

**THE CORPORATE GOVERNANCE COMMITTEE
OF THE
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

MINUTES OF MEETING

February 16, 2021

The Corporate Governance Committee for the Maryland State Retirement and Pension System convened, via videoconference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland, beginning at 9:05 a.m.

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| Committee Members Attending: | David Hamilton Sheila Hill, Chairman | Nancy K. Kopp Douglas Prouty |
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| Also Attending: | Edward Apsey (ISS) Thomas Brandt Rachel Cohen (OAG) Mimi Forbes Anne Gawthrop Michael Golden Alex Harisiadis (OAG) Dean Kenderdine | Andrew Linberg (ISS) Andrew Palmer Jody Shaw (OAG) Emily Spiering (OAG) Toni Voglino Kathleen Wherthey (OAG) |
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Ms. Hill called the meeting to order at 9:05 a.m.

Action Item #1: Minutes

On a motion made by Ms. Kopp, and seconded by Mr. Prouty, the open session minutes from the September 22, 2020 meeting were ratified by the Committee.

Action Item #2: Update and Review of Iran-Sudan Divestment

The Committee considered staff's recommendation to approve the proposed Iran and Sudan Restricted List. Ms. Voglino informed the Committee that staff recommended the removal of ONGC Videsh Vankorneft from the Iran and Sudan Restricted List. ONGC Videsh Vankorneft no longer meets the divestment requirements of State Personnel and Pensions §21-123.1 as the company is no longer a wholly owned subsidiary of ONGC Videsh Limited, a company that has involvement in oil activities in Sudan.

Ms. Voglino explained to the Committee that the divestment analysis, performed by the System's general investment consultant Meketa, detailed that the impact is minimal to the portfolio. Specifically, the estimated impact on equity investments is a -1 to 6 basis point impact, and a less

than +1 basis point impact for the bond securities.

Ms. Kopp asked if ONGC Videsh Vankorneft still had a connection to the covered industries. Ms. Voglino responded that ONCG was no longer a wholly owned subsidiary of ONGC Videsh Limited, a company that has involvement in oil activities in Sudan.

Ms. Kopp moved to accept staff's recommended Iran and Sudan Restricted List, and Mr. Prouty seconded the motion. The Committee unanimously approved the motion. Below is the Iran and Sudan Restricted List as approved by the Committee.

| <u>Iran and Sudan Restricted List</u> | | |
|--|------------------------|-----------------------------|
| <u>February 16, 2021</u> | | |
| <u>ISSUER NAME</u> | <u>Country</u> | <u>Sudan or Iran</u> |
| Bharat Heavy Electricals Limited | India | Sudan |
| China National Petroleum Corporation (PetroChina Co) | China | Both |
| China Petrochemical Corporation | China | Both |
| CNOOC Curtis Funding NO.1 PTY LTD | Australia | Iran |
| CNPC (HK) Overseas Capital Ltd. | British Virgin Islands | Both |
| CNPC General Capital Limited | British Virgin Islands | Both |
| El Sewedy Electric Co. SAE | Egypt | Sudan |
| Energy House Holding Company | Kuwait | Sudan |
| Gaz Capital S.A. | Luxembourg | Iran |
| Gazprom Capital OOO | Russia | Iran |
| Gazprom PAO | Russia | Iran |
| Harbin Power Equipment Co., Ltd | China | Sudan |
| Kuwait Finance House K.S.C. | Kuwait | Sudan |
| Managem S.A. | Morocco | Sudan |
| Oil and Natural Gas Corporation Limited | India | Sudan |
| OIL India International PTE. LTD. | Singapore | Sudan |
| Oil India Ltd. | India | Sudan |
| ONGC Videsh Limited | India | Sudan |
| Orca Gold Inc. | Canada | Sudan |
| Petroliam Nasional Berhad (Petronas) | Malaysia | Sudan |
| Petronas Capital Limited | Malaysia | Sudan |
| Schneider Electric S.A. | France | Sudan |
| Siemens Aktiengesellschaft | Germany | Sudan |
| Siemens Financieringsmaatschappij N.V. | Netherlands | Sudan |
| Sinopec Group Overseas Development (2012) Limited | British Virgin Islands | Both |
| Sinopec Group Overseas Development (2013) Limited | British Virgin Islands | Both |
| Sinopec Group Overseas Development (2014) Limited | British Virgin Islands | Both |

| | | |
|---|------------------------|-----------|
| Sinopec Group Overseas Development (2016) Limited | British Virgin Islands | Both |
| Sinopec Group Overseas Development (2017) Limited | British Virgin Islands | Both |
| Total | | 29 |

