



Ohio Public Employees Retirement System

November 22, 2016

Ms. Bethany Rhodes
Director
Ohio Retirement Study Council
30 East Broad Street, 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

The purpose of this letter is to provide you with information regarding the status of the Iran and Sudan Divestiture Policy ("Policy") adopted by the Ohio Public Employees Retirement System ("OPERS") Board in September 2007. This Policy, which was last re-affirmed in March 2015, establishes guidelines for OPERS to follow when identifying, engaging or investing in companies with ties to Iran and/or Sudan.

Attached is the 2016 Annual Report. This report summarizes activities since 2007 and specifically covers the period from July 1, 2015 to June 30, 2016.

I am pleased to report that the number of scrutinized companies whose securities were owned in OPERS' funds remained to just two, with a **96.5 percent decrease in total market value** since the initial report in 2007. This report does have a slight increase in market value of holdings from last year's report (+\$3.9 million) that is attributable to increased trading activity by two external managers.

Pursuant to the Policy, OPERS' staff continues to engage each scrutinized company through written communication in a continual effort to understand the company's business ties with Iran and/or Sudan. To that end, staff engaged, via written correspondence, all 81 companies that met the screening criteria established by OPERS Iran and Sudan Divestment Committee ("ISDC").

If you have any questions or need any additional information, please let me know.

Sincerely,

Karen Carraher
Executive Director

OPERS

2016 Annual Report on Iran/Sudan Divestiture

Market value of holdings with companies with scrutinized activities, FY 2007¹-Present (in millions):²

FY 2007	FY 2015	Change in market value
\$659	\$23	-96.5%

Market value of holdings with companies with scrutinized activities, FY 2014-2015 (in millions):

FY 2014	FY 2015	Change in market value
\$18.8	\$22.7	21.05%

Top five holdings (through active funds):

Company	Market Value (in millions)	% of total scrutinized
Gazprom	\$17.5	78.3%
Schneider Electric	\$5.2	21.7%

Comments on remaining top five holdings:

- Schneider Electric
 - Diverse revenue base given strong market presence in U.S., Europe, and Emerging Asia.
 - Continues to deliver strong cash flows.
 - No other competitors in the space have the portfolio of assets that Schneider does.
- Gazprom
 - Controls largest gas reserves, globally.
 - Credit matrix of Gazprom is akin to AA rated credit fundamentals.
 - Unable to identify exact alternative comparable investments to Gazprom.

¹ None of the retirement boards had an active Iran/Sudan divestment policy in 2007. 2007 serves as the baseline to measure changes.

² Holdings are as of 6/30 for the subsequent year reported.

Appendix

Summary of correspondences regarding scrutinized companies

Year of Correspondence	% of Scrutinized Companies Contacted	Summary
2008	100%	Contacted 81 of 81 scrutinized companies; 25 responses
2009	100%	Contacted 98 of 98 scrutinized companies; 21 responses
2010	100%	Contacted 90 of 90 scrutinized companies; 18 responses
2011	100%	Contacted 87 of 87 scrutinized companies; 9 responses
2012	100%	Contacted 77 of 77 scrutinized companies; 21 responses
2013	100%	Contacted 62 of 62 scrutinized companies; 7 responses
2014	100%	Contacted 69 of 69 scrutinized companies; 10 responses
2015	100%	Contacted 60 of 60 scrutinized companies; 12 responses
2016	100%	Contacted 65 of 65 scrutinized companies; 14 responses

Summary of activity with active managers with holdings in scrutinized companies (current reporting year)

- All Active External Managers provide Exposure Rationale to OPERS twice a year.
- Summary of Responses:
 - Schneider Electric
 - Diverse revenue base given strong market presence in U.S., Europe, and Emerging Asia.
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 - Gazprom
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Market value of directly held public securities held in active funds that are scrutinized companies (current reporting year)

Company	Market value (in millions)
Gazprom	\$17.5
Schneider Electric	\$5.2

11/30/2016

OPERS

Summary of sold, redeemed, purchased, withdrawn securities of scrutinized companies (2013-present)³

	2013	2014	2015	2016
Summary of Activity	China National Offshore Oil Co, (S)	China National Offshore Oil Co, (P, S)	China National Offshore Oil Co, (S)	Gazprom PAO, (P, S)
	Eni SpA, (P, S)	China National Petroleum Corp, (P, S)	China National Petroleum Corp, (S)	
	Gazprom PAO, (P, S)	Gazprom PAO, (P, S)	Gazprom PAO, (P, S)	
	China National Petroleum Corp, (P, S)	JX Holdings Inc, (P)	JX Holdings Inc, (S)	
	JX Holdings Inc, (S)	Oil India Ltd, (P)	Schneider Electric SE, (S)	
	Petroliam Nasional Bhd, (S)	Schneider Electric SE, (P)		
	Schneider Electric SE, (P, S)			
	Statoil ASA, (P, S)			
	TOTAL SA, (P, S)			

* Ultimate parent of the company for capital structure purposes was used to group issuers. Bloomberg Field DZ030

S - Sold

R- Redeemed

P- Purchased

W-Withdrawn

X - Previously owned security added to scrutinized list in current report period

³ Transactions recorded from July 1st of prior year to June 30th of reporting year listed.