	Masimo Corporation[2]
Monster Worldwide, Inc.[1]	NorthStar Realty Finance Corp.	Nuance Communications, Inc.	Restoration Hardware Holdings Inc.
Schnitzer Steel Industries, Inc.	SPX Corporation	Superior Industries International, Inc.	TCF Financial Corporation
Tutor Perini Corporation[3]	United Therapeutics Corporation	Vertex Pharmaceuticals Incorporated	Walter Energy, Inc.
HomeAway, Inc. (supported)			

[1] Has failed one other say-on-pay vote
[2] Has failed three other say-on-pay votes
[3] Has failed four other say-on-pay votes

“Regulators, internal stakeholders, and customers are scrutinizing executives, boards, and auditors to provide greater insight and assurance around risk, fraud, compliance, and governance. This pressure is bringing about an evolutionary change to the way businesses adopt best practices such as governance, risk, and compliance and enterprise risk management models.”

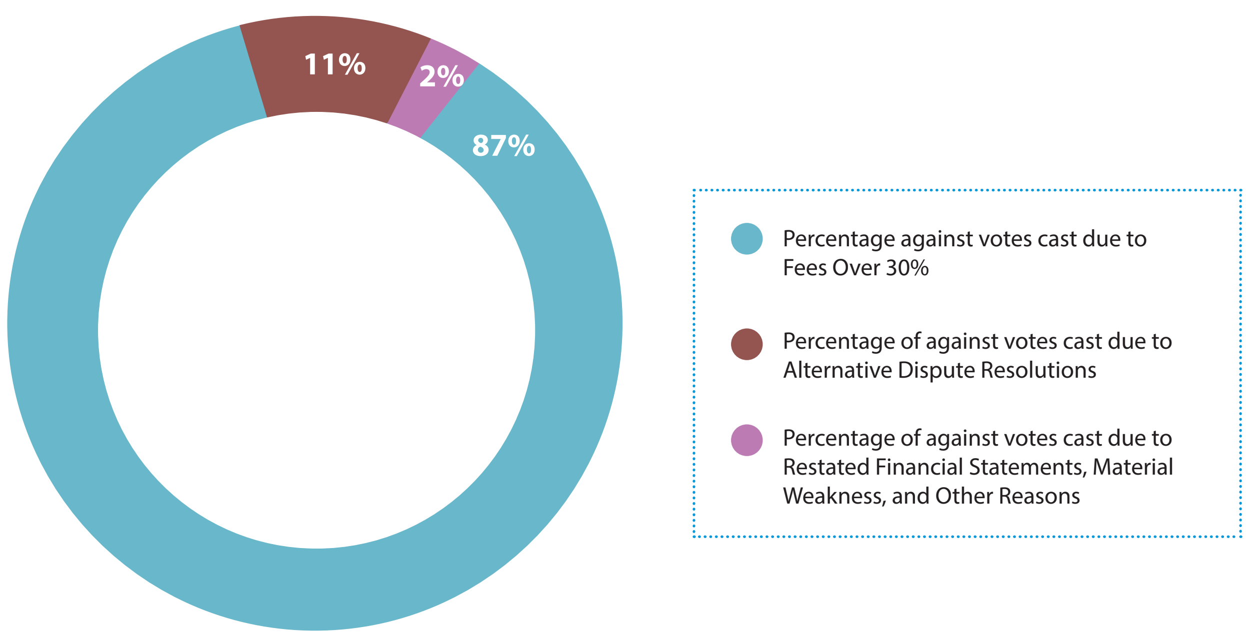
- Ferris, Tony. “Transform Your Audit/Supervisory Function.” Credit Union Directors Newsletter 41 (12) (2015): 1-2.

U.S. PROXY VOTING

Ratification of Auditor

In 2009 and 2010, the OPERS Corporate Governance Department monitored the tenure of audit companies serving more than 15-year tenures at individual companies. During this period, staff did not find a direct correlation on audit quality or company financial disclosure problems related to audit company tenure. In discussion with the OPERS Board, the Board determined that the percentage of non-audit-related fees when compared to audit fees was of more concern related to auditor independence and audit integrity that audit company tenure. In December 2010, the OPERS Board of Trustees updated its Proxy Voting Guidelines to include a best practices standard that specified, "in no event should audit firm non-audit related fees for the company exceed 30 percent of all fees paid to the audit firm."

In 2015, OPERS voted "Against" the ratification of auditor and withheld its vote for Audit Committee members on the ballot when this standard was not met absent a compelling reason for the increase non-audit fees. OPERS voted "Against" the Ratification of Auditor 486 times and withheld 3,904 votes from Audit Committee members during the year. The votes included additional requirements in 54 proposals that required an alternative dispute resolution process including arbitration that would have had a chilling effect on OPERS being able to pursue court action on claims. Staff voted "Against" when auditor proposals included this language. Ten additional proposals at companies included restated financial statements, material weakness or insufficient information. Staff voted "Against" these proposals, too.



U.S. PROXY VOTING

Ratification of Auditor

The following charts illustrate OPERS' votes on ratification of auditors in 2013, 2014 and 2015.

2013	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Ratification of Auditor	4,854	4,090	84.30%	763	15.70%	4,080	84.10%

2014	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Ratification of Auditor	4,932	4,346	88.10%	581	11.80%	4,344	88.20%

2015	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Ratification of Auditor	5,126	4,640	90.50%	486	9.50%	4,619	90.10%

Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned an equity stake

U.S. PROXY VOTING

Mergers and Acquisitions

OPERS voted 1,922 Merger and Acquisition proposals during 2015 and voted "For" the proposals 92.3 percent of the time and with management's recommendations 92.3 percent of the time. In accordance with OPERS' Proxy Voting Guidelines, proxy issues related to mergers and acquisitions are reviewed by staff to determine the recommendations and proposals presented by company boards and OPERS' proxy-voting research provider. A weekly report is prepared and distributed to allow Corporate Governance and Investment staff members to collaborate on merger and acquisition voting decisions. The support for M&A activity increased from 88.1 percent support in 2014 to 92.3 percent in 2015.

Absent special considerations such as high profile or OPERS-specific issues, OPERS generally votes "For" the proposal when the company/companies involved and an internal staff review establishes support for the merger or acquisition. When the recommendations are not consistent, staff members may consider industry insights and other relevant resources to determine a voting decision that is the best interest of OPERS and in a way that protects OPERS' assets.

During the year, OPERS voted "Against" Mergers and Acquisitions proposed by companies due to:

- The analysis indicated the cost of the merger or acquisition would potentially exceed the long-term value for shareowners over a period of years;
- The company did not provide sufficient information to conduct a complete analysis;
- There was a lack of an independent process and/or the companies did not seem well suited to a merger or acquisition strategy;
- There appeared to be an undue influence by a controlling shareowner that put the question of the companies' long-term interests into consideration;
- There was a legitimate and potentially more beneficial alternative available to shareowners.

U.S. PROXY VOTING

Mergers and Acquisitions

OPERS' merger and acquisition votes for three years are shown in the following charts.

2013	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Merger/ Acquisition	1,102	1,022	92.70%	72	6.50%	1,014	93.4%

2014	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Merger/ Acquisition	4,932	4,346	88.10%	581	11.80%	4,344	88.20%

2015	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Merger/ Acquisition	1,922	1,774	92.30%	148	7.70%	1,767	92.30%

Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned the equity stake.

U.S. PROXY VOTING

Shareowner Proposals

Shareowners rely on the board of directors they elect to act in the best long-term economic interests of the company and its shareowners. Each proxy season, shareowners file proxy proposals in accordance with the Securities and Exchange Act of 1934, Section 14, which gives the Securities and Exchange Commission ("SEC") the authority to write regulations covering proxy statement disclosures. The SEC adopted criteria that limit the types of proposals that can be submitted for inclusion in companies' proxy materials and provides procedural details for shareowners to follow when filing proposals. The Act also gives companies an opportunity to challenge the addition of a shareowner proposal on the proxy ballot by requesting that the SEC issue a "no action" letter. OPERS staff exercise the same due care when analyzing and voting shareowner proposals as they apply to management proposals:

The OPERS Board, entrusted with the investment funds of its participants, promotes effective corporate governance practices at the companies in which it invests. OPERS votes its proxies to promote shareowner rights and enhance shareholder value based on the principles outlined in the Proxy Voting Guidelines approved by the OPERS' Board of Trustees.

OPERS voted 2,169 shareowner rights proposals in 2015 that addressed a number of issues, including:

- Declassification of the Board of Directors, leading to the annual election of director candidates
- Majority Vote for Election of Directors, with a resignation policy for candidates that do not receive majority support
- Eliminating Supermajority Provisions that create high levels of support required by shareowners (i.e., 80 percent)
- Right to Call a Special Meeting by investors
- Right to Act by Written Consent
- Improving Disclosure of political contributions and lobbying expenditures
- Proxy Access

U.S. PROXY VOTING

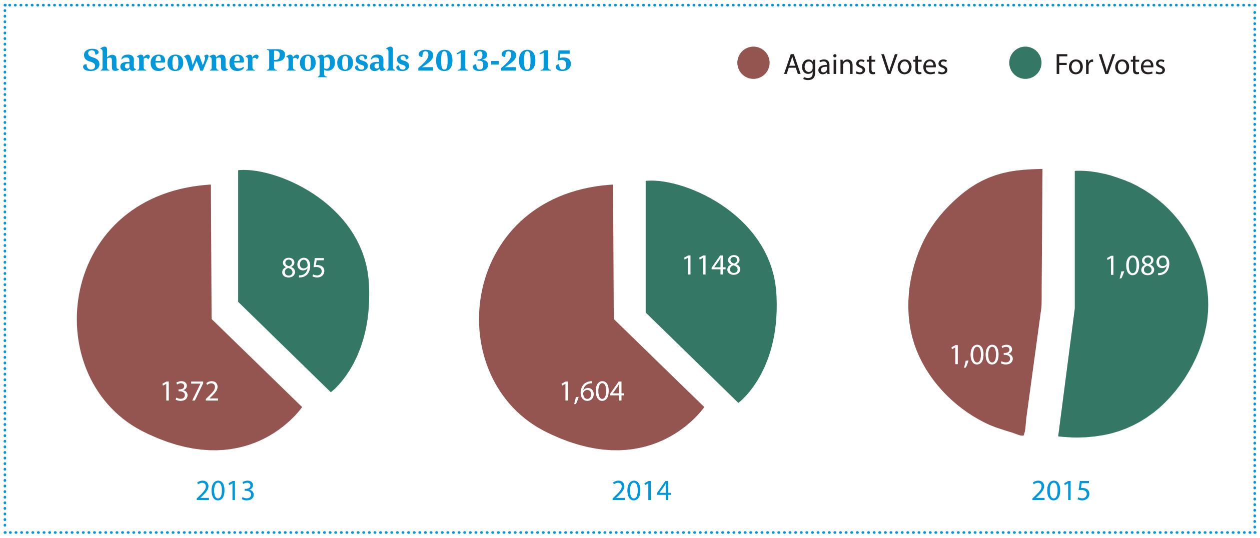
Shareowner Proposals

The following charts illustrate OPERS' votes on shareowner rights proposals for 2013, 2014 and 2015.

2013	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Shareowner Rights Proposals	2,269	895	39.40%	1,372	60.50%	1,239	54.60%

2014	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Shareowner Rights Proposals	2,762	1,148	41.56%	1,604	58.07%	1,491	53.98%

2015	Proposals (Totals)	FOR Votes	% FOR	AGAINST Votes	% AGAINST	With Mgmt	% With Mgmt
Shareowner Rights Proposals	2,169	1,089	50.20%	1,003	46.24%	698	32.18%



Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned an equity stake.

*The percentage of votes With Management includes proposals in which Management did not have an opinion and Take No Action votes from non-U.S. holdings.

