

**THE CORPORATE GOVERNANCE AND
SECURITIES LITIGATION COMMITTEE OF
THE
BOARD OF TRUSTEES**

**MARYLAND STATE RETIREMENT AND
PENSION SYSTEM**

MINUTES OF MEETING

February 15, 2022

The Corporate Governance and Securities Litigation Committee (the “Committee”) for the Maryland State Retirement and Pension System (the “System”) convened a hybrid meeting, via videoconference call and in-person, with the host site at the Truist Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland, beginning at 8:32 a.m.

Committee Members Attending:	Thomas Brandt (in- person) David Brinkley (in- person)	James P. Daly, Jr. (in- person) Sheila Hill (in-person) Douglas Prouty (videoconference)
Also Attending:	Rachel Cohen (OAG) Mimi Forbes Anne Gawthrop Alex Harisiadis (OAG)	Martin Noven Emily Spiering (OAG) Andrew Palmer Toni Voglino
Others Attending:	Edward Apsey (ISS) Jacob Combs (ISS) Jake Ferenci (ISS)	Sean Mason (ISS) Valerie Sullivan (ISS)

Mr. Prouty called the meeting to order at 8:32 a.m.

Action Item #1: Minutes

On a motion made by Mr. Brandt, and seconded by Mr. Daly, the open session minutes from the November 16, 2021 meeting were ratified by the Committee.

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

The Committee considered staff’s recommendation to add Gazprom PAO, Gaz Capital S.A., Gazprom Capital OOO, Gaz Finance PLC and Gazprom Gazoraspredeleniye Server AO (“Gazprom”) to the Iran and Sudan Restricted List (the “Restricted List”). Ms. Voglino informed the Committee that staff recommended the temporary removal of Gazprom companies from the Restricted List at the Committee meeting held on November 16, 2021 to allow staff to seek more

information on the company’s business activities in Iran. This was because the System became aware of a 2019 letter from Gazprom detailing their activities in Iran, which was in response to an engagement letter from the System. The System has no record of receiving the 2019 letter from Gazprom. In an effort to allow Gazprom a chance to comment and produce documentation that illustrates they do not have oil-related activities in Iran, the System recently sent two additional engagement letters to Gazprom requesting information that would demonstrate that Gazprom and its subsidiaries are not doing business in Iran as defined in the SPP § 21-123.1. As of the date of the Committee meeting, Gazprom had not responded. As such, staff is recommending that the System add the Gazprom companies back on the Restricted List.

Ms. Voglino reported to the Committee that the divestment analysis, performed by the System’s general investment consultant, Meketa, detailed that the divestment impact to the portfolio is minimal.

Ms. Voglino asked the Committee to accept the recommendation to add the five noted Gazprom companies to the Restricted List and that all other companies noted on the Restricted List meet the divestment requirements of SPP §21-123.1

Mr. Brandt asked if the legislature tells the System what the System can invest in. Ms. Cohen explained that the Attorney General’s office issued an opinion that SPP §21-123.1 is subject to the fiduciary responsibilities of the Board and divestment is not a requirement. She added that the System’s consultant, Meketa, determines whether the impact will be de minimis.

Mr. Brandt wanted to know how staff time is tracked when contacting corporations regarding their Iran and Sudan oil operations and is the agency tracking the cost of staff time for this work. Ms. Voglino said that the compliance team’s time spent on Iran and Sudan Restricted List is minimal and is estimated at about 10% of their time. Mr. Palmer added that the agency is hiring an employee to handle corporate governance. Mr. Brandt emphasized that if the System is going to pay employees to read and opine about governance, then the cost should be captured and reported to the System’s members and retirees and to the legislature.

Mr. Daly moved to accept staff’s recommendation to add the five Gazprom companies to the Restricted List, and Ms. Hill seconded the motion. Below is the Iran and Sudan Restricted List as approved by the Committee.

Iran or Sudan	Issuer Name	Country
Sudan	Bharat Heavy Electricals Limited	India
Iran, Sudan	China National Petroleum Corporation (PetroChina Co)	China
Iran, Sudan	China Petrochemical Corporation	China
Iran	CNOOC Curtis Funding No.1 PTY LTD	Australia
Iran, Sudan	CNPC (HK) Overseas Capital Ltd	Virgin Islands
Iran, Sudan	CNPC General Capital Limited	Virgin Islands
Iran, Sudan	CNPC Global Capital Limited	China
Sudan	El Sewedy Cables Co	Egypt

Sudan	Energy House Holding Company Limited	Kuwait
Iran	GAZPROM PAO	Russia
Iran	Gaz Capital S.A.	Luxembourg
Iran	GAZPROM CAPITAL OOO	Russia
Iran	GAZ FINANCE PLC	Great Britain
Iran	GAZPROM GAZORASPREDELENIYE SEVER AO	Russia
Sudan	Harbin Power Equipment Co Ltd	China
Sudan	Kontrolmatik Teknoloji Enerji ve Muhendislik AS	Turkey
Sudan	Kuwait Finance House	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 SA	France
Sudan	Siemens Aktiengesellschaft	Germany
Sudan	Siemens Energy AG	Germany
Sudan	Siemens Financieringsmaatschappij N.V.	Netherlands
Iran, Sudan	Sinopec Group Overseas Development (2012) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2013) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2014) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2015) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2016) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2017) Limited	Virgin Islands
Iran, Sudan	Sinopec Group Overseas Development (2018) Limited	Virgin Islands

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

Ms. Voglino introduced the staff from Institutional Shareholder Services, Inc. (“ISS”), the System’s proxy advisor, and gave a summary of the review and update process for ISS’ proxy policy and the System’s proxy voting guidelines. Based on ISS’ most recent changes to their proxy policy, staff and ISS recommended modifying four proxy topics in the System’s proxy guidelines as outlined in the Investment Policy Manual. Ms. Voglino reviewed the proposed changes to the Committee.

