



Ohio Public Employees Retirement System

August 15, 2012

Ms. Bethany Rhodes
Director
Ohio Retirement Study Council
88 East Broad Street
Suite 1175
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 December 2012, establishes guidelines for OPERS to follow when identifying, engaging or investing in companies with ties to Iran and/or Sudan.

Attached is the semi-annual report that was provided to the OPERS Board Members in August 2012. This semi-annual report covers the period from January 1 through June 30, 2012. In addition, the list of scrutinized companies from the Board's February report is also attached.

Consistent with the direction provided by the Council earlier this year, I am pleased to report that the number of scrutinized companies whose securities were owned in OPERS' funds **decreased from 23 to eight**, with a **decrease in total market value of \$298,642,000** (383,730,000 to \$85,098,000). All of these securities were purchased by external public market managers, who cite a lack of comparable securities offering similar quality, return and safety as their reason for continuing to hold securities of companies on the List.

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 77 companies that met the screening criteria established by OPERS Iran and Sudan Divestment Committee ("ISDC"). As a result of the process established, the list of scrutinized companies was reduced to 61.

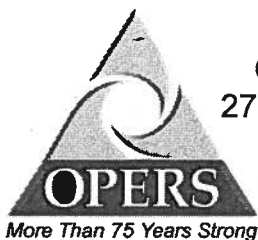
If you have any questions or need any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Carraher", is written over a light blue horizontal line.

Karen Carraher
Executive Director

Attachment



OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
277 EAST TOWN STREET, COLUMBUS, OH 43215-4642
1-800-222-PERS (7377)
www.opers.org

MEMORANDUM

DATE: August 14, 2012
TO: OPERS Retirement Board Members
FROM: Alan Davidson, Fiduciary Compliance Investment Officer
RE: **Semi-Annual Iran and Sudan Divestment Update**

Purpose

The Board's Iran and Sudan Divestment Policy ("Policy") requires Staff to report regularly concerning its administration and this is the eleventh such report. It details progress since Staff's February 2012 report.

Background

The Policy, as adopted in September 2007 and last re-affirmed in December 2012:

- Applies to publicly-traded stocks and bonds in the Non-U.S. Equity and Fixed Income Asset Classes that are actively managed in separate accounts within the Defined Benefit and Health Care Funds ("Funds");
- Is consistent with fiduciary duties;
- Establishes a goal of reducing investment exposure to companies with ties to Iran and Sudan when comparable investments offering similar quality, return and safety are available; and
- Requires Staff to develop a procedure to identify and engage companies with ties to Iran and/or Sudan.

To administer the Policy, Staff created an Iran and Sudan Divestment Committee ("ISDC") whose members are OPERS General Counsel, its Director-External Relations and its Fiduciary Compliance Investment Officer. Other Staff members participate in ISDC activities, as required.

Scrutinized Companies

The ISDC's Screening Criteria, included as Attachment A, remain unchanged. As previously reported, a screening vendor, Institutional Shareholder Services, helps

identify companies that meet these Criteria. The Scrutinized Company List ("List") in effect from January 1 through June 30, 2012 is included as Attachment B. It includes the names of 63 companies, a net decrease of 18 names from the List in effect from July 1 through December 31, 2011.

Exposure to Scrutinized Companies

OPERS' exposure to Scrutinized Companies as of June 30, 2012 is detailed in Attachment C. It indicates that, between December 31, 2011 and June 30, 2012 the number of Scrutinized Companies whose securities were owned by the Funds decreased again, from 20 to 8, and their total market value decreased by \$298,642,000 (from \$383,730,000 to \$85,098,000).

All of these securities were purchased by external public market managers. They cite a lack of comparable securities offering similar quality, return and safety as their reason for continuing to hold securities of companies on the List.

Engagement Update

OPERS screening vendor provided Staff with an initial list of 77 companies that appeared to meet the ISDC's screening criteria. On October 31, 2011, Staff sent letters to each of these companies. If an identified company provided information about its business activities in Iran and/or Sudan, and the firm included the rationale of why it believed the company did not meet OPERS' screening criteria, Staff sent such information to the screening vendor for review. The screening vendor performed additional research to determine if the company merited continued inclusion on the List, which reduced the number of Scrutinized Companies to 61. This new List is in effect from January 1 through June 30, 2012. Staff also continues its outreach to other institutional investors regarding Iran and/or Sudan divestment issues.

Next Steps

Staff will continue to administer the Policy and report again to the Board concerning it in February 2013.