U.S. PROXY VOTING

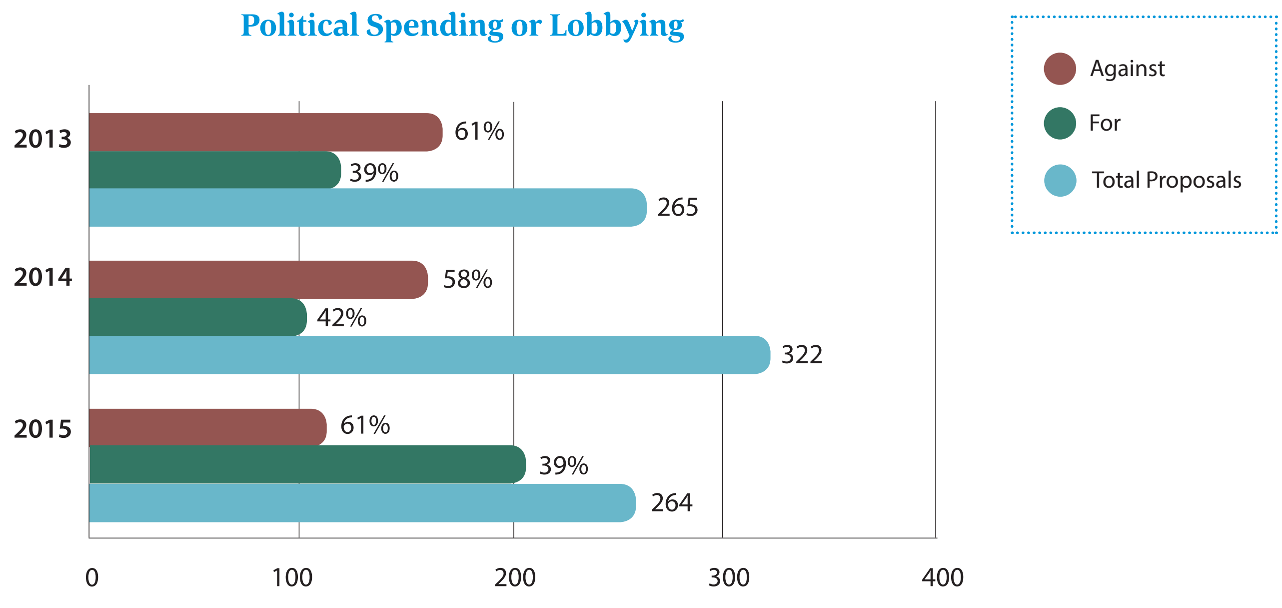
Social Responsibility Proposals

OPERS Proxy Voting Guidelines generally support social responsibility issues if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. Social responsibility issues are also supported if they ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS generally supports proposals asking for reporting related to social causes that are in the interest of the general public, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company duplicate reporting.

Social responsibility is often viewed by shareowners through sustainability issues that management and boards of directors should consider as part of their risk assessment. In 2015, social responsibility proposals generally addressed:

- Environmental Issues;
- Human Capital Management, Labor Standards and Human Rights; or
- Political Spending or Lobbying.

The following charts illustrate OPERS' votes on Political Spending or Lobbying for 2013, 2014 and 2015. There was a slight increase in these proposals in 2014. OPERS supported proposals requiring greater transparency surrounding political contributions and trade association memberships approximately 40 percent of the time in each of the past three years.



Note: Proposals voted reflect the number of individual proposals at company meetings multiplied by the number of funds in which OPERS owned the equity stake.

NON-U.S. PROXY VOTING

OPERS Annual Investment Plan 2015

The OPERS Board votes on an annual Investment Plan for the Defined Benefit, Health Care and Defined Contribution Funds. Since the Great Recession of 2008, OPERS has revised its investment strategy to include a mix of investment vehicles including non-U.S. equity investments in emerging and frontier markets.

The Defined Benefit and Health Care Fund's Public Equity allocation is unchanged from 2014. The Public Equity allocation is based on the global market weighting between U.S. equity and Non–U.S. equity based on the MSCI All Country World Index-Investable Market Index ("MSCI ACWI-IMI"). The weighting is rebalanced at approximately 90-day intervals.

Sub-asset class allocations within the Non-U.S. Equity asset class are currently in alignment with the custom strategic benchmark ("custom benchmark") approved by the Board in July 2011. The custom benchmark includes an allocation to the Emerging Markets small cap segment (4 percent) and an explicit allocation to Developed Markets small cap securities (10 percent). The custom benchmark is composed of 55 percent MSCI World Index (ex U.S.) Standard Index; 10 percent MSCI World Index (ex U.S.) Small Cap Index; 31 percent MSCI Emerging Markets Standard Index; and 4 percent MSCI Emerging Markets Small Cap Index. This structure reflects a strategic overweight to Emerging Markets compared to the Emerging Markets allocation of MSCI All Country World Index ex U.S. Investable Markets Index ("MSCI ACWI ex U.S. IMI"). The Investments Division has established a significant base of internally managed Non-U.S. Equity portfolios.

The following table shows the benchmarks and performance objectives for the Public Equity asset class.

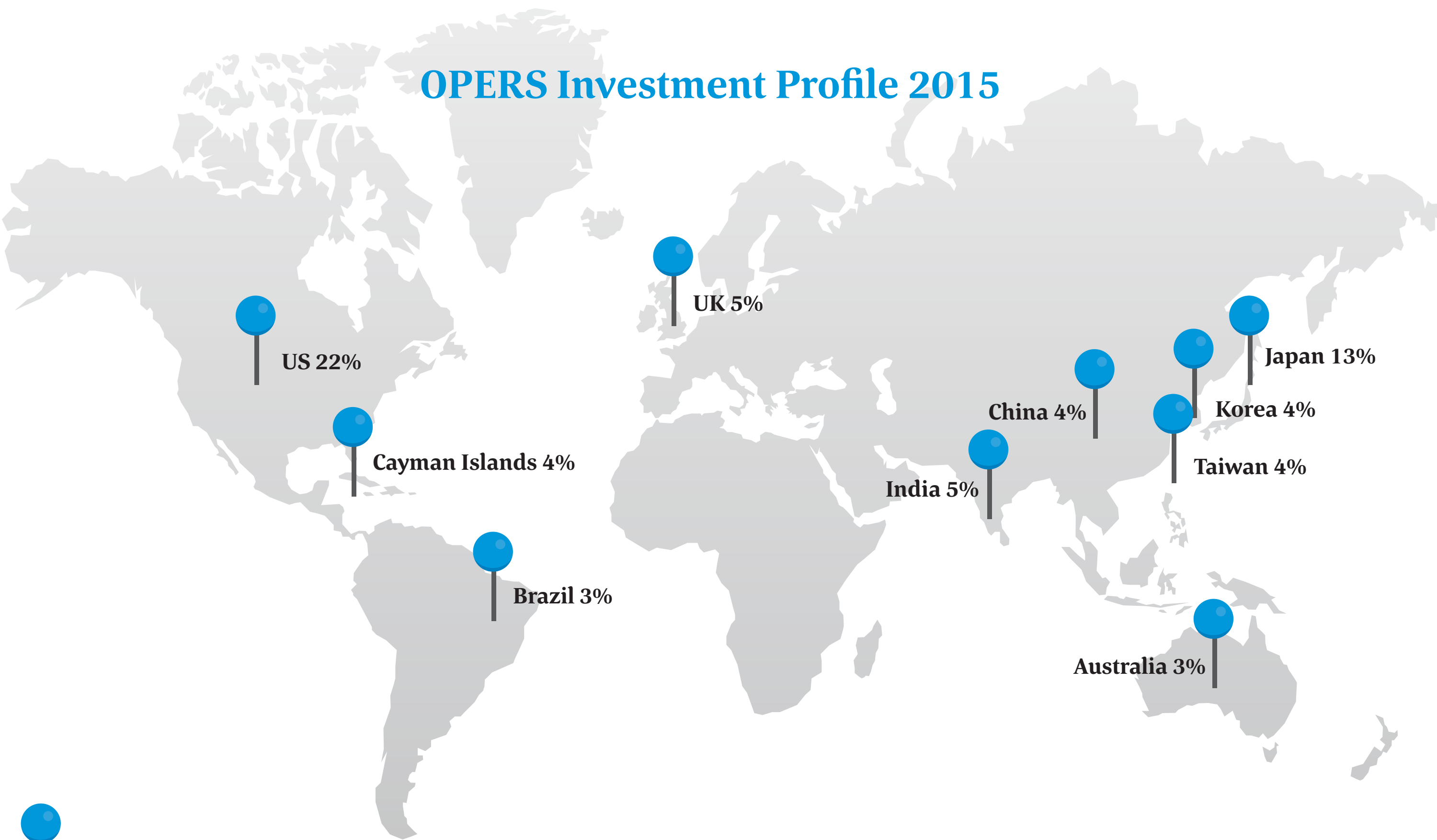
	Public Equity Asset Class Expected Performance and Tracking Error			
	Benchmark	Alpha Target (net of fees) (bps*)	Target Tracking Error (bps)	Target Information Ratio
U.S. Equity	Russell 3000	20	50	0.40
Non-U.S. Equity	Custom Benchmark	60	150	0.40

*bps = basis points

INTERNATIONAL PROXY VOTING

OPERS Non-U.S. Holdings

Non-U.S. equity holdings grew to include over 60 countries outside the United States. The following map shows the breadth of investments across the world.



Other 33% (ordered by percentage of total)

Bermuda
France
Indonesia
Germany
Malaysia
Singapore
South Africa
Thailand
Switzerland
Italy
Sweden
Hong Kong
Israel
Netherlands
Mexico
Canada
Spain
Turkey
Belgium
Ireland
Poland
Norway
Finland
Denmark
Austria
Chile
Philippines
Egypt
Greece
Luxembourg
Russian Federation
New Zealand
Jersey
Portugal
United Arab Emirates
Isle of Man
Colombia
Guernsey
Virgin Islands (British)
Cyprus
Gibraltar
Marshall Islands
Hungary
Malta
Czech Republic
Peru
Puerto Rico
Netherlands Antilles
Panama
Faroe Islands
Bahamas
Antiqua & Barbuda
Mauritius

Ohio Public Employees Retirement System 2015 Investment Plan, page 21

“This is not something you can do in one or two years. But I’m optimistic that eventually we will have a good system because Japanese companies know they have to change to survive. Toshiba is one of the most reputable companies in Japan. If it happened to them, it could happen to anyone.”

Shin Ushijima, Tokyo attorney and president of the Japan Corporate Governance Network, after an independent panel found Toshiba “systematically” overstated operating profits by $1.2 billion over the past five years. The panel blamed a lack of internal controls and a corporate culture driven to inflate profits. “Toshiba Accounting Scandal Could Speed Corporate Changes, by Kirk Spitzer, USA Today, July 27, 2015.

Opportunities and Challenges

In the past three years, proxy voting for non-U.S. public companies has required the Corporate Governance staff to comply with a number of requirements to vote each company ballot, including obtaining necessary Powers of Attorney ("POA"), consularization of documents, and proof of ownership. OPERS staff members worked closely with other divisions including Investments, Finance, Investment Accounting, Mail Services and Legal to assist in the execution and submission of the documents.

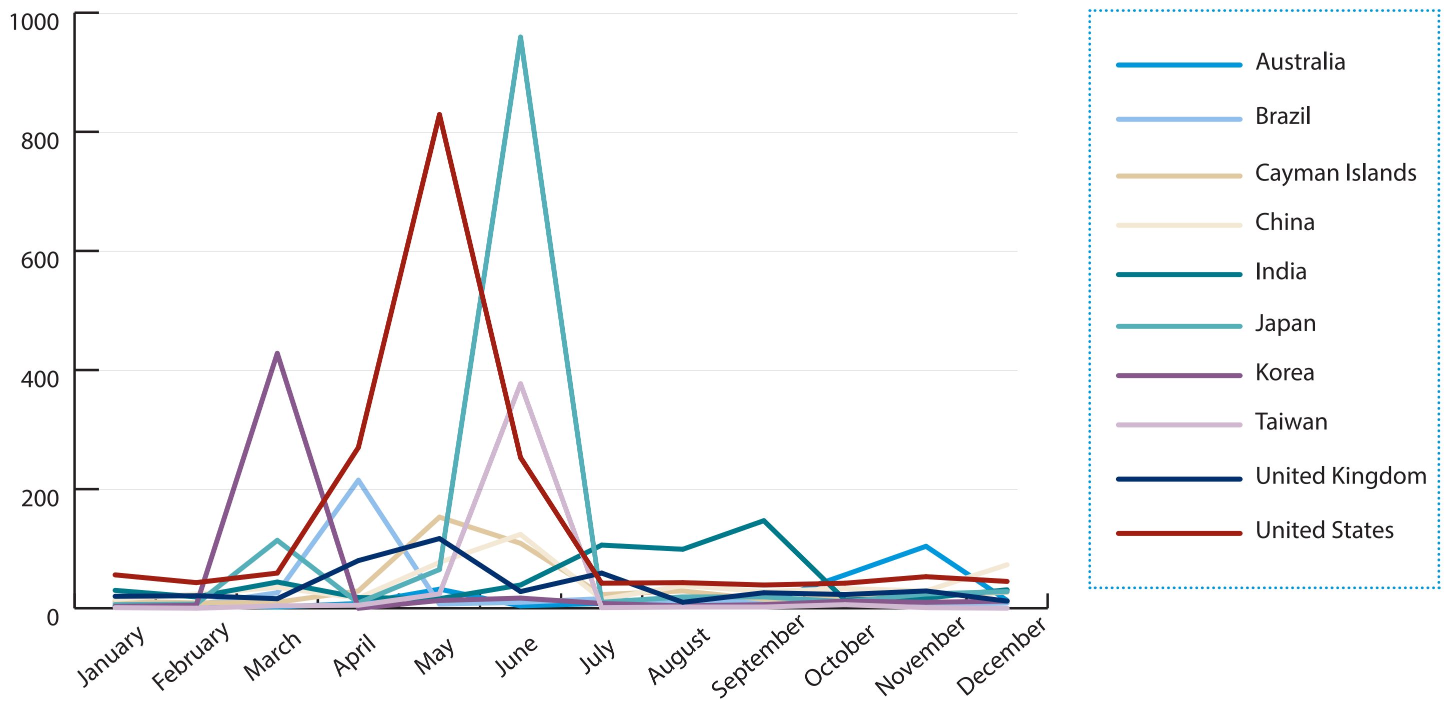
The opportunity for OPERS to expand its investment portfolio beyond the U.S. and into emerging and frontier markets helped diversify the significant assets under management.

