

HB

287



Targeted Divestment from Sudan Frequently Asked Questions

Library

Since 2004, AJWS has been a leader in the movement to end the genocide in Darfur, Sudan. Targeted divestment is an additional tactic in AJWS' ongoing campaign to put real and concerted pressure on the Sudanese government. While many of our elected officials have spoken out in support of actions to stop the violence, diplomatic efforts have fallen far short of what is necessary.

Targeted divestment:

- Offers an opportunity for citizens to increase economic pressure on Sudan and stop the flow of money that funds the genocide;
- Tells our elected officials that we are concerned about the genocide and expect them to act; and
- Keeps Darfur on the political agenda and in the media.

What is targeted divestment?

Targeted divestment focuses on companies that directly or indirectly finance the Sudanese government's military campaign against the people of Darfur. Of the 400+ international companies operating in Sudan, about two dozen are currently considered the "worst offending" and are targeted for engagement to change their corporate behavior.

While U.S. sanctions prevent domestically-owned companies from doing business in Sudan, many U.S. corporations, mutual funds and individuals are invested in foreign companies that operate there. Mainly in the oil, energy, mineral extraction or weapons industries, these offending companies provide little to no benefit to Sudanese civilians and have failed to address the genocide in Darfur through corporate action. If such companies prove unresponsive to shareholders' efforts to address their complicity and refuse to change their behavior, shareholders then remove their funds.

How does targeted divestment work?

When institutions divest from companies doing business with Sudan, demand for the companies' shares falls and the share price loses value. When more institutions divest from offending companies, this effect is multiplied. Targeted companies who feel that their investments are threatened may either encourage the Sudanese government to change its behavior or stop their operations in Sudan entirely.

Is targeted divestment the same as the anti-apartheid movement to divest from South Africa?

Since it focuses on the worst offending companies, targeted divestment differs greatly from the "blanket" approach used during the South Africa divestment movement.

Will targeted divestment hurt the general Sudanese population?

Targeted divestment does not affect companies involved in medicine, education, agriculture, consumer goods or the provision of humanitarian aid. While the Sudanese government is profiting greatly from its thriving oil industry, very little of that revenue benefits civilians. In fact, more than 70 percent of the government's oil revenues are spent on defense. Both Amnesty International and Human Rights Watch report that these funds have been used to purchase expensive military equipment like the bombers and helicopters used against civilians in Darfur.

Is targeted divestment effective?

Sudan has proven responsive to economic pressure in the past. In 1997, when the U.S. imposed sanctions on Sudan for sponsoring international terrorism (the regime hosted Osama bin Laden in the 1990s), the Sudanese government responded by breaking up terrorist networks and providing information to U.S. intelligence agencies. A similar divestment campaign in protest of the government's human rights abuses in South Sudan prompted several important oil companies to leave the country in the late 1990s, providing an incentive for the government to enter into peace negotiations to end a 20-year civil war between North and South Sudan.

Bill History/Action for 25th Legislature

BILL: HB 287

SHORT TITLE: DIVEST INVESTMENTS IN SUDAN

BILL VERSION:

CURRENT STATUS: (H) STA
THEN FIN

STATUS DATE: 01/15/08

SPONSOR(s): REPRESENTATIVE(s) LYNN, GARA

HEARING: (H) STA Feb 02 11:00 AM CAPITOL 106 TELECONFERENCE

TITLE: "An Act relating to certain investments of the Alaska permanent fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in companies that do business in Sudan, and restricting those investments."