Action Item #3: Review and Update of Proxy Voting Guidelines

Ms. Voglino introduced Ed Apsey of Institutional Shareholder Services, Inc. (“ISS”), the System’s proxy advisor and gave an overview of the review and update process for ISS’ proxy policy and the System’s proxy voting guidelines. Based on the ISS most recent changes to their proxy policy, staff and ISS recommended modifying eight (8) proxy topics in the System’s proxy guidelines. Ms. Voglino reviewed the proposed changes to the Committee.

Ms. Voglino reviewed Topic 1, which related to poison pills and board of director voting. Ms. Voglino explained that the System currently had a policy in place to address poison pills but this policy did not address poison pills that have a dead hand or slow hand feature. Ms. Voglino further explained poison pills, dead hand provisions, slow hand provisions and how this affects shareholder rights and how it is seen as a material failure of governance. As such, staff was recommending that the System update the policy to vote against directors who have implemented a slow hand or dead hand feature in a poison pill.

Ms. Voglino reviewed Topic 2, which related to age and term limits for board directors. Ms. Voglino explained that the System’s current policy was to generally vote against age and term limits and that board refreshment is best achieved by director evaluations. Ms. Voglino further explained that staff was recommending a policy change that would allow an in-depth review of age and term limit proposals to determine if the proposal is positive or negative for shareholders. Specially, the recommendation was to review age and term limit proposals taking into consideration several factors such as the rationale, the evaluation process, the limit, the scope and any problematic issues. Ms. Kopp noted that she would like to understand the process of the case-by-case basis review by staff and ISS. Ms. Voglino asked if the Committee would like the process reported via email or as an agenda item at the next meeting. Ms. Hill responded to send the response as an email. An agenda item would be added, if needed.

Ms. Voglino reviewed Topic 3, which related to advance notice requirements for shareholder proposals. Ms. Voglino explained that the System did not currently have a policy to address advance notice requirements and a policy was necessary as proposals such as this are becoming more common. Ms. Voglino detailed the recommendation to add a policy that the System will review advance notice proposals on a case-by-case basis considering the balance between the need to have sufficient time for shareholders to evaluate and vote and to account for developing issues.

Ms. Voglino reviewed Topic 4, which related to shareholder litigation rights and exclusive forum bylaw provisions. Ms. Voglino explained that a company may adopt an exclusive forum bylaw provision that limits shareholder’s ability to sue a company only in the state the bylaw allows. This may be problematic if the company chooses to require litigation to occur outside of where the company is located, to a state where laws are harsher on shareholders. Ms. Voglino further explained that staff was recommending a case-by-case review of exclusive forum provisions taking into consideration the rationale, past harm from duplicate shareholder lawsuits, the scope of the provision and any governance features that may be present.

Ms. Voglino reviewed Topic 5, which related to virtual shareholder meetings. Ms. Voglino explained that many companies are moving towards virtual-only meetings for future meetings and this could be problematic for shareholders as some virtual meetings may limit shareholders to ask questions or have overly restrictive requirements to present shareholder proposals. As the System did not have a policy to address virtual meetings, staff was recommending the System implement a policy to review virtual meeting proposals on a case-by-case basis while considering the preclusion of in-person meetings, the scope and rationale of the proposal and any concerns with prior meeting practices. Ms. Kopp asked if the System had companies that essentially close out shareholders in live meetings and if this is a concern. Ms. Voglino explained that yes, this is a concern, and the System has a policy against limiting shareholder rights in meetings.

Ms. Voglino reviewed Topic 6, which related to mandatory arbitration for workplace claims. Ms. Voglino explained that companies often implement mandatory arbitration of workplace claims as a way to avoid lengthy and costly litigation and to allow these matters to remain confidential. As the System did not have a current proxy policy in place, staff recommended that the System adopt a policy that reviews proposals for reports on mandatory arbitration. Mr. Prouty remarked that he liked this proposal very much, and Ms. Hill agreed.