As a shareholder of many non-U.S. public companies, the Corporate Governance staff sought to fully participate in voting shares prior to each annual shareholder meeting. However, there were significant challenges with proxy voting in some non-U.S. markets. The largest hurdles dealt primarily with a lack of timely and accessible disclosure of company documents, as well as short voting deadlines instituted by non-U.S. sub-custodians and trustee banks. These factors, along with a compressed meeting season, made it challenging for staff to have sufficient time and research for in-depth reviews of the proposals being voted across our non-U.S. holdings.

Key logistical challenges included shareblocking, Powers of Attorney requirements, registration/beneficial ownership notification requirements, and deadlines requiring a quick turnaround. There were research challenges, such as the availability and clarity of proxy materials, providing voting instructions that could be implemented in time, and the application of the Board's Guidelines to market-specific proposals. The majority of OPERS' non-U.S. voting activity did not occur in markets that imposed POA or shareblocking requirements. Some countries and issuers appeared to begin removing voting restrictions globally, resulting in increased voting activity.

Opportunities and Challenges

The following chart demonstrates the annual timeline of proxy voting in specific countries. For example, the typical U.S. proxy season begins in March but builds to a significant increase in May, before tapering down in June and July. It extends for the remainder of the calendar year, with a few companies holding their annual meetings in late fall. Proxy voting occurs throughout the calendar year, with concentrated voting from February to July.

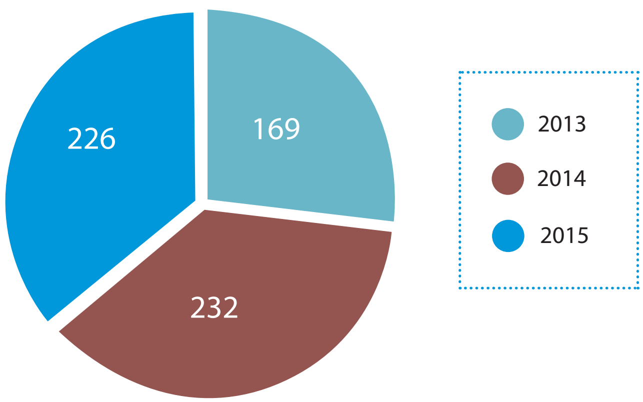


Abstain Voting Patterns and Take No Action Votes

Research on annual meetings and ballot proposals can be thin for many international companies. At times during 2015, even the names of directors who were nominated for board seats were unknown when the ballots had to be voted. Some proposals that required shareholders to vote for financial transactions did not have key information which staff needed to review to know whether OPERS would support the proposals or vote against them. When there was not sufficient information to cast a vote either "For" or "Against," staff voted to "Abstain" or "Take No Action."

The number of "Abstain" votes began to rise in 2013 and has continued throughout 2015. The number of "Take No Action" votes has also risen due to similar issues due to timing and the lack of details contained in international voting research and proxy information.

Abstain votes for past three years:

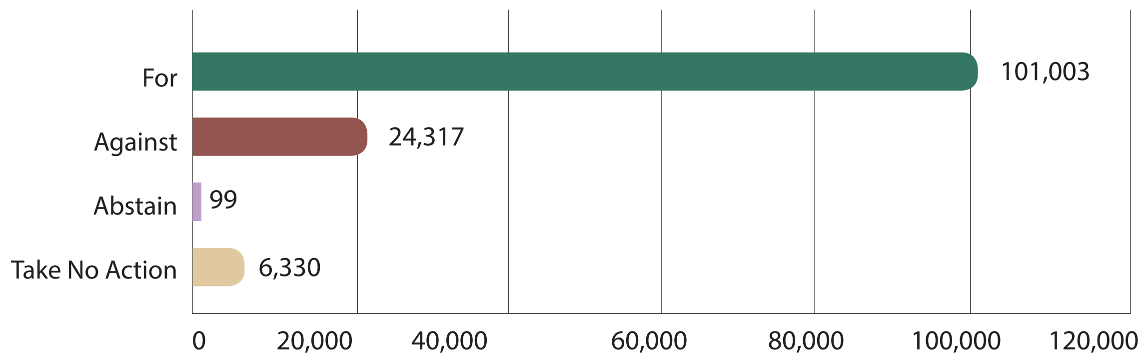


INTERNATIONAL PROXY VOTING

Non-U.S. Proxy Voting Statistics

Over 131,000 votes were cast in 2015 supporting a variety of issues on company ballots. OPERS supported approximately 76.7 percent of the ballot proposals. A small number of "Abstain" votes were cast. Less than 5 percent of the votes were marked, "Take No Action," because there was no ability to vote "Against" a management proposal, or staff members were not able to discern in sufficient detail whether to vote "For" or "Against" a proposal and an "Abstain" vote was not an option, or when it was determined to be an investment strategy. A more detailed review of international proxy voting statistics is contained in the voting appendix.

2015 OPERS Non-U.S. Proxy Voting Statistics



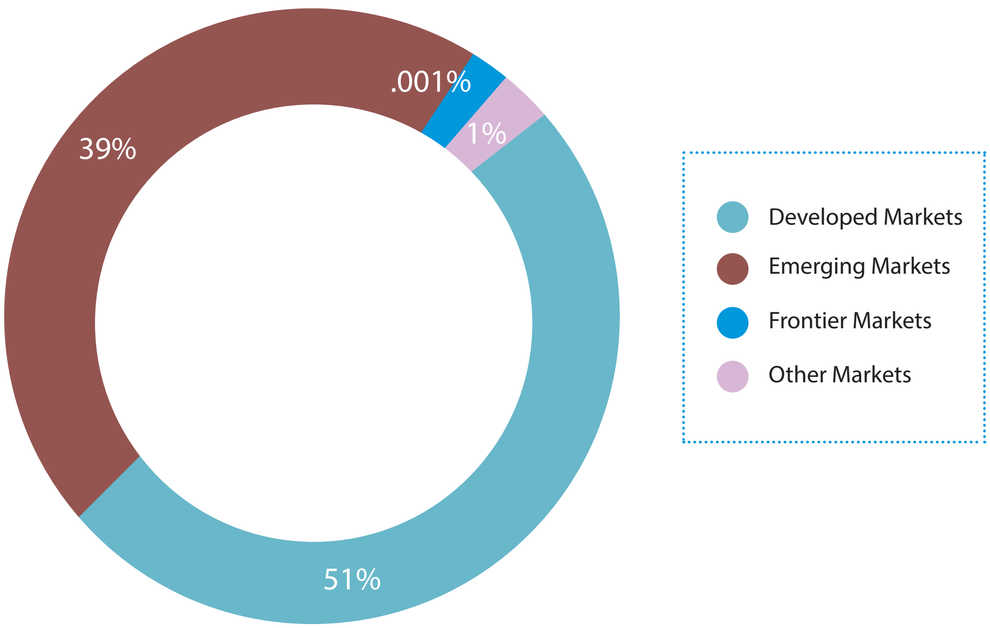
Statistics provided by Glass Lewis & Co. 2015

Voting by Market Classification

The number of countries in which OPERS has holdings has increased from 2010 to 2015. While the proxy voting activity in countries within developed markets has remained stable, including but not limited to Canada, France, Germany, United Kingdom, Norway and Australia, the proxy voting in emerging markets has increased. OPERS has holdings in Brazil, China, India and Korea, as well as countries in Europe, the Middle East, Africa and Asia.

There are some countries that are considered part of frontier markets. OPERS has a smaller number of investments, for example, in Kazakhstan and Mauritius mainly through exposure from the indexes and to a lesser extent, external managers. The markets are reviewed annually by MSCI and are subject to market reclassification each June.

Other markets include standalone market indexes for countries such as Saudi Arabia, Jamaica, Trinidad and Tobago, Bosnia Herzegovina and Ukraine. Staff voted proxy ballots in this market as well.



“Businesses today face challenges on a global scale: climate change, water constraints, supply chain breakdowns and human rights abuses. In response, investors during the past decade have stepped up their corporate engagement on sustainability issues.”

- Lubber, Mindy and Michelle Edkins, “How Investors Can Engage Companies on Sustainability.” Institutional Investor, July 13, 2015.

QUIET DIPLOMACY

OPERS staff members reached out to company directors and senior management in 2015 in order to discuss corporate governance issues and continue to develop long-term relationships. OPERS follows a "quiet diplomacy" standard under which staff encourages company representatives to speak directly about corporate governance matters through open and transparent discussions which are generally undertaken without media attention. Staff members also attended 16 company annual meetings as a way to meet in person with company directors and management representatives. During the year, staff also received calls from company representatives, asking to discuss upcoming proxy ballots and corporate governance issues with OPERS and staff accommodated all of these requests. The engagement provided OPERS with good results and therefore, staff anticipates that we will have more engagement with company directors and management in 2016.

HIGHLIGHTS OF COMPANY ENGAGEMENT

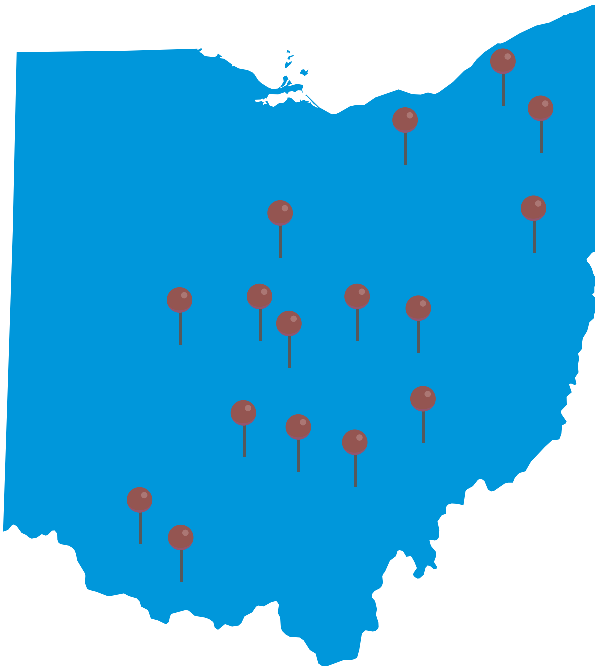
- Discussion when OPERS withheld its votes from director nominees and the reason behind the actions
- Voted contrary to management recommendations
- Supported management's recommendations but more communication regarding OPERS' voting decision was warranted
- Discussion on a company's focus, other shareowner concerns and perspective on compensation or other company initiatives
- Offered the opportunity to speak more regularly than prior to the annual meeting as a way to foster relationships and share information

MAJOR AREAS OF FOCUS FOR ENGAGEMENT:

- Director roles and responsibilities
- Director experience and qualifications
- Director independence
- Independent board chair
- "Overboarded" directors
- Advisory vote on executive compensation
- Shareowners' rights to act by written consent and call a special meeting
- Majority voting for director nominees
- Reporting, transparency and disclosure
- Independent reviews of internal controls
- Proxy access

ATTENDANCE AT CORPORATE ANNUAL MEETINGS HELD IN OHIO

- Discussion of corporate governance issues with directors and management
- Opportunity to meet in person and build relationships with representatives
- Hear the shareowner presentations on the short and long-term plans of the company, financial and listen to company responses to questions from shareowners



RESULTS FROM ENGAGEMENT

Corporate commitments to:

- Take note of best practices in OPERS' Proxy Voting Guidelines during the companies' next review of corporate governance standards and annual meetings
- Adoption of annual election of directors
- Adoption of a diversity policy for the board of directors and Nominating Committee to utilize during recruitment of nominees
- Provide more disclosure regarding director independence in the proxy statement
- Consider whether directors could be overboarded and take steps to nominate directors with fewer outside commitments
- Consider a separation of the Chair and CEO positions or the appointment of a lead director
- Adoption of shareowner proposals when majority support by shareowners is received
- Increased reporting, transparency and disclosure regarding sustainability issues and risk assessments
- Consideration of OPERS' recommendations regarding linking pay to performance, the structure of the program (short and long term incentives) and disclosure when revising their executive compensation program

OTHER CORPORATE GOVERNANCE ACTIVITIES

OPERS participated, as a member, in two noteworthy corporate governance organizations that provide U.S. and international best practices in the corporate governance arena. Staff had regular contact with our peers who work for public retirement systems and in the industry in order to discuss interesting and noteworthy proxy votes and best practices. With the assistance of the External Relations Division, staff communicated with legislative and regulatory bodies to educate and ultimately protect the ability for OPERS to invest its assets in fairly regulated capital markets.