Ms. Voglino presented the recommended proxy voting policy amendment for Topic 1, which related to voting for directors on boards that have no apparent diverse board members. Ms. Voglino explained to the Committee the correlation between board diversity and company performance and shareholder value. Mr. Brandt requested to see the reports on this topic. Ms.

Voglino further explained that the System's proxy policy currently addresses voting against directors due to a lack of board diversity in relation to gender, however, the policy does not address racial or ethnic board diversity. Ms. Voglino detailed that ISS' recommendation was to implement a policy that would allow the System to vote against the chair of the nominating committee at companies where there are no women or apparent racially or ethnically diverse members on the company's board. ISS' policy would only apply to companies on the S&P 1500 and the Russell 3000. Ms. Voglino recommended that the amended policy apply to all companies, not just companies in the S&P 1500 and Russell 3000, to be consistent with the gender policy.

Mr. Brandt asked how the amendment would impact private equity investments. Ms. Voglino responded that there would be no impact as private equity assets do not have proxies that the System can vote.

Mr. Daly was concerned about the impact the amendment would have on the investment team. Ms. Voglino explained that the amendment only applies to how the System votes their proxies and does not apply to or have an effect on the selection of investments. Mr. Mason of ISS added that the recommendation is based on what has developed over the past year and will continue in the future.

Ms. Voglino presented the recommended proxy voting policy amendment for Topic 2, which relates to management and shareholder proposals for say-on-climate. Ms. Voglino explained that say-on-climate proposals are becoming more prevalent, and the System does not currently have a policy to address this specific type of climate related proposal. The say-on-climate proposals ask companies to publish climate action plans and/or allow shareholders to vote on the climate plan. As the System's proxy policy does not specifically address these types of proposals, an amendment to the policy is warranted.

Mr. Ferenci stated that this is codifying a new type of proposal that ISS saw in the previous year and anticipates seeing more of in the future. Mr. Brandt asked if these types of matters would be the responsibility of the new Corporate Governance employee, who decides how the System votes, and who makes the nuanced decisions. Ms. Voglino responded that most of the analysis is performed by ISS not the Corporate Governance employee and that the Committee and the Board of Trustees determines how the System votes through their proxy voting policy, although ISS makes the nuanced decisions.

Ms. Voglino presented the recommended proxy voting policy amendment for Topic 3, which related to voting against directors at companies that have failed to address climate related targets and disclosures. It was detailed that the current policy, which allows the System to vote against directors for climate related failures, is still not clear. The policy amendment would allow for direction on how the System shall vote for directors at the world's highest greenhouse gas emitting companies that fail to address climate related targets and disclosures.

Ms. Voglino presented the recommended proxy voting policy amendment for Topic 4, which related to shareholder proposals on racial equity audits. Ms. Voglino reported that within the past year companies have been asked to perform racial equity audits. A racial equity audit is an independent analysis of a company's policies, practices, products, services and efforts to address racism within a company. The trend of the racial equity audits will likely grow in the future. Ms.

Voglino further detailed that the System currently does not have a policy related to racial equity audits and staff and ISS are recommending the System implement a policy.

Mr. Brandt wanted to know if these were established audits or will they be made up as it goes along. Ms. Voglino responded that the audits were performed by independent audit firms and that she was unaware of the detailed audit steps. Mr. Brandt highlighted his years of audit experience and said that he was not familiar with any of the companies referred to by Ms. Voglino. Mr. Ferenci stated that ISS has seen this development over the past year and as the System moves forward in the future the demand for these audits will continue. Mr. Daly asked whether this would be difficult to navigate. Messrs. Apsey and Mason explained that the type of companies that would need these audits were organizations that had been having some type of difficulties such as litigation.

Ms. Hill noted that the Committee should ask if what is presented is appropriate at this time and whether legal looked at the proposals. She did not see any problem with developing a policy since there is none.

With no further discussion Mr. Prouty called for a motion to accept the recommended amendments to the proxy voting policy as outlined in the memo. Mr. Prouty made the motion to accept the amendments to the proxy voting policy. Ms. Hill seconded the motion. In a roll call of the Committee members, Mr. Brandt, Mr. Daly and Mr. Brinkley voted against the motion and Mr. Prouty and Ms. Hill voted for the amendments to the proxy voting guidelines. On a vote of 3 to 2, the motion was defeated.

Mr. Daly and Mr. Brinkley requested more information on the guidelines to discuss at the next meeting. At the next Committee meeting, Ms. Voglino will present on how the Committee may reconsider the proxy voting policies.

Action Item #4: Adjournment of Open Session

There being no further business before the Committee, on a motion made by Mr. Daly and seconded by Mr. Brandt, the meeting adjourned at 9:11 a.m.

Respectfully submitted,



Toni Voglino
Compliance Officer