Attachment A: OPERS Iran and Sudan Divestment Committee Screening Criteria

A Scrutinized Company is one that:

1. Has business operations that involve contracts with or provision of supplies or services to:
 - (i) the government of Sudan;
 - (ii) companies in which the government of Sudan has any direct or indirect equity share;
 - (iii) consortiums or projects commissioned by the government of Sudan; OR
 - (iv) companies involved in consortiums or projects commissioned by the government of Sudan; AND either (a) or (b) of the following applies:
 - (a) (1) More than 10% of its revenues or assets that are linked to Sudan oil-related activities or mineral extraction activities;
 - (2) Less than 75% of its revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; AND
 - (3) The company has failed to take substantial action specific to Sudan; OR
 - (b) (1) More than 10% of its revenues or assets that are linked to Sudan involve power production facilities;
 - (2) Less than 75% of its power production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; AND
 - (3) The company has failed to take substantial action specific to Sudan; OR
2. Is complicit in the Darfur genocide; OR
3. Supplies military equipment within Sudan; OR
4. Has business operations involving contracts with or providing supplies or services to:
 - (i) the government of Iran;
 - (ii) companies in which the government of Iran has any direct or indirect equity share;
 - (iii) consortiums or projects commissioned by the government of Iran; OR
 - (iv) companies involved in consortiums or projects commissioned by the government of Iran; AND
 - (v) More than 10% of its revenues or assets are linked to Iran oil-related activities, mineral extraction activities or petroleum resources.

Attachment A: OPERS Iran and Sudan Divestment Committee Screening Criteria

The following definitions are used for determining inclusion on the OPERS Iran and Sudan Divestment Committee Screening Criteria:

Military Equipment The active business operation must be involved with the production, distribution, leasing, or supply of weapons, arms, military supplies or military equipment in Iran or Sudan; or in the supply of goods and services to any armed force actively participating in the conflict in Sudan.

Mineral Extraction The active business operation must be involved in the exploration, extraction, transporting or wholesale selling or trading of elemental minerals or associated metal alloys oxides; or the facilitation of such operations through service and supply activities.

Oil Related Activities The active business operation must be involved with owning rights to oil blocks, exporting, extracting, producing, refining, processing, exploring for, transporting, or trading of oil; or, constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; or facilitating such operations through service and supply activities.

Power Production Activities The active business operation must be involved in any business operation that involves a project commissioned by the national electric corporation of Sudan or other similar entity of the government of Sudan, whose purpose is to facilitate power generation and delivery; or facilitating such operations through service and supply activities.

Substantial Action Adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations; undertaking significant humanitarian efforts in conjunction with an international organization, the government of Sudan, the regional government of southern Sudan, or a nonprofit entity evaluated and certified by an independent third party to be substantially in a relationship to the company's Sudan business operations and of benefit to one or more marginalized populations of Sudan; or through engagement with the government of Sudan, materially improving conditions for the genocidal victimized population in Darfur.

Complicit Taking actions during any preceding twenty-month period that directly support or promote the genocidal campaign in the Darfur region of Sudan, including, but not limited to, preventing members of the populations of the Darfur region of Sudan negatively affected by genocide from communicating with each other, encouraging Sudanese citizens to speak against the internationally approved security force that provides aide to the Darfur region; actively working to deny, cover up, or alter the record on human rights abused in Darfur; or other similar actions.

Attachment B: Scrutinized Company List effective January 1 – June 30, 2012

Aref Energy Holding Company	Marie Tecnimont, S.p.a.
Aref Investment Group	Mangalore Refinery & Petrochemicals, Ltd.
ASEC Company for Mining	MISC Bhd.
AviChina Industry & Technology Company, Ltd.	Mosenergo
Bharat Heavy Electricals, Ltd.	Muhibbah Engineering, Bhd.
Chennai Petroleum Corp, Ltd.	Oil & Natural Gas Corporation, Ltd.
China Oilfield Services, Ltd.	Oil India, Ltd.
China Petroleum & Chemical Corp.	OMV, Ag.
CNOOC, Ltd.	OMV Petrom, S.a.
Daelim Industrial Co., Ltd.	Otkrytoe Aktsionernoe Obshchestvo
Daqing Huake Group Co., Ltd.	PetroChina Company, Ltd.
Dongfeng Motor Group Co., Ltd.	Petronas Chemicals Group, Bhd.
Egypt Kuwait Holding Co., S.A.E.	Petronas Dagangan, Bhd.
EI Sewedy Electric Company	Petronas Gas, Bhd.
Electricity Generating, Plc.	Petrovietnam Drilling & Well Services Company
Eni, S.p.A.	Petrovietnam Fertilizer & Chemicals Corporation
GAZ Group	Petrovietnam Transportation Corporation
Gazprom Neft	Rosier, S.a.
Gazprom OAO	Scomi Engineering Group, Bhd.
Harbin Electric Co., Ltd.	Siemens, Ag.
Hyundai Heavy Industries Company	Siemens, Dd.
Indian Oil Corp., Ltd.	Siemens, Ltd.
Jiangxi Hongdu Aviation Industry Corporation, Ltd.	Snam Rete Gas, S.p.A.
Jinan Diesel Engine Company, Ltd.	Societe Metallurgique D'lmiter
KepCo Plant Service & Engineering Company, Ltd.	Statoil, ASA