Highlights of Activities Included:

- Provided OPERS Board of Trustees and the Proxy Policy and Corporate Governance Committee:
    - Education and Information on proxy voting trends
    - U.S. and International proxy voting issues
- Hosted the Second Annual Corporate Governance Forum
- Met with representatives from the Securities and Exchange Commission to discuss regulatory matters of significance to OPERS and institutional investors, as long-term investors. Staff also followed Dodd-Frank regulatory reform developments
- Collaborated with Investment, Finance, Investment Accounting and Legal divisions, which have representatives that serve on an internal Corporate Governance working group. The working group serves as a sounding board for Corporate Governance staff members as ideas for company engagement, shareowner proposals, trends and proxy voting issues are discussed
- Coordinated Merger and Acquisition proxy votes with our Investment analysts
- Provided corporate governance research and analysis for review by our Investment peers
- Supported the Investment Iran and Sudan Divestment Policy process by writing to the companies that appeared on the scrutinized company lists and requesting information on their current activity in Iran and/or Sudan
- Participated in investment account openings for the equity markets that provide proxy voting opportunities and supported the transition to a new international custodian

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CORPORATE GOVERNANCE ACTIVITIES

Membership in national and international organizations:

- The Council of Institutional Investors ("CII')
- International Corporate Governance Network ("ICGN")- OPERS had a representative who served as the co-chair of the Shareholder Responsibilities Committee ("SHREC") as appointed by the ICGN Board
- Asian Corporate Governance Association ("ACGA")

Attendance and participation at industry conferences and meetings:

- Moderator of a panel discussion on influencing company behavior through engagement and ongoing dialogue
- Member of panel discussion on fiduciary and shareowner obligations
- Meetings with peers to discuss shareowner issues, engagement and proxy voting matters

Collaboration Efforts:

- Continued participation with Ohio public pension funds regarding Iran and Sudan Divestment policies
- Corporate engagements with other pension funds and CII
- Continued co-sponsor of the Diverse Director DataSource (3D) with several public funds and companies to support more diverse candidates for public company boards of directors
- Collaborated with proxy voting research advisors regarding upcoming issues during proxy season

A comprehensive bibliography on corporate governance reports and studies continued to be updated in the OPERS' online library of information resources for pension and retirement issues, including citations and links for research reports, policy briefs, books, articles and other resources, which is located at:
https://www.opers.org/pensionresearchcenter/

SECOND ANNUAL CORPORATE GOVERNANCE FORUM

On April 14, 2015, the OPERS Board of Trustees hosted the Second Annual Corporate Governance Forum. The Forum was held to provide company boards of directors, shareowners, and corporate governance professionals with the opportunity to hear from experts on best practices in this growing field and to discuss ways that shareowners and company board members can engage in a constructive dialogue, to foster long-term relationships

Guests heard from keynote speaker, Professor Richard W. Leblanc, reporting on the international corporate governance landscape, followed by two separate panels of directors and industry experts, and moderated by OPERS Board members. The first panel consisted of Linda Harty, member of the Parker Hannifin board of directors; Donna A. James, member of the Time Warner Cable, Inc., Marathon, and L. Brands, Inc. boards of directors; and Debra Perry, member of the Korn/Ferry International board of directors. The speakers discussed risk and oversight, and experiences of audit committee members. The second panel featured directors; James Mitarotonda, member of the A. Schulman, Inc., and the Pep Boys – Manny, Moe and Jack boards of directors; Kathleen H. Ransier, Esq., member of the Huntington Bancshares Inc., Columbus Regional Airport Authority, and The Ohio State University Alumni Association boards of directors; and John W. Rogers, Jr., member of the Exelon and McDonald's boards of directors discussing their view of board responsibilities, the climate of investor relations and other relevant issues. The half-day forum was an opportunity for OPERS Board of Trustees members, staff and stakeholders to become familiar with our Corporate Governance program and learn about best practices in this discipline.

GOALS AND INITIATIVES FOR THE CORPORATE GOVERNANCE DEPARTMENT IN 2015

Supporting and promoting activities that ensure management and boards of directors are acting in the best interest of shareowners and in ways that protect OPERS' assets.

Vote all OPERS' proxies	1. Maintain a 100% vote on all proxy ballots 2. Educational outreach with companies on votes cast 3. Attend at annual shareholder meetings for Ohio companies
Inform the Corporate Governance and Proxy Policy Committee ("Committee"), OPERS' Board and Executive Director of key votes, initiatives, regulatory issues, cases and strategies in the corporate governance arena	1. Hold two Committee Meetings, with a speaker on corporate governance at one Committee meeting 2. Provide Corporate Governance Summary to the Committee bi-annually along with OPERS' voting statistics 3. Provide important news articles or publications when appropriate for Board website 4. Support Board initiatives, including greater board diversity and declassified board structure
Inform internal stakeholders of corporate governance activities	1. Hold Corporate Governance Internal working group Meetings as needed 2. Meet with Executive Director monthly and include Corporate Governance issues on the agenda 3. Work with Investments, Investments Accounting, and Legal regarding proxy voting and corporate governance issues, including SEC and CFTC regulations
Maintain compliance with all OPERS' Corporate Governance Policies and Guidelines	1. Provide the Committee and Executive Director with any non-conforming votes or missed votes memorandum within 30 days of the discovery of non-conforming or missed votes 2. Provide the Committee and Executive Director with upcoming votes that may receive significant media attention
Provide access to OPERS' votes and updates on corporate governance activities on OPERS' Web pages	1. Continue to update OPERS' Corporate Governance Webpage, as needed

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GOALS AND INITIATIVES FOR THE CORPORATE GOVERNANCE DEPARTMENT IN 2015

Supporting and promoting corporate accountability, financial transparency and responsibility

Maintain policies that mirror best practices in the corporate governance arena	1. Review the Corporate Governance Policy and Proxy Voting Guidelines, update as needed on an annual basis 2. Review policies of our peers, follow proxy voting trends and developments
Maximize memberships in the Council of Institutional Investors and International Corporate Governance Network	1. Attend CII conferences 2. Participate actively on CII committees and subcommittees 3. Continue CII Board involvement 4. Utilize ICGN and ACGA websites and educational publications regarding international issues
Enhance OPERS' reputation for corporate governance	1. Membership in CII and as an elected Public Fund Board Member 2. Membership in ICGN and ACGA 3. Involvement with our peers in regulatory matters, company engagement and shareowner proposals 4. Prepare and distribute corporate governance annual report to national peer groups and associations; post on website

Supporting and promoting governmental policies and regulations that are in the best interests of OPERS.

Provide value to the organization and support operational excellence	1. Provide Portfolio Monitor Alerts and other corporate governance information as needed, to Investment Analysts to help them maximize OPERS' investments 2. Sponsor and support shareowner resolutions when appropriate 3. Coordinate with General Counsel and the Attorney General's Office on securities litigation where appropriate 4. Coordinate Mergers and Acquisition votes with Investment staff 5. Coordinate recall of securities on loan when appropriate 6. Participate in organization-wide initiatives 7. Participate in Iran and Sudan Divestment Policy activities 8. Work with Government Relations to monitor proposed regulatory rules and federal legislative matters
Maintain Budget for Corporate Governance	1. Ensure that consultants are conforming to terms of contracts 2. Utilize subscription services to the fullest extent possible 3. Minimize variances to the budget

GOALS AND INITIATIVES FOR 2016

For 2016, the OPERS Board of Trustees and Corporate Governance staff members have identified several areas of focus and activity, including more scrutiny of proxy voting trends and key votes that are cast. The following areas of activity will support the main objective of the Corporate Governance Program and add long-term value to the investment strategy:

1. **Proxy Voting** - Staff members believe the election of directors is the most essential part of effective proxy voting. Directors are to act as our fiduciaries on the boards for which they serve. Staff members would like to continue scrutinizing the nominees for directors and review their ability to effectively serve the shareowners by reviewing the number of boards they serve on (i.e. "overboarded"); whether they are elected to an annual term; whether they have served on the Audit, Governance, Compensation or other similar Committee and not taken steps to implement a proposal that shareowners approved or they have not taken steps to make changes to executive pay and compensation when shareowners did not ratify the "Say on Pay" proposals, and when the Audit Committee does not hold the non-audit fees to less than 30 percent of the overall fees paid to the external audit firm. OPERS provides access to U.S. public company votes and updates on activities on the Corporate Governance web page.

2. **Top holdings** - An analysis of performance (1, 3, 5, benchmark and peers) and best corporate governance practices within the top 50 holdings of OPERS' U.S. equity portfolio. Staff members will determine company engagement and dialogue on a case by case basis to include discussions on board diversity and refreshment, annual election of directors, the appointment of a lead director if the company has a combined Chair/CEO position; executive pay and compensation measures; auditor rotation and non-audit fees; human capital management in the supply chain; political contributions and trade association memberships (if the company has not adopted a policy to report the expenditures for political activity and trade association memberships) and any other best practices that the company has not adopted.

3. **Mid-cap company index review** - An analysis of performance and corporate governance practices for companies in this index, in order to identify the lowest performing companies that could be dragging down performance. Staff will work with the Investment team to identify the companies that have poor performance over the long-term and begin engagement with them. Staff will seek to engage companies first on the topics identified in items 1 and 2, and file any proposals, on our own, or in concert with peers, if engagement ceases to provide results.

4. **Health Care** - Staff members are working with the internal Health Care division to discuss opportunities for OPERS to leverage our ownership in large pharmaceutical and health care companies to get the best results for our health care program. Activity would include engagement with health care related companies to educate them on the priorities that OPERS has for health care and drug policies that give us the flexibility we need for our retirees.

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GOALS AND INITIATIVES FOR 2016

5. **Regulatory activity** - Staff members believe there may be an opportunity to provide the Securities and Exchange Commission (SEC) with comment letters relating to proposed rules that may be issued in 2015. In meetings with the SEC, staff members have heard that the Commission would appreciate more comment letters, emails and conversation from institutional investors.

6. **Annual Corporate Governance Forum** - Staff members will organize the Third Annual Corporate Governance Forum in 2016, with a program of speakers and topics that are relevant to OPERS.

7. **Inform the Corporate Governance and Proxy Policy Committee ("Committee")**, OPERS' Board and Executive Director of key votes, initiatives, regulatory issues, high profile cases and strategies in the corporate governance arena. Provide staff support to the Proxy Policy and Corporate Governance Committee.

8. **Inform internal stakeholders** of corporate governance activities through the meetings of the Corporate Governance working group.

9. **Maintain compliance** with all OPERS' Corporate Governance Policies and Guidelines and the Iran and Sudan Policy. Maintain policies that mirror best practices in the corporate governance arena.

10. **Director Nominees** - OPERS believes directors serve as the representatives of shareowners and as such, more time and attention should be paid to director nominees.

11. **Strategic plan** - OPERS will be embarking on the next phase of its Enterprise Strategic Plan, which will include short and long term goals and measures. The work of the Corporate Governance staff will provide support to OPERS Leadership, Investments, Finance and Investment Accounting, as well as other divisions. Staff will be providing their input to the overall External Relations Division's goals and measures, identify budget needs for research, and resources that will be used to meet the expected work activity.

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GOALS AND INITIATIVES FOR 2016

12. **Diversity** - OPERS has remained a signatory for the Diverse Director DataSource ("3D") since its inception. While there are initiatives in European countries that are requiring the nomination of women candidates for boards of directors, the United States listing standards at NASDAQ or the NYSE have not required that a woman be appointed to public boards. Gender is one area that OPERS considers when determining whether to support director nominees. Staff members look to see whether the candidates, male or female, have any ties or relationships to the public company that could create a conflict of interest, previous experience in the company's business arena, and the ability to devote the time and attention to the board work. Staff will continue to review director candidates and discuss diversity with company management and directors who serve on the Nominating Committees.

13. **Shareowner Engagement** - Staff will continue to attend annual shareholder meetings when time permits and meet with company and management to discuss company issues, best practices and emerging proxy season issues.