Bill Number: [Display Bill](#) [Next Bill](#)

[Full Text](#)

[Sponsor Statement](#)

[Display Committee Action with Bill History](#)

Jm Date	Jm Date	Action
01/04/08	1696	(H) PREFILE RELEASED 1/4/08
01/15/08	1696	(H) READ THE FIRST TIME - REFERRALS
01/15/08	1696	(H) STA, FIN
01/15/08	1696	(H) RE. ERRED TO STATE AFFAIRS

Similar Subject Match or Exact Subject Match

- INTERNATIONAL RELATIONS
- INVESTMENTS
- OIL & GAS
- PERMANENT FUND
- PUBLIC EMPLOYEES
- PUBLIC FINANCE
- RETIREMENT
- RIGHTS
- SALARIES & ALLOWANCES

Bill Number: [Display Bill](#)

[Next Bill](#)

[Return to Basis Main Menu \(25th Legislature\)](#)

HOUSE BILL NO. 287

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES LYNN AND GARA

Introduced: 1/15/08
Referred: State Affairs, Finance

*Public testimony
was closed*

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to certain investments of the Alaska permanent fund, the state's
2 retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred
3 compensation program for state employees in companies that do business in Sudan, and
4 restricting those investments."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 * Section 1. AS 37.10 is amended by adding a new section to read:

7 **Sec. 37.10.212. Investments in companies involved in business in Sudan.**

8 (a) The board shall comply with requirements of AS 37.13.125. For purposes of this
9 subsection, references to the "board" in AS 37.13.125 are construed to mean the
10 "Alaska Retirement Management Board."

11 (b) To the extent that this section conflicts with AS 37.10.270(a) or other
12 provisions, the provisions of this section prevail. The board may cooperate with the
13 Board of Trustees of the Alaska Permanent Fund Corporation in carrying out the
14 requirements of AS 37.13.125.

Handwritten notes and signatures in the bottom right corner, including "Public testimony was closed" and other illegible text.

1 * Sec. 2. AS 37.13 is amended by adding a new section to read:

2 **Sec. 37.13.125. Investments in companies involved in business in Sudan.**

3 (a) The board shall make its best efforts to identify all scrutinized companies in which
4 the fund has direct or indirect holdings or might have holdings in the future that have
5 active business operations in Sudan. The board shall prepare and update on a quarterly
6 basis a scrutinized companies list. A company that stops active business operations in
7 Sudan shall be removed from the list, and a company that becomes engaged in or
8 resumes active business operations in Sudan shall be added to the list. The scrutinized
9 companies list shall be created and updated based on evolving information, including
10 information obtained by

11 (1) reviewing publicly available information regarding companies with
12 active business operations compiled by nonprofit organizations, research firms,
13 international organizations, and government entities;

14 (2) contacting fund asset managers regarding the identity of companies
15 with active business operations;

16 (3) contacting other institutional investors that have divested from
17 companies that have active business operations.

18 (b) A company may not be included on the scrutinized companies list if

19 (1) its primary purpose in Sudan is to provide humanitarian goods or
20 services, services of a purely clerical or reporting nature, or food, clothing, or
21 consumer goods that do not include oil-related activities, mineral extraction activities,
22 or power production activities and if the company has not taken actions within the
23 immediately preceding 20-month period that support or promote the genocidal
24 campaign in Darfur, including actions that prevent Darfur's victimized persons from
25 communicating with each other, that encourage Sudanese citizens to speak out against
26 an internationally approved security force for Darfur, or that alter the record on human
27 rights abuses in Darfur;

28 (2) it has adopted, publicized, and implemented a formal plan to stop
29 active business operations within one year and to refrain thereafter from resuming
30 active business operations;

31 (3) it has undertaken significant humanitarian efforts in conjunction

1 part of a separate, actively managed commingled fund in which other investors also
2 own shares or interests. However, the board shall submit a letter to the manager of the
3 actively managed fund requesting that consideration be given to removing the
4 company from the fund or creating a similar actively managed fund with assets that do
5 not include companies with active business operations in Sudan. If the manager
6 creates that other fund, the board shall replace investments in the original fund with
7 investments in the other fund in an expedited manner that is consistent with the
8 prudent investment standard.

9 (f) By February 1 of each year, the board shall file a report with the
10 legislature, the attorney general, and the United States Presidential Special Envoy for
11 Sudan summarizing its activities under this section. The report must include the most
12 recently updated list of scrutinized companies.

13 (g) To the extent that this section conflicts with AS 