Attachment B: Scrutinized Company List effective January 1 – June 30, 2012

Korea Electric Power Corporation	Sudatel Telecom Group, Ltd.
Kuwait Finance House, KSC.	Tong Cong Ty Tai Chinh Company
L'Air Liquide, S.a.	Total Gabon, S.a.
Lanka IOC, Plc.	Total Kenya, Ltd.
LS Industrial Systems Co., Ltd.	Total Nigeria, Plc.
Managem S.a.	Total, S.a.
	Wartsila Oyj, Abp.

Attachment C: Exposure to Scrutinized Companies

Issuer	June 30, 2012		December 31, 2011	
	# Shares	Market Value (\$000) omitted)	# Shares	Market Value (\$000) omitted)
Stocks				
Atlas Copco	*	*	482,610	10,371
China Petroleum & Chemical	0	0	21,502,049	22,623
CNOOC, Ltd.	3,413,128	13,776	34,662,428	69,152
Dongfeng Motor Group Co., Ltd.	3,988	6,118	13,326	22,853
ENI, S.p.A.	690,034	14,660	1,827,134	37,921
Gazprom	1,228,150	11,581	6,773,658	72,207
GS Engineering & Construction	*	*	38,384	3,047
Harbin Power Equipment	0	0	152,000	132
KLCC Property Holdings	*	*	130,700	130
Korea Electric Power	308,190	6,930	**	**
Oil & Natural Gas Corp., Ltd.	0	0	221,919	1,072
Oil India, Ltd.	0	0	6,478	145
OMV	0	0	200,282	6,086
Petrochina Company, Ltd.	0	0	10,545,999	19,283
Petronas, Bhd	144,200	823	122,300	344
PTT Exploration & Production PCL	*	*	484,700	2,389
Sasol, Ltd..	0	0	316,390	15,084
Sinopec Shanghai Petrochemical	*	*	264,000	88
Technip	*	*	121,090	11,399
Total, S.a.	525,518	23,621	1,639,420	83,945
Totals			92,817,541	378,617
Fixed Income				
Gazprom		7,589		5,113
Total Market Value		85,098		383,730
Number of Issuers	8		20	
* Indicates issuer was removed from OPERS Scrutinized Company list effective January 1, 2012				
** Indicates issuer was added to OPERS Scrutinized Company list effective January 1, 2012				

Attachment C: Exposure to Scrutinized Companies

Issuer	June 30, 2011		December 31, 2011	
	# Shares	Market Value (\$000) omitted)	# Shares	Market Value (\$000) omitted)
Stocks				
Atlas Copco	482,610	12,698	482,610	10,371
Bharat Heavy Electricals, Ltd.	65,900	3,024	0	0
China Petroleum & Chemical	50,556,000	50,866	21,502,049	22,623
CNOOC	32,247,634	85,167	34,662,428	69,152
Dongfeng Motor Group	11,514,000	21,749	13,326	22,853
ENI, SpA	0	0	1,827,134	37,921
Finmeccanica	127,351	1,541	*	*
Gazprom	4,850,568	70,721	6,773,658	72,207
GS Engineering & Construction	35,879	4,697	38,384	3,047
Harbin Power Equipment	244,000	278	152,000	132
KLCC Property Holdings	130,700	145	130,700	130
Linde	171,060	29,642	*	*
Malaysia Marine & Engineering	387,700	1,069	0	0
Oil & Natural Gas Corp., Ltd	0	0	221,919	1,072
Oil India, Ltd	0	0	6,478	145
OMV	200,282	8,747	200,282	6,086
Petrochina Company, Ltd	7,877,566	16,661	10,545,999	19,283
Petronas	244,600	1,304	122,300	344
PTT Exploration & Production PCL	343,200	1,911	484,700	2,389
Royal Dutch Shell	1,872,187	66,594	*	*
Sasol, Ltd.	178,410	9,398	316,390	15,084
Sinopec Shanghai Petrochemical	**	**	264,000	88
Technip	47,700	5,112	121,090	11,399
Total, Sa	1,503,191	85,786	1,639,420	83,945
Wartsila	13,084	442	0	0
Welspun, Ltd.	43,984	170	0	0
Totals	113,137,606	477,722	92,817,541	378,617
Fixed Income				
Gazprom		5,054		5,113
Total Market Value		482,776		383,730
Number of Issuers	23		20	

* Indicates issuer was removed from OPERS Scrutinized Company list effective July 1, 2011

** Indicates issuer was added to OPERS Scrutinized Company list effective July 1, 2011