14. **Other Emerging Areas -** Trends identified from pre-proxy season calls and meetings will be reviewed and considered.

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Find more research reports, policy briefs, articles and other publications related to corporate governance at https://www.opers.org/pensionresearchcenter/

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Karen E. Carraher

Karen Carraher is Executive Director for the Ohio Public Employees Retirement System and has held that position since February 2011. Prior to that, Karen had served as finance director for the System since 2002. In her current capacity, she leads the $81 billion organization and has been responsible for leading work on changes to both the pension and health care programs.

Karen earned a bachelor's degree in business administration from The Ohio State University and her master's degree from Capital University. She is a Certified Public Accountant. Karen began her career as an audit manager with the accounting firm Ernst & Young. She served as controller for both Mount Carmel Health and Riverside Methodist Hospitals, and she was the director of business services for the Ohio Education Association.

Karen is a founding member of the Public Pension Financial Forum (P2F2), a national organization representing the financial operations of public pension systems throughout North America. She has served as president, treasurer and is currently a board member of the organization. She also serves as a board member on the Coalition to Preserve Retirement Security (CPRS).

Carol Nolan Drake, J.D.

Carol Drake is the Chief External Affairs Officer for the Ohio Public Employees Retirement System, and oversees the Corporate Governance and Government Relations departments. Ms. Drake served previously as the corporate governance manager. Prior to joining OPERS, Carol was the director of the Ohio Department of Administrative Services, a state agency with an annual budget of $2 billion, serving on the Governor's Cabinet. Carol served as the statutory board member of OPERS and Ohio's Deferred Compensation Board during her tenure on the Cabinet.

She currently is serving her fifth year on the board of the Council of Institutional Investors ("CII") as an elected public fund member and is the chair of the Policies Committee. She is serving her third year as the co-chair of the ICGN Shareholder Responsibilities Committee. Carol served as the chairman of the State Employment Relations Board, which has jurisdiction over 350,000 employees covered by collective bargaining agreements in the state. She's also held a number of senior level positions in state government at the departments of Commerce and Administrative Services. She also worked as an assistant city attorney and assistant county prosecutor early in her legal career.

She is a cum laude graduate of Ohio Wesleyan University and the Claude Pettit College of Law at Ohio Northern University.

Continued on next page...

Natalie A. Young

Natalie is a Corporate Governance Specialist for the Ohio Public Employees Retirement System responsible for evaluating corporate governance and proxy voting trends, policies and proposals. Natalie joined OPERS in 2008 as a member counselor and representative in the Member Services Department. Previously, she served as a conflicts analyst for Vorys, Sater, Seymour & Pease LLP.

Natalie earned a bachelor's degree in English from The Ohio State University, a bachelor's degree in public relations from Franklin University, a master's degree in public administration from Franklin University, and a paralegal certificate from Columbus State Community College.

Latisha Simon

Latisha is a Corporate Governance Specialist for the Ohio Public Employees Retirement System responsible for evaluating corporate governance and proxy voting trends, policies and proposals. Latisha joined OPERS in 2003, most recently serving as a counselor in the Member Services Department. Prior to employment with OPERS, she worked for CIGNA Healthcare providing customer support to patients and physicians before moving to CASS Information Systems where she assisted in leading the Client Services unit.

She brings over 10 years of pension experience to the Corporate Governance area and holds a bachelor's degree in psychology and a master's degree in public policy and administration from Liberty University.

Heidi Perry

Heidi is a Corporate Governance Associate for the Ohio Public Employees Retirement System responsible for research and special projects related to proxy voting. Heidi joined OPERS in 2014, and also serves as a records and imaging specialist in the Records and Imaging Department. Prior to employment with OPERS, Heidi served as a compliance specialist for Alliance Data, managing the compliance review and examination processes and supporting new business and marketing program implementation.

Heidi holds a bachelor's degree in learning design and technology from Bowling Green State University.

The 11-member OPERS Board of Trustees is responsible for the administration and management of OPERS. Seven of the 11 members are elected by the groups that they represent (i.e., college and university non-teaching employees, state, county, municipal, and miscellaneous employees, and retirees), the Director of the Department of Administrative Services for the State of Ohio is a statutory member, and three members are investment experts appointed by the Governor, the Treasurer of State, and jointly by the Speaker of the Ohio House of Representatives and the President of the Ohio Senate

For a current listing of OPERS Board members, please visit www.opers.org

This document is written in plain language for use by members of the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.

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Corporate Governance Webpage:
https://www.opers.org/about/corporate/index.shtml

