

Corporate Governance POLICY



April 2018



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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 securities held in public market separate accounts. The policy excludes commingled accounts, mutual funds, most fund-of-one structures and assets lent under the Securities Lending Policy.

III. LEGAL AUTHORITY

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

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.

Corporate Governance Policy

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.

VI. STRATEGIES (continued)

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.

IX. ROLES AND RESPONSIBILITIES (continued)

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.

