

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

**MINUTES OF MEETING**

**February 18, 2020**

The Corporate Governance Committee met on Tuesday, February 18, 2020. The meeting was held in the Board Room on the 16th floor of the State Retirement Agency, 120 E. Baltimore Street, Baltimore, MD 21202.

Committee Members  
Attending:

David Brinkley  
Sheila Hill, Chairman  
Charles Johnson (via  
phone)

Nancy K. Kopp  
Douglas Prouty

Also Attending:

Rachel Cohen (OAG)  
Michael Golden  
Anne Gawthrop  
Alex Harisiadis (OAG)  
Angie Jenkins  
Dean Kenderdine

Andrew Lindberg (ISS)  
Andrew Palmer  
Dave Rongione  
Jody Shaw (OAG)  
Janet Sirkis  
Toni Voglino

Other Board Members  
Attending

Michael Barry  
Eric Brotman  
Kenneth Haines

Linda Herman  
Michael Stafford

Ms. Kopp called the meeting to order at 9:08 a.m.

**Minutes**

On a motion made by Mr. Johnson and seconded by Ms. Kopp, the open session minutes from the January 21, 2020 meeting were ratified by the Committee.

**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 one company is recommended for

removal from the Iran Sudan Restricted List and four companies are recommended to be added to the Iran and Sudan Restricted List. AviChina Industry and Technology Company Limited is recommended for removal as they are no longer wholly-owned subsidiaries of Aviation Industry Corporation of China, a Chinese state-owned company that sold military equipment to Sudan. China Petrochemical Corporation, CNPC (HK) Overseas Capital Limited, Sinopec Group Overseas Development (2017) Limited and Gaz Capital S.A. are recommended for addition to the Restricted List because they either meet the divestment requirements because of oil or power production activities in Iran or Sudan or because they have issued capital on behalf of a company that has oil or power production activities in Iran or Sudan. The Agency sent engagement letters to all four companies as required by statute and has received no response. As such, a recommendation to add these companies to the Restricted List is warranted.

Ms. Voglino explained to the Committee that the divestment analysis, performed by the System's general investment consultant Meketa, detailed that divestment has a minimal impact on the portfolio. Specifically, the estimated impact on equity investments is a -1 to 2 basis point impact, and a +1 basis point impact for the bond securities.

Mr. Brinkley made a motion to accept staff's recommended Iran and Sudan Restricted List and Mr. Prouty seconded the motion. The Committee unanimously agreed on the motion. The restricted list will be provided to the Board of Trustees for approval at the March 17, 2020 meeting. Below is the Iran and Sudan Restricted List.

<b><u>Iran and Sudan Restricted List</u></b>		
<b><u>February 18, 2020</u></b>		
<b><u>ISSUER NAME</u></b>	<b><u>Country</u></b>	<b><u>Sudan or Iran</u></b>
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
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

ONGC Videsh Vankorneft PTE. LTD.	Singapore	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
<b>Total</b>		<b>29</b>

### **Update and Review of the Proxy Voting Guidelines**

The Committee reviewed staff’s memorandum outlining four recommended changes to the System’s proxy voting guidelines, which was presented to the Committee by Ms. Voglino, along with Andrew Lindberg from ISS (Institutional Shareholder Services).

Ms. Voglino outlined the recommendation to modify the guidelines to allow the System to vote against directors if a company board has no women on the board. Ms. Voglino further detailed that the recommendation is due to an increased interest in board diversity and the correlation between board diversity and company performance and shareholder value. Mr. Lindberg explained that ISS has added the policy to vote against directors if there are no women on the board due to the company’s failure to implement board diversity within the one-year grace period. Ms. Voglino directed the Committee to the page in the agenda that illustrated the red-lined suggested changes to the policy.

Ms. Voglino outlined the recommendation to modify the guidelines to allow the System to vote against directors that have adopted problematic governance provisions — either prior to, or in connection with a public offering — such as a classified board structure, a supermajority vote requirement to amend by-laws, or a multi-class structure. These types of structures diminish shareholder rights and adversely impact shareholders. Ms. Voglino further noted that a policy to address such problematic governance structures should be implemented and also should incorporate a sunset provision such that, if a newly public company does not reverse or remove the problematic governance structure, the System may vote against the directors that put the problematic structure in place. Mr. Lindberg commented that ISS has implemented this policy as they have seen an increase in companies implementing these problematic structures when they go public. Ms. Voglino directed the Committee to the page in the agenda that illustrated the red-lined suggested changes to the policy.

Ms. Voglino outlined the recommendation to modify the guidelines related to pay gaps. Specifically, it was recommended that the System modify the proxy policy related to gender-based pay gap reports, policies, and goals to address not just gender, but also race- and ethnicity-based pay gaps. The proposed update to the policy will better align the System's policy with shareholder proposals that include reporting on race- or ethnicity-based pay inequities. Ms. Voglino directed the Committee to the page in the agenda that illustrated the red-lined suggested changes to the policy.

After discussion by the Committee on the specific proxy topics and suggested changes, the Committee considered the recommendations to alter the language of three of the proxy voting guidelines within the Investment Policy Manual.

On a motion by Mr. Prouty, and seconded by Ms. Johnson, the Committee voted, all in favor, to approve staff's recommended changes to the System's proxy voting guidelines in the Investment Policy Manual as outlined in the memorandum.

The proxy voting guideline changes approved by the Committee will be presented at the Board of Trustees meeting on March 17, 2020, for approval.

### **Corporate Governance Committee Charter**

Ms. Voglino directed the Committee to the page in the agenda that illustrated the Corporate Governance Committee Charter. Ms. Voglino informed the Committee that the System reviews the charters every three years and a review was due this year. Ms. Voglino detailed that she had performed a review of the charter and found that the requirements and responsibilities of the charter are still true and had no recommended changes at this time. She requested the Committee review the charter and contact her with any recommended changes. The Committee will vote the charter at the next Corporate Governance Committee meeting. Ms. Kopp asked if there had been any instances of necessary changes noted. Ms. Voglino responded no. Ms. Kopp asked that all board members review the charters and to contact her if they noted any necessary changes.

### **Adjournment**

There being no further business before the Committee, on a motion made by Mr. Prouty and seconded by Ms. Kopp, the meeting adjourned 9:26 a.m.

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Toni Voglino