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
Allocation of Profits/Dividends	92.30%	7.70%	0.00%	0.00%	0.00%	92.30%
Appointment of Auditor	71.10%	28.70%	0.20%	0.00%	0.00%	71.10%
Appointment of Auditor and Authority to Set Fees	66.90%	33.10%	0.00%	0.00%	0.00%	66.90%
Appointment of Special Auditor	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Authority to Set Auditor's Fees	64.20%	35.60%	0.00%	0.20%	0.00%	64.30%
Bonus Dividend/Bonus Share Issue	98.10%	1.90%	0.00%	0.00%	0.00%	98.10%
Financial Statements	97.10%	2.80%	0.00%	0.00%	0.00%	97.20%
Number of Auditors	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Ratification of Auditor	90.50%	9.50%	0.00%	0.00%	0.00%	90.10%
Ratification of Auditor's Acts	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Stock Dividend/Dividend Reinvestment	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Authorization of Board to Set Board Size	61.50%	38.50%	0.00%	0.00%	0.00%	61.50%
Board Size	95.80%	4.20%	0.00%	0.00%	0.00%	95.80%
Change in Board Size	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Director & Officer Liability/Indemnification	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Election of Board Committee Members	74.20%	25.80%	0.00%	0.00%	0.00%	74.20%
Election of Directors	80.80%	19.00%	0.20%	0.00%	0.00%	80.90%
Election of Directors (Slate)	58.50%	41.50%	0.00%	0.00%	0.00%	57.50%
Election of Shareholder Representatives	83.90%	16.10%	0.00%	0.00%	0.00%	83.90%
Election of Statutory Auditors	63.20%	36.20%	0.60%	0.00%	0.00%	63.20%
Election of Supervisory Board	70.10%	29.00%	0.90%	0.00%	0.00%	70.80%
Indemnification of Directors/Officers	64.90%	35.10%	0.00%	0.00%	0.00%	64.90%
Misc. Management Proposal Regarding Board	80.00%	20.00%	0.00%	0.00%	0.00%	79.90%
Ratification of Board Acts - Legal	88.30%	11.70%	0.00%	0.00%	0.00%	88.30%
Ratification of Management Acts - Legal	99.10%	0.90%	0.00%	0.00%	0.00%	99.10%
Related Party Transactions	82.50%	17.50%	0.00%	0.00%	0.00%	82.50%
Removal/Resignation of Director	75.40%	24.60%	0.00%	0.00%	0.00%	94.70%
Amendment to Authorized Common Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Authorized Preferred Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Borrowing Powers	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Par Value	96.90%	3.10%	0.00%	0.00%	0.00%	96.90%
Amendment to Provisions of Debt Instruments	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Terms of Debt Instruments	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Approval of Borrowing	85.20%	14.80%	0.00%	0.00%	0.00%	85.20%
Authority to Create Preferred Stock	63.20%	36.80%	0.00%	0.00%	0.00%	63.20%
Authority to Give Guarantees	56.10%	43.90%	0.00%	0.00%	0.00%	56.10%
Authority to Issue Preferred Stock	98.40%	1.60%	0.00%	0.00%	0.00%	98.40%
Authority to Issue Shares w/ Preemptive Rights	94.30%	5.70%	0.00%	0.00%	0.00%	94.30%
Authority to Issue Shares w/o Preemptive Rights	60.10%	39.90%	0.00%	0.00%	0.00%	60.10%
Authority to Issue Stock w/ or w/out Preemptive Rights	86.60%	13.40%	0.00%	0.00%	0.00%	86.60%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
Authority to Repurchase Shares	96.60%	3.40%	0.00%	0.00%	0.00%	96.60%
Authority to Trade in Company Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Cancellation of Authorized Stock	99.10%	0.50%	0.00%	0.40%	0.00%	99.90%
Conversion of Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Creation of New Share Class	96.90%	3.10%	0.00%	0.00%	0.00%	96.90%
Decrease in Authorized Common Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Elimination of Dual Class Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Increase in Authorized Capital	75.20%	24.80%	0.00%	0.00%	0.00%	75.20%
Increase in Authorized Common Stock	65.50%	34.50%	0.00%	0.00%	0.00%	65.50%
Increase in Authorized Preferred Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Increase in/Authorization of Dual Class Stock	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Increase in/Authorization of Preferred Stock	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Issuance of Common Stock	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Issuance of Convertible Debt Instruments	78.90%	21.10%	0.00%	0.00%	0.00%	78.90%
Issuance of Debt Instruments	83.60%	16.40%	0.00%	0.00%	0.00%	83.60%
Issuance of Repurchased Shares	19.50%	80.50%	0.00%	0.00%	0.00%	19.50%
Issuance of Stock w/ or w/out Preemptive Rights	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Issuance of Stock w/ Preemptive Rights	91.20%	8.80%	0.00%	0.00%	0.00%	91.20%
Issuance of Stock w/ Warrants	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Issuance of Stock w/out Preemptive Rights	71.40%	28.60%	0.00%	0.00%	0.00%	71.40%
Issuance of Warrants	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Issuance of Warrants w/ Preemptive Rights	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Issuance of Warrants w/o Preemptive Rights	87.90%	12.10%	0.00%	0.00%	0.00%	87.90%
Limit to Capital Increase	69.90%	30.10%	0.00%	0.00%	0.00%	69.90%
Misc. Proposal Regarding Capital	85.20%	14.80%	0.00%	0.00%	0.00%	85.20%
Reduction in Authorized Capital (INACTIVE)	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Reduction in Share Premium Account	97.70%	2.30%	0.00%	0.00%	0.00%	97.70%
Repurchase of Shares	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Reverse Stock Split	97.70%	2.30%	0.00%	0.00%	0.00%	97.70%
Stock Split	95.50%	4.50%	0.00%	0.00%	0.00%	95.50%
Use/Transfer of Reserves	99.10%	0.90%	0.00%	0.00%	0.00%	99.10%
Adoption of Advance Notice Requirement	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Adoption of Majority Vote for Election of Directors	100.00%	0.00%	0.00%	0.00%	0.00%	96.40%
Adoption of New Articles	39.80%	60.20%	0.00%	0.00%	0.00%	39.80%
Adoption of Poison Pill	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Adoption of Shareholder Rights' Plan	3.40%	96.60%	0.00%	0.00%	0.00%	3.40%
Amend Articles, Constitution, Bylaws - Bundled	82.60%	17.30%	0.00%	0.10%	0.00%	82.70%
Amendment to Foreign Investor Restrictions	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Investment Advisory Agreement/Sub-Advisory Agreement	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
Amendment to Poison Pill	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Share Class Rights	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Shareholder Rights' Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendments to Articles (Technical)	98.90%	1.10%	0.00%	0.00%	0.00%	98.90%
Amendments to Articles - Change in Company Name (INACTIVE)	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendments to Articles, Constitution, Bylaws	55.80%	44.10%	0.00%	0.10%	0.00%	55.80%
Amendments to Procedural Rules	94.60%	5.40%	0.00%	0.00%	0.00%	94.60%
Change in State of Incorporation	62.50%	37.50%	0.00%	0.00%	0.00%	62.50%
Company Name Change	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Constitution of Procedural Rules	89.70%	10.30%	0.00%	0.00%	0.00%	89.70%
Delisting	93.80%	6.30%	0.00%	0.00%	0.00%	100.00%
Elimination of Cumulative Voting	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Elimination of Preemptive Rights	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Elimination of Supermajority Requirement	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Limitation of Written Consent	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Misc. Article Amendments	47.00%	53.00%	0.00%	0.00%	0.00%	47.00%
Misc. Proposal Regarding Antitakeover Devices	13.40%	86.60%	0.00%	0.00%	0.00%	13.40%
Opting Out of State Takeover Law	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Redemption of Poison Pill	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Reincorporation	57.10%	42.90%	0.00%	0.00%	0.00%	57.10%
Repeal of Classified Board	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Repeal of Fair Price Provision	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Restoration of Right to Call a Special Meeting	78.30%	21.70%	0.00%	0.00%	0.00%	78.30%
Restoration of Written Consent	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Technical Amendments to Charter/Bylaw	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Waiving of Mandatory Takeover Requirement	88.50%	11.50%	0.00%	0.00%	0.00%	88.50%
Adoption of Director Equity Compensation Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Adoption of Employee Stock Purchase Plan	86.70%	13.30%	0.00%	0.00%	0.00%	86.70%
Adoption of Equity Compensation Plan	95.50%	4.50%	0.00%	0.00%	0.00%	95.50%
Adoption of Restricted Stock Plan	74.70%	25.30%	0.00%	0.00%	0.00%	74.70%
Advisory Vote on Executive Compensation	73.30%	26.70%	0.00%	0.00%	0.00%	73.20%
Advisory Vote on Severance	69.20%	30.80%	0.00%	0.00%	0.00%	69.20%
Amendment to Bonus/162(m) Plan	100.00%	0.00%	0.00%	0.00%	0.00%	98.90%
Amendment to Deferred Compensation Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Amendment to Director Equity Compensation Plan	95.40%	4.60%	0.00%	0.00%	0.00%	95.40%
Amendment to Employee Stock Purchase Plan	99.30%	0.70%	0.00%	0.00%	0.00%	99.30%
Amendment to Equity Compensation Plan	89.50%	10.50%	0.00%	0.00%	0.00%	89.40%
Amendment to Restricted Stock Plan	75.00%	25.00%	0.00%	0.00%	0.00%	75.00%
Amendment to Stock Option Plan	62.50%	37.50%	0.00%	0.00%	0.00%	62.50%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
Amendment to Stock Purchase Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Approval of Employment Agreements	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Bonus	63.90%	36.10%	0.00%	0.00%	0.00%	63.90%
Bonus/162(m) Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Bonuses for Retiring Directors (JP)	5.00%	95.00%	0.00%	0.00%	0.00%	5.00%
Bonuses for Retiring Directors and Statutory Auditors (JP)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Bonuses for Retiring Statutory Auditors (JP)	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Compensation Policy	78.10%	21.90%	0.00%	0.00%	0.00%	78.10%
Directors' Fees	92.10%	7.90%	0.00%	0.00%	0.00%	92.00%
Directors' Fees & Audit Fees	87.20%	12.80%	0.00%	0.00%	0.00%	87.20%
Directors' Stock Option Plan	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Misc. Proposal Regarding Compensation	79.50%	20.50%	0.00%	0.00%	0.00%	79.50%
Option Exchange/Repricing	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Say When on Pay	0.50%	0.00%	0.00%	0.00%	99.50%	79.80%
Statutory Auditors' Fees	85.20%	14.80%	0.00%	0.00%	0.00%	85.20%
Stock Option Grants	68.50%	31.50%	0.00%	0.00%	0.00%	68.50%
Stock Option Plan	69.80%	30.20%	0.00%	0.00%	0.00%	69.80%
Stock Purchase Plan	92.10%	7.90%	0.00%	0.00%	0.00%	95.00%
Supervisory Board/ Corp Assembly Fees	94.70%	5.30%	0.00%	0.00%	0.00%	94.70%
Divestiture/Spin-off	89.30%	10.70%	0.00%	0.00%	0.00%	89.30%
Intra-company Contracts/Control Agreements	88.00%	12.00%	0.00%	0.00%	0.00%	88.00%
Joint Venture/Strategic Alliance	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Liquidation	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Merger/Acquisition	92.30%	7.70%	0.00%	0.00%	0.00%	92.30%
Misc. Proposal Regarding Restructuring	88.70%	11.30%	0.00%	0.00%	0.00%	100.00%
Property Purchase	85.70%	14.30%	0.00%	0.00%	0.00%	85.70%
Property Sale	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Restructuring/Capitalization	96.00%	4.00%	0.00%	0.00%	0.00%	100.00%
Restructuring/Reorganization	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Sale of Assets	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Spin-off	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Authorization of Legal Formalities	96.50%	3.50%	0.00%	0.00%	0.00%	96.50%
Right to Adjourn Meeting	95.10%	4.90%	0.00%	0.00%	0.00%	95.10%
Routine Meeting Item	98.50%	1.50%	0.00%	0.00%	0.00%	98.50%
Transact Other Business	2.50%	97.50%	0.00%	0.00%	0.00%	5.00%
Transaction of Other Business	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Approval of Political Donation	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Authorization of Charitable Donations	99.50%	0.50%	0.00%	0.00%	0.00%	99.50%
Declaration of Material Interest	54.50%	45.50%	0.00%	0.00%	0.00%	100.00%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
Misc. Management Proposal	89.40%	10.60%	0.00%	0.00%	0.00%	89.40%
Misc. Proposal	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Miscellaneous - Resident Status	40.00%	60.00%	0.00%	0.00%	0.00%	0.00%
OTHER	59.60%	0.00%	0.00%	40.40%	0.00%	100.00%
SHP Advisory Vote on Compensation Report (Say on Pay)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Recoupment of Unearned Bonuses (Clawback)	19.10%	80.90%	0.00%	0.00%	0.00%	80.90%
SHP Regarding Allowing Shareholders to Vote on [Some Aspect] of Compensation	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Disclosure of Executive Compensation	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Golden Parachutes	79.20%	20.80%	0.00%	0.00%	0.00%	20.80%
SHP Regarding Linking Executive Pay to Social Criteria	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Compensation	60.90%	39.10%	0.00%	0.00%	0.00%	39.10%
SHP Regarding Opposition to/Change in Executive Compensation	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Performance-Based Equity Compensa-tion	18.50%	81.50%	0.00%	0.00%	0.00%	81.50%
SHP Regarding Race and/or Gender Pay Equity Report	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Restricting Executive Compensation	17.80%	82.20%	0.00%	0.00%	0.00%	82.20%
SHP Regarding Adoption of Comprehensive Recycling Strategies	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Bioengineering / Nanotechnology Safety	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Formation of Environmental/Social Committee of the Board	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Energy/Environmental Issues	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Environmental Issue	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Phase out of Nuclear Power	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Report on Environmental Performance	57.90%	42.10%	0.00%	0.00%	0.00%	73.70%
SHP Regarding Report/Action on Climate Change	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Reporting and Reducing Greenhouse Gas Emissions	3.30%	96.70%	0.00%	0.00%	0.00%	96.70%
SHP Regarding Review Energy Efficiency & Renewables	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Review Nuclear Facility/Waste	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Sustainability Report	75.80%	24.20%	0.00%	0.00%	0.00%	24.20%
SHP Regarding Amendments to Company Goals/Pur-pose	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Board Composition	33.80%	66.20%	0.00%	0.00%	0.00%	51.30%
SHP Regarding Counting Shareholder Votes	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Cumulative Voting	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Director Tenure	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Director Training	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
SHP Regarding Election of Dissident Board Member(s)	10.20%	89.80%	0.00%	0.00%	0.00%	94.70%
SHP Regarding Election of Dissident Supervisory Board Member(s)	46.20%	53.80%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Eliminating Supermajority Provisions	100.00%	0.00%	0.00%	0.00%	0.00%	8.00%
SHP Regarding Facilitation of Shareholder Proposals	42.90%	57.10%	0.00%	0.00%	0.00%	57.10%
SHP Regarding Improving in Disclosure	27.90%	72.10%	0.00%	0.00%	0.00%	72.10%
SHP Regarding Increase in Dividend/Redistribution of Profits	23.30%	76.70%	0.00%	0.00%	0.00%	90.00%
SHP Regarding Independent Board Chairman/Sepera-tion of Chair and CEO	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Majority Vote for Election of Directors	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Misc. Auditor Issue	50.00%	50.00%	0.00%	0.00%	0.00%	50.00%
SHP Regarding Misc. Board Issue	28.60%	71.40%	0.00%	0.00%	0.00%	62.50%
SHP Regarding Misc. Board/Shareholder Rights Issue	69.90%	30.10%	0.00%	0.00%	0.00%	17.90%
SHP Regarding Misc. Capital Issue	14.30%	85.70%	0.00%	0.00%	0.00%	73.80%
SHP Regarding Misc. Issue	8.10%	91.90%	0.00%	0.00%	0.00%	91.30%
SHP Regarding Misc. Meeting/Voting Issue	33.30%	66.70%	0.00%	0.00%	0.00%	73.30%
SHP Regarding Redemption of / Shareholder Vote on Poison Pills	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Reincorporation	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Removal of Director(s)	5.60%	94.40%	0.00%	0.00%	0.00%	85.80%
SHP Regarding Removal of Multiple-Voting Rights	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Right to Act by Written Consent	95.50%	4.50%	0.00%	0.00%	0.00%	4.50%
SHP Regarding Right to Call a Special Meeting	50.70%	49.30%	0.00%	0.00%	0.00%	52.20%
SHP Regarding Setting Age Limits for Directors	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding the Declassification of the Board	88.00%	12.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Trained, Qualified Directors on Envi-ronment, Health and Safety, Audit and Compensation Committees	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Shareholder Access to the Nomination Process (Proxy Access)	96.60%	3.40%	0.00%	0.00%	0.00%	6.30%
SHP: Misc. Issues	22.60%	77.40%	0.00%	0.00%	0.00%	61.30%
SHP Regarding Adopting Sexual Orientation Anti-Bias Policy	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Animal Welfare	25.00%	75.00%	0.00%	0.00%	0.00%	75.00%
SHP Regarding Company Product Responsibility	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Drug Pricing/Distribution	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SHP Regarding Limiting or Ending Political Spending	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Human/Political Rights Policies	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Labor Issues/Policies	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Misc. Social Issue	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Plant Closings	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%

Description	% For	% Against	% Abstain	% No Votes	% 1 yr	% With Mgmt
SHP Regarding Report on EEO	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Reporting on Company's Compliance with International Human Rights Standards	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Reviewing Charitable Spending	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
SHP Regarding Reviewing Political Spending or Lobby-ing	80.00%	20.00%	0.00%	0.00%	0.00%	20.00%
SHP Regarding Tobacco/Alcohol	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
Totals**	**66.00%**	**33.38%**	**0.01%**	**10.19%**	**0.43%**	**75.73%**

Ohio Public Employees Retirement System

Corporate Governance Policy
December 2013

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Revision History

Proxy Policy Established	1996
Proxy Policy Revised	September 1998
Proxy Policy Revised	August 2000
Proxy Policy Revised	February 21, 2001
Proxy Policy Revised	February 20, 2002
Proxy Policy Revised	November 19, 2002
Proxy Policy Revised	March 19, 2003
Proxy Policy Revised	March 19, 2004
Corporate Governance Policy Statement and Guidelines Established	September 9, 2004
Corporate Governance Policy Established	April 18, 2007
Corporate Governance Policy Revised	February 2008
Corporate Governance Policy Revised	December 2008
Corporate Governance Policy Revised	December 2010
Corporate Governance Policy Revised	November 2011
Corporate Governance Policy Revised	December 2012
Corporate Governance Policy Revised	December 2013

I. SCOPE

This Corporate Governance Policy ("Policy") applies to the corporate governance activities of the Ohio Public Employees Retirement System ("OPERS").

II. PURPOSE

Within the above scope, the Policy provides the legal authority, philosophy, objectives, and strategies regarding corporate governance, as well as monitoring and reporting related to corporate governance activities within both internally managed and externally managed public market portfolios.

III. LEGAL AUTHORITY

Under Section 145.11(A) Investment and fiduciary duties of the board, of the Ohio Revised Code:

The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employees retirement system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

IV. PHILOSOPHY

As a long-term investor OPERS strives to manage assets and risks in a prudent, timely and cost-effective manner within its investment objectives and legal authority. The corporate governance program seeks to protect and enhance the investment returns of OPERS' assets by effectively voting its proxies and responsibly participating in associated corporate governance activities. OPERS is a long-term investor in the U.S. and international equity markets and, as a fiduciary, OPERS exercises its shareowner rights solely in the economic interests of the System's participants and beneficiaries.

Major corporate governance failures have prompted new legislative and regulatory developments like the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and amended listing standards at major U.S. exchanges. Effective corporate governance can foster a culture of corporate integrity, financial accountability, leadership and long-term strategic goals of growth and profitability. Good corporate governance can significantly contribute to the long-term financial performance of a company. This Policy is intended to reflect these changes and to serve as a basis for guiding OPERS' proxy voting and supporting its corporate governance strategies.

V. OBJECTIVES

The objective of OPERS' corporate governance program is to enhance the long-term value of OPERS' investments by:

- Supporting and promoting activities that ensure management and boards of directors are acting in the best interest of shareowners and in ways that protect OPERS' assets.
- Supporting and promoting corporate accountability, financial transparency and responsibility.
- Supporting and promoting governmental policies and regulations that are in the best interest of OPERS.

VI. STRATEGIES

Corporate governance strategies are designed to assist in achieving long-term investment goals. The following is a list of corporate governance strategies OPERS may use to enhance its investment returns and protect its assets.