Ms. Voglino reviewed Topic 7, which related to company reports on sexual harassment at an organization. Ms. Voglino explained that the System did not have a policy on sexual harassment reports, and as sexual harassment claims can be an indication of poor corporate governance, staff was recommending an update to the policy. Specifically, Ms. Voglino recommended the System implement a policy that allows for a case-by-case review of proposals that request reports on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment taking into consideration current policies, any recent controversy, and disclosure.

Ms. Voglino reviewed Topic 8, which relates to control share acquisition statutes. Ms. Voglino explained that closed-end funds can choose to opt-in to a control share acquisition statute that will allow the company to require that an investor who has acquired a large percentage of a fund's outstanding shares to receive approval from the other shareholders in the fund to vote all of their shares. In addition, most of these moves to adopt a control share acquisition statute are not taken to a shareholder vote. Ms. Voglino further explained that companies that opt-in to the measures are denying important shareholder rights by denying voting by certain shareholders. As the System did not have a policy to address these types of proposals, staff recommended that the System implement a policy to review proposals on a case-by-case basis, taking into consideration the company's rationale for opting-in and whether the amendment was taken to a shareholder vote. Ms. Kopp asked Mr. Apsey who decides whether a company's rationale is sufficiently "compelling." Mr. Apsey confirmed that ISS reviews the rationale with the number one goal of preserving the right of the shareholders.

On a motion by Mr. Prouty and seconded by Ms. Kopp, with Mr. Hamilton recusing himself, the Committee approved the recommended updates to the Corporate Governance Proxy Voting Guidelines Policy, for recommendation to the Board of Trustees at the meeting on February 16, 2021.

Action Item #4: Ratify the Vote for the Corporate Governance and Securities Litigation Committee Meeting Schedule for 2021

On a motion made by Mr. Prouty and seconded by Ms. Kopp, the Committee voted to ratify the

Corporate Governance and Securities Litigation Committee Meeting Schedule for 2021.

Action Item #5: Motion by Committee to Meet in Closed Session

On a motion made by Mr. Prouty and seconded by Ms. Kopp, the Committee voted without objection to meet in closed session, via video/audio conference call, beginning at 9:35 a.m. for the purposes of (a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection; and (b) receiving legal advice and consulting with staff regarding a pending litigation matter, pursuant to General Provisions Art., Section 3-305(b)(7), to consult with counsel to obtain legal advice, and Section 3-305(b)(8), to consult with staff, consultants, or other individuals about pending or potential litigation.

Closed Session

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| Committee Members Attending: | David Hamilton Sheila Hill, Chairman | Nancy K. Kopp Douglas Prouty |
| Also Attending: | Edward Apsey (ISS) Thomas Brandt Rachel Cohen (OAG) Mimi Forbes Anne Gawthrop Michael Golden Alex Harisiadis (OAG) Dean Kenderdine | Andrew Linberg (ISS) Andrew Palmer Jody Shaw (OAG) Emily Spiering (OAG) Toni Voglino Kathleen Wherthey (OAG) |

Action Item #8: Adjournment of Closed Session and Return to Open Session:

On a motion by Mr. Prouty and seconded by Ms. Kopp, the Committee voted without objection to return to open session, via video/audio conference call at 9:47 a.m.

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| Committee Members Attending: | David Hamilton Sheila Hill, Chairman | Nancy K. Kopp Douglas Prouty |
| Also Attending: | Edward Apsey (ISS) Thomas Brandt Rachel Cohen (OAG) Mimi Forbes Anne Gawthrop Michael Golden | Andrew Linberg (ISS) Andrew Palmer Jody Shaw (OAG) Emily Spiering (OAG) Toni Voglino Kathleen Wherthey (OAG) |

Alex Harisiadis (OAG)
Dean Kenderdine

During closed session, the Committee discussed and took action on the following matters:

1. The Committee reviewed and ratified the September 22, 2020 closed session meeting minutes.
2. The Committee consulted with legal counsel pursuant to General Provisions Art., Sec. 3-305(b)(7) and (8).

Action Item #9: Adjournment of Open Session

There being no further business before the Committee, on a motion made by Mr. Prouty and seconded by Ms. Kopp, the meeting adjourned at 9:47 a.m.

Toni Voglino