

**Ohio Public Employees Retirement System**  
**Iran and Sudan Divestment Process**

**September 2007**

## Table of Contents

	<b>PURPOSE</b> .....	<b>1</b>
<b>II.</b>	<b>RESPONSIBILITIES</b> .....	<b>1</b>
<b>III.</b>	<b>PROCESS</b> .....	<b>1</b>
A.	SCREENING VENDOR ENGAGED .....	1
B.	SCREENING CRITERIA ESTABLISHED .....	1
C.	PRELIMINARY SCRUTINIZED COMPANIES IDENTIFIED .....	1
D.	ENGAGE PRELIMINARY SCRUTINIZED COMPANIES .....	1
E.	DETERMINE SCRUTINIZED COMPANIES .....	2
F.	INTERNAL DISTRIBUTION OF THE LIST OF SCRUTINIZED COMPANIES.....	2
G.	NOTIFY INVESTMENT MANAGERS.....	2
H.	PREPARE AND DISTRIBUTE REPORTS .....	2
	<b>FLOW CHART</b> .....	<b>A</b>

## Revision History

Action  
**Process Established**

Date Approved  
**September 12, 2007**

## **I. Purpose**

This process corresponds to Section VI of the Iran and Sudan Divestment Policy and establishes the guidelines for identifying and engaging companies with ties to Iran and Sudan, including restrictions on new investments and divesting existing investments if comparable investments offering similar quality, return and safety are available.

## **II. Responsibilities**

The Investment staff is responsible for managing and implementing this process.

The Iran and Sudan Divestment Committee (ISDC) consists of the General Counsel, Corporate Governance Manager and the Senior Investment Officer - External Public Markets. Other interested parties may participate as required. The ISDC will establish the screening criteria for the Screening Vendor and make recommendations regarding classification as scrutinized companies. The ISDC may also meet to discuss other items related to the Iran and Sudan Divestment Policy or this process. Meeting notes will record discussion highlights and recommendations.

The Senior Investment Officer - External Public Markets, Senior Portfolio Manager - Global Bonds, Senior Investment Officer - Funds Management and Corporate Governance Manager shall perform duties as described herein.

The Investments Compliance Manager will monitor compliance to this process and provide associated reports to the Board of Trustees quarterly during the first year of implementation and semi-annually thereafter.

Modifications to this process require the approval of the Director - Investments. The Director - Investments shall notify the Board of Trustees of any modifications to this Iran and Sudan Divestment Process.

## **III. Process**

The following steps describe the process framework.

### **A. Screening Vendor Engaged**

The Corporate Governance Manager will engage and maintain a relationship with a vendor to provide screening services for companies with ties to Iran and Sudan.

### **B. Screening Criteria Established**

The ISDC will establish the screening criteria for the Screening Vendor.

### **C. Preliminary Scrutinized Companies Identified**

The Screening Vendor will generate a list of preliminary scrutinized companies based on the established screening criteria. This list will be generated every quarter.

### **D. Engage Preliminary Scrutinized Companies**

The Corporate Governance Manager will send a letter to the preliminary scrutinized companies advising them of our Iran and Sudan Divestment Policy and requesting information on their business activities with Iran and Sudan. These efforts may be coordinated with other institutional investors.

E. Determine Scrutinized Companies

The Corporate Governance Manager will prepare and present information on each preliminary scrutinized company to the ISDC for making a recommendation on the status as a scrutinized company or a non-scrutinized company. The ISDC may also seek additional information prior to making a recommendation. The ISDC will present recommendations to the Director-Investments for a final determination.

F. Internal Distribution of the List of Scrutinized Companies

The ISDC will prepare a list of Scrutinized Companies every six months. This list will be presented to the , Board of Trustees, Compliance Manager, the Senior Portfolio Manager - Global Bonds and the Senior Investment Officer - Funds Management.

G. Notify Investment Managers

The Senior Investment Officer - External Public Markets will notify affected external managers of the Scrutinized Companies and 1) prohibit them from purchasing public stocks and bonds of the Scrutinized Companies if comparable investments offering similar quality, return and safety are available and 2) encouraging them to divest existing holdings of public stocks and bonds of Scrutinized Companies if comparable investments offering similar quality, return and safety are available. Managers shall maintain records supporting the decisions and analyses of comparable investments.

The Senior Portfolio Manager - Global Bonds is 1) prohibited from purchasing public stocks and bonds of the Scrutinized Companies if comparable investments offering similar quality, return and safety are available and 2) is encouraged to divest existing holdings of public stocks and bonds of Scrutinized Companies if comparable investments offering similar quality, return and safety are available. The Senior Portfolio Manager - Global Bonds shall maintain records supporting the decisions and analyses of comparable investments.

H. Prepare and Distribute Reports

The Senior Investment Officer - External Public Markets and Senior Portfolio Manager - Global Bonds shall prepare and deliver a report to the ISDC listing the holdings of Preliminary Scrutinized Companies, Scrutinized Companies and associated divestment activity. These reports will be quarterly for the first year of implementation and semi-annually thereafter.

The Senior Investment Officer - Funds Management shall prepare a report to the ISDC describing the divestment effects on associated tracking errors and returns. These reports will be quarterly for the first year of implementation and semi-annually thereafter.

The Senior Investment Officer - External Public Markets shall prepare and deliver to the Board of Trustees quarterly reports for the first year of implementation and semi-annually thereafter. These reports will include, but are not limited to the following:

- The company screening criteria
- A list of scrutinized companies
- Summary return and risk analysis for divestment activity

## A. Flow Chart