- Proxy Votes
  - Proxy voting is a primary strategy of OPERS' corporate governance program. OPERS casts proxy votes in accordance with Proxy Voting Guidelines ("Guidelines") approved by the OPERS' Board of Trustees and consistent with Chapter 145 of the Ohio Revised Code. Exceptions to the Guidelines or case-by-case votes that have the potential to publicly impact OPERS will be reported to the Board.
  - OPERS retains the right to vote its proxies and will not delegate this authority to third parties, such as proxy voting agents or investment managers without first obtaining the approval of the Proxy Policy and Corporate Governance Committee and OPERS' Board.
  - OPERS engages in the practice of lending its securities to enhance the return on its investment portfolio. In the process of lending securities, the right to vote shares is transferred to the borrower of the securities during the period that the securities are on loan, and OPERS' right to vote the shares is forfeited unless OPERS elects to recall the shares in a timely manner from the borrower. OPERS' fiduciary duty to exercise its right to vote proxies as an asset of the fund will be balanced against the incremental returns of the OPERS' securities lending program. OPERS will reserve the right to recall the shares prior to the record date for the purpose of exercising OPERS' voting rights.

- Shareholder Resolutions and Other Activities
  - OPERS may become involved in supporting or preparing shareholder resolutions, or may participate in other public activities if the activities are in the economic interests of OPERS and its beneficiaries.
  - OPERS may participate in recommendations to, and active engagement with, companies to improve their corporate governance.
- Corporate Governance Organizations
  - OPERS may participate in corporate governance organizations.
  - OPERS may communicate with other pension funds and legislative and regulatory bodies.

VII. RISKS

The risks associated with the corporate governance program are:

- Operational and implementation risk.
- Headline risk.

VIII. RISK MANAGEMENT

Prior to, and on an ongoing basis, any corporate governance strategy would require:

- Identification and assessment of the specific risks.
- A review of operational procedures.
- Participation and advice from the Corporate Governance Working Group.

IX. ROLES AND RESPONSIBILITIES

A. Board of Trustees

The Board is responsible for:

- Reviewing and approving the Corporate Governance Policy (“Policy”).
- Reviewing and approving the Proxy Voting Guidelines (“Guidelines”).

B. Proxy Policy and Corporate Governance Committee

The Proxy Policy and Corporate Governance Committee (“Committee”) is responsible for:

- Evaluating the Policy for modifications as needed and making recommendations for consideration by the Board.
- Evaluating proposals for modifications to the Guidelines as needed and making recommendations for consideration by the Board.
- Establishing and monitoring strategy parameters and goals for corporate governance activities.

C. Corporate Governance Staff

Corporate Governance Staff is responsible for:

- Implementing the corporate governance program in compliance with the Policy.
- Proposing changes to the Policy as appropriate.
- Proposing corporate governance activities to support the program and executing those activities.
- Working with the Communications Department in responding to the media.
- Inform the Executive Director of corporate governance activities as appropriate.
- Monitoring and reporting corporate governance activities to the Committee and Board as appropriate.
- Contracting with advisors in executing the corporate governance program.
- Working with advisors to execute the corporate governance program.
- Handling the day-to-day administration of the corporate governance program.
- Utilizing an Internal Corporate Governance Working Group as needed for advice on:
    - Proposing to the Committee strategy parameters and goals for corporate governance activities.
    - Monitoring the corporate governance activities to assure they are within the corporate governance strategy and reporting on compliance with the Policy.
    - Ensuring that corporate governance activities comply with all aspects of the Policy.
    - Scheduling reviews of the Policy with the Board Proxy Policy and Corporate Governance Committee, as appropriate.
    - Proposing changes to the Policy, as appropriate.

X. MONITORING AND REPORTING

- On a quarterly basis, or more frequently if appropriate, staff will provide a proxy voting report to the Board.
- On an on-going basis, staff will report to the Committee as appropriate, on shareholder resolutions and other corporate governance activities, including exceptions to the Policy, new or high-profile issues and missed or inconsistent votes.

Ohio Public Employees Retirement System

Proxy Voting Guidelines
December 2013

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Revision History

Proxy Policy Established	**1996**
Proxy Policy Revised	**September 1998**
Proxy Policy Revised	**August 2000**
Proxy Policy Revised	**February 21, 2001**
Proxy Policy Revised	**February 20, 2002**
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Proxy Voting Guidelines Revised	**December 2012**
Proxy Voting Guidelines Revised	**December 2013**

I. CORPORATE GOVERNANCE OBJECTIVES

The objective of OPERS' corporate governance program is to enhance the long-term value of OPERS' investments by:

- Supporting and promoting activities that ensure management and boards of directors are acting in the best interest of shareowners and in ways that protect OPERS' assets.
- Supporting and promoting corporate accountability, financial transparency and responsibility.
- Supporting and promoting governmental policies and regulations that are in the best interest of OPERS.

II. PROXY VOTING STRATEGY

Proxy voting is a primary strategy of the OPERS' corporate governance program. OPERS casts proxy votes in accordance with the Proxy Voting Guidelines that are listed in Section IV, approved by the OPERS' Board of Trustees and consistent with Chapter 145 of the Ohio Revised Code. Exceptions to the Guidelines or case-by-case votes that have the potential to publicly impact OPERS will be reported to the Board.

All best efforts will be made by the Corporate Governance staff and the proxy voting advisor to cast votes coming from international companies. The Guidelines will provide the basis for staff to analyze international proxy votes and apply them to the votes, unless inconsistent with a country's laws.

International voting issues will be documented, summarized and reviewed periodically by the Corporate Governance staff to identify emerging trends and consider enhancements to the Proxy Voting Guidelines. Results from the periodic reviews will be presented to the Corporate Governance Working Group from time to time for discussion and consideration of proposed changes.

III. PROXY VOTING PROCEDURES

A. Corporate Governance Policy and Proxy Voting Guidelines

The Corporate Governance Policy and Proxy Voting Guidelines provide the basis for Corporate Governance staff (staff) to vote OPERS' proxies. The Policy and Guidelines are approved by the OPERS' Board and implemented by staff. Staff provides the Policy and Guidelines to the retained proxy-voting advisor. The proxy-voting advisor interprets and applies the Policy and Guidelines, provides specific recommendations for each proxy issue and votes the proxies through its automated proxy-voting platform. Staff retain the ability to manually vote any proxies at all times.

B. Case-by-Case Exceptions

Case-by-Case exceptions are proxy issues that are not addressed by the OPERS' Corporate Governance Policy or Proxy Voting Guidelines or issues that may receive significant media attention. When these exceptions arise, the staff will review the proposals, the proxy-voting advisor and company recommendations, and provide a voting recommendation to the Chief External Affairs Officer for final determination before voting the proxy. The OPERS' Board and Executive Director will be notified of votes involving significant media attention.

C. Voting Differences

Voting differences are defined as specific proxy issues that result in differences between the proxy-voting advisor recommendations, OPERS' Policy and Guidelines or company proposals.

Voting differences will be documented, summarized and reviewed periodically by the Corporate Governance staff to identify trends and emerging issues, evaluate the proxy-voting advisor and consider enhancements to the Proxy Voting Guidelines. Results from the periodic reviews will be presented to the Corporate Governance Working Group from time to time for discussion and consideration of proposed changes.

D. Mergers and Acquisitions

Proxy issues related to mergers, acquisitions and reorganizations will be reviewed by staff to determine the recommendations and proposals presented by relevant company boards and the OPERS' proxy-voting advisor.

When the recommendations and proposals presented by relevant company boards and the OPERS' proxy-voting advisor are consistent, and absent special considerations (high profile, OPERS-specific or others), OPERS' proxy-voting staff will vote the special proxy issue in a manner consistent with the relevant company boards and the OPERS' proxy-voting advisor.

When the recommendations and proposals are not consistent, the OPERS' proxy-voting staff may coordinate discussions between Investment staff and the OPERS' proxy-voting advisor for further explanation and rationale, coordinate discussions among the OPERS' investment staff for industry insights and guidance and collect and distribute other appropriate analytics and resources. OPERS' staff will integrate the various perspectives and inputs to discuss the recommendations and proposals with the Chief External Affairs Officer, who is responsible for final determination of the vote.

E. Missed Votes and Votes Inconsistent with Guidelines

The Board and Executive Director will be provided with a report of any missed votes within 30 days of the discovery of the occurrence, along with an analysis of the reason(s), and a discussion of the corrective action taken.

From time-to-time it may be necessary for OPERS to vote contrary to the Policy and Guidelines (inconsistent vote). For inconsistent votes, staff will follow the Case-by-Case Exception Procedures detailed in Section III. 2. above. The voting position and rationale will be reported to the full Board by the next Board meeting of the inconsistent vote being cast.

IV. PROXY VOTING GUIDELINES

A. Boards of Directors

Boards of Directors are shareowners' representatives at the company. As such, OPERS believes Directors should be held accountable for the consistent implementation of the best practices standards outlined in these Guidelines. This accountability will vary from director to director, depending on the director's role on the board and on various committees. For instance, if executive compensation is excessive relative to performance, the directors on the Compensation Committee should be held accountable for the poor implementation of compensation practices and policies that link pay to performance for the purpose of building sustainable, long-term shareowner value.

i. Board Composition, Qualifications and Meeting Attendance, Equity Interest, and Education Principles

a) *Director Independence.* The board should be comprised of a substantial majority (at least two-thirds) of independent directors. In addition, the definition of independence should go beyond the minimum definitions of independence incorporated in the amended listing standards of the exchanges. OPERS believes that independence means the director has no ties to the company, either past or present, other than his or her board seat. In addition, the director should not provide, or be affiliated with any organization that provides goods or services to the company.

b) *Director Qualifications and Meeting Attendance.* The board should consist of directors who exercise sound business judgment based on their business expertise, education, and other professional experience and qualifications. The board should demonstrate a commitment to gender and ethnic diversity when recruiting qualified new board members as a competitive corporate advantage to reflect the changing demographics of its customer base and report its efforts to appoint qualified members. At least one director should qualify as a financial expert for membership on the audit committee. Each director should be able to spend the amount of time and effort required by board service and should not serve on too many boards to be an effective director or, in other words, be "overboarded." Directors are considered overboarded when directors with full-time jobs serve on more than three boards, CEOs serve as a director of more than two boards, and directors serve on more than five for-profit company boards. Absent compelling and stated reasons, directors should attend at least 75 percent of board and board-committee meetings.

c) *Director Equity Ownership.* In order to better align their interests with the interests of long-term shareowners, directors should have a direct, personal, and material investment in the common shares of the company. What constitutes a material investment will differ depending upon an individual director's personal financial situation. OPERS views the ownership of stock, as opposed to stock options, as a better alignment of directors' interests with the interests of long-term shareowners.

d) *Continuing Director Education.* Directors should attend high quality continuing education courses on an annual basis to enhance their effectiveness and understanding of their roles and responsibilities as a director and disclose this information to its shareowners. Directors should also proactively strive to understand the company's business and operations to enhance their effectiveness as directors, which should include periodically speaking with non-executive employees.

ii. <u>Board Responsibilities Principles</u>

a) Fiduciary Duty. The board has a fiduciary duty to act in the best interests of the company and its shareowners. The board should foster a culture of integrity and high ethical standards and adopt policies that reflect this commitment that include procedures to inform the board of any violations of its policies. In addition, the audit committee should involve the entire board in the selection and oversight of the company's external auditor.

b) CEO Selection, Evaluation, and Succession Planning. The board is responsible for hiring and evaluating the ongoing performance of the CEO based on the achievement of specific, measurable objectives. Succession planning is also a board responsibility and should include developing executive talent, which is essential to ensuring the long-term success of the company. The board should be directly involved in the creation of a succession plan that includes identifying executives that possess leadership capabilities and providing career development opportunities for the purpose of developing a pool of potential candidates capable of becoming the chief executive officer.

c) *Strategic Planning.* The board should review the company's strategic plan at least once per year. This strategic plan review should include an assessment of each major business segment, the allocation and availability of capital, the competitive environment in which the company operates, identification of key elements necessary to keep a competitive advantage, and the management of human assets to achieve strategic goals.

d) *Compensation Policy.* The board should maintain a compensation policy that provides details on the method and measures the company uses to link pay to performance and the allocation of company stock to executives as part of their compensation. This policy should also include limits on stock option grants to executives after taking into consideration the potential dilution to its shareowners. The key terms of this policy should be disclosed to shareowners.

iii. Board Structure Principles

a) *Board Chairperson.* The board chairperson should be completely independent from either actual or perceived conflicts-of-interests since one of the board's main responsibilities is to hold the CEO and management accountable for the long-term financial performance of the company. At companies that do not have a history of performance and governance issues, an acceptable alternative to an independent chairperson may be a lead or presiding director. One of the functions of the board chairperson is to preside over regularly scheduled executive sessions of independent directors to meet outside the presence of management and to, in part, set board agendas. The board chairperson should encourage open and full discussion of all issues addressed by the board in preparation for full board meetings.

b) *Independence of Key Committees.* The board may delegate certain functions to key committees (audit, compensation, and governance/nominating committees), which must be comprised solely of independent directors. These three key committees and their respective independent chairpersons and independent directors provide critical oversight roles over management and constitute an essential element in establishing the credibility and effectiveness of the board. In addition, these committees must have the right to retain, evaluate, and set the compensation of outside board advisors coupled with the right to speak directly to employees below the executive level.

- Audit Committee

  The audit committee is a central component of ensuring the financial integrity of the company and meeting its legal and regulatory compliance obligations. It has the sole authority to hire and fire the company's independent auditor. Consistent with the auditor independence emerging best practice, the audit committee should retain the audit firm to provide only audit and audit related services for the company and the audit committee should retain a separate firm to provide tax or other consulting services. However, in no event should audit firm non-audit related fees for the company exceed 30% of all fees paid to the audit firm. The audit committee should impose limits on the company's ability to hire staff from the audit firm.

- Compensation Committee

  One key measure of board performance is how effectively the company's executive compensation practices and policies link pay to performance for the purpose of building sustainable, long-term shareowner value. OPERS believes executive compensation should be linked directly with the performance of the business the executive is charged with managing, it should not have an unreasonable annual cost, and it should be benchmarked against appropriate peer groups. The compensation committee should develop, approve, monitor, and disclose the company's compensation philosophy with respect to the entire range of pay elements including, mix of cash and equity awards, goal for distribution throughout the company, use of employment contracts, perquisites, supplemental executive retirement plans, and philosophy regarding dilution. The compensation committee should also be authorized to retain outside advisors. Equity compensation plans and material revisions to those plans must now be put to shareowner vote for approval. OPERS considers plan administration, the method and terms of exercise, repricing history, express or implied rights to reprice, and the presences of evergreen provisions when evaluating equity compensation plans.

- Corporate Governance/Nominating Committee

  The committee should make recommendations to the board regarding changes in the company's corporate governance principles and policies, the nomination process for new director candidates, director qualifications and compensation, board and committee size, and director education. The committee should be responsible for ensuring the board is engaged and kept abreast of any changes in corporate governance that may impact the company and its corporate governance policies and practices.

c) *Executive Sessions.* The board should routinely hold executive sessions outside the presence of the CEO and other members of management. These meetings should provide independent directors with the opportunity to speak freely about issues that otherwise may not be further discussed due to the presence of management, such as CEO performance and compensation.

d) *Board Evaluations.* The board should conduct evaluations of its performance and the performance of key committees at least annually. Regular evaluations should be designed to enhance the effectiveness of the board and should be based on performance criteria consistent with the company's governance principles and committee charters, including a review of the skill sets and contributions of individual directors.

e) *Director Elections.*

(i) Annual Elections. It is considered a best practice to have all directors elected on an annual basis to enhance accountability and to better align the board's interests with those of long-term shareowners. Staggered board terms may not achieve these important objectives, particularly when combined with takeover defenses.

(ii) "For" or "Against" Votes. Shareowners should have the right to vote "for" or "against" directors. A "withhold" vote is considered a vote "against" a director.

(iii) Majority/Plurality Voting. Directors should be elected by a majority rather than a plurality of votes cast. In any election where there are more candidates on the proxy than seats to be filled, directors should be elected by a plurality of votes cast, which should include "withhold" votes. To be elected, a

director nominee should receive more votes "for" than "against" or "withhold," regardless of whether a company requires a majority or plurality vote. Any incumbent candidate in an uncontested election who fails to receive a majority of votes cast should be required to tender an irrevocable letter of resignation to the board. The requirement for a majority vote in director elections should be set forth in the company's charter or bylaws, subject to amendments by a majority vote of shareowners. Where a company seeks to opt out of the majority vote standard, approval by a majority vote of shareholder should be required.

f) *Board Meeting Agendas.* The board should set the board meetings and committee meetings schedule and agendas and establish a process to ensure that board members receive meeting materials with sufficient time to prepare for each meeting. Adequate time should be set aside so that important issues receive the amount of time they deserve for open and honest discussion.

g) *Board Size.* It is considered a best practice to have no fewer than five and no more than fifteen members on a board. This guideline ensures that a board is not too small to impair independence and necessary expertise, yet not too large to be unwieldy and ineffective.

h) *Director Retirement Policy.* The board should establish a director retirement policy and age limit for board service. Having a board retirement policy in place permits the company to plan for the orderly retirement of current directors and the recruitment of new directors as required.

B. Shareowner Rights

i. <u>Shareowner Rights Principles</u>

a) *Individual Directors Represent All Shareowners.* Directors have a fiduciary obligation to act in the interests of all shareowners and not in the interests of an individual or majority shareowner.

b) *One Share-One Vote.* Each share of common stock should have one vote. The board should not create a dual share class structure where certain classes of stock have superior voting rights.

c) *Confidential Voting.* Confidential voting protects shareowners from undue influence in making voting decisions and shareowners should be able to cast proxy votes confidentially.

d) *Majority Vote Requirement.* Shareowners should have the right to approve matters with a simple majority of the shares voted and the board should not impose supermajority voting requirements.

e) *Abstention Votes.* Only proposals that receive a “for” or “against” vote should be counted and not “abstain” votes, except where these votes are needed to establish a quorum.

f) *Authorization of Common Shares.* Shareowners should have the right to approve increases in the authorized number of common shares, which should be intended for use of a legitimate corporate purpose consistent with shareowner interests.

g) *Fair Price Provisions.* OPERS supports “fair price” provisions and believes that all shareowners should receive equal financial treatment by receiving the highest price paid to any shareowner during a specified period of time before the commencement of a tender offer. These provisions are intended to prevent pressure on the target’s shareowners to tender their shares in the front end of a two-tiered tender offer. OPERS supports provisions that limit the company’s ability to buy back shares from a particular shareowner at above market prices.

h) *Anti-takeover Provisions.* Boards may attempt to block hostile takeover attempts by adopting a takeover defense. OPERS generally opposes takeover defenses (i.e., poison pills, staggered boards etc.) because they can be used to protect the interests of entrenched management and block a hostile takeover attempt that may be in the best economic interests of shareowners. Shareowners should have the right to approve the company’s adoption of a shareowner rights plan in advance of adoption.

i) *Place of Incorporation.* OPERS will not support reincorporation to a new location if the financial benefits are de minimus and the reincorporation will reduce shareowner rights. If the reincorporation will increase shareowner rights, OPERS will review the benefits of the reincorporation.

j) *Shareowner Access to Independent Directors.* Shareowners should have the ability to communicate directly with independent directors on the board. When a board fails to be responsive to the company's shareowners, shareowners should consider other methods to improve board responsiveness such as proposing shareowner nominated director candidates pursuant to Securities and Exchange rules and regulations.

k) *Shareowner Access to the Proxy.* Electing directors is the single most important stock ownership right that shareowners can exercise. By electing independent directors who act in the best interests of the company and its shareowners, shareowners can help define the performance standards against which management is held accountable to enhance the long-term success of the company. As such, shareowners should be permitted to utilize a proxy access rule, when appropriate, to enhance their ability to hold ineffective directors accountable when they fail to properly monitor and prevent management misconduct.

l) *Bundled Proxy Issues.* Shareowners should have the right to vote on proxy issues one issue at a time. Separate issues should not be bundled by the board so as to provide for only one vote on more than one issue.

m) *Ratification of Auditors.* Shareowners should have the right to vote annually on the ratification of auditors. OPERS' auditor ratification analysis considers items that could indicate that the auditor's independence or audit integrity has been compromised, such as recent restatements or late filings by the company where the auditor bears some responsibility for the restatement or late filing, tax fees and/or other non-audit fees in excess of 30% of all fees paid to the audit firm, and poor company disclosure in its financial statements.

C. Executive Compensation

i. <u>Executive Compensation Principles</u>

a) *Fair and Reasonable.* Compensation plans should be fair and reasonable based on industry standards and be able to withstand scrutiny from investors, employees, and the public.

b) *Plain English.* Compensation plans should be written in plain English to enhance comprehension and usefulness of plans and should not be designed in unnecessarily complex manners.

c) *Disclosure of Key Components.* All key components of executive compensation should be disclosed by the company to shareowners, including the terms and conditions of employment contracts, severance agreements, supplemental executive retirement plans, and other perquisites.

d) *Create Sustainable Shareowner Value.* Compensation plans should motivate employees to achieve measurable performance objectives in an ethical manner to create sustainable long-term shareowner value.

e) *Link Pay-to-Performance.* Compensation plans should link to objective company performance measures that the executive is charged with managing, such as earnings or some other relevant operational or financial measures.

ii. Equity-based Compensation Principles

a) *Equity Policy Development.* The use of equity compensation at the company should be limited by the equity policy established by the board of directors.

b) *Disclosure to Shareowners.* All material terms of equity-based plans should be disclosed, including the size of grants, estimated value to recipients, annual cost to the company, and whether or not individual executives have hedged or otherwise entered into agreements to reduce their personal exposure to a price decline in the company's stock.

c) *Shareowner Approval.* All plans that provide for the distribution of stock options or stock to employees or directors should be voted on and approved by shareowners before being implemented. In addition, all companies should provide for annual advisory shareowner votes on the compensation of senior executives. The vote to approve executive compensation would not negate any fiduciary duty of the board.

d) *Restricted Stock Grants.* Restricted stock more closely aligns the interests of management with those of shareowners and is preferable to stock option grants. However, restricted stock is more expensive than options and should be granted in lesser amounts than options to reflect this cost difference.

e) *Stock Option Grants.* Stock options, when used inappropriately, can provide management with short-term incentives to boost the company's stock price without creating sustainable long-term value for shareowners. Stock options should be used appropriately and only granted pursuant to a plan that provides for performance-based criteria that establishes performance hurdles to vest; premium options that vest only after achieving a pre-determined stock price increase; and/or indexed options based on a strike price that is tied to an index. In addition, stock obtained by exercising options should satisfy tax liabilities from the exercise.

f) *Prohibit Option Mega Grants.* Equity-based plans should not permit mega grants of stock options, which are grants of such large value that they cannot be justified as a reasonable multiple of the individual's total cash compensation.

iii. Severance Agreement Principles

a) *Executive Contract Disclosures.* The material terms of all executive contracts in existence should be disclosed, including the estimated cost of each contract. In addition, severance agreements should not provide contractual payments to individuals who are terminated "for cause" or gross mismanagement.

b) *SERP Disclosures.* The material terms of all SERPs and any other supplemental plan obligations should be disclosed, including the estimated cost and eligibility of individual recipients.

c) *Perquisites Disclosures.* All material perquisites should be disclosed, including their estimated costs and the eligibility of individual recipients. Companies should not provide excessive perquisites during an individual's employment or in retirement.

D. Independent Advisors

Independent advisors can provide valuable advice to the company. Advisors may include public accountants, investment bankers, law firms, and other advisors such as compensation experts. Advisors should act in the best interests of the company and make every effort to avoid either actual or perceived conflicts of interest. In the event that senior management is trying to improperly influence the advisors advice, the advisor should bring the matter to the attention of the independent directors at the company and, in certain circumstances, should consider withdrawing from the engagement in the event their advice continues to be inappropriately influenced by management to mislead investors.

E. Social Responsibility

i. Labor Standards and Human Rights

OPERS generally supports labor standards and human rights proposals if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. These types of proposals are also supported if they ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS supports proposals asking for reporting on labor standards and human rights, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company to duplicate reporting.

ii. Environment

OPERS generally supports environmental proposals if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. OPERS supports proposals with underlying commitments to sustainable development, collaborative dialogue with stakeholder groups and verifiable forms of reporting on environmental progress to ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS supports proposals asking for environmental reporting, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company duplicate reporting.

iii. Political and Military

OPERS will generally support shareowner proposals if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. Shareowner proposals are also supported if they ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS supports proposals asking for political and military reporting in the absence of federal, state, or local laws prohibiting such disclosure, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company duplicate reporting.

iv. Health

OPERS generally supports health related proposals if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. These types of proposals are also supported if they ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS supports proposals asking for health related reporting, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company duplicate reporting.

v. Other Issues

OPERS generally supports social responsibility issues if they either contribute to, or have no adverse effect on, the long-term economic best interests of plan participants and beneficiaries. Social responsibility issues are also supported if they ensure compliance with all U.S. laws or the local laws of the country in which the company does business. OPERS generally supports proposals asking for reporting related to social causes that are in the interest of the general public, provided the proposals do not require the disclosure of proprietary information, cause an undue financial burden on the company, or cause the company duplicate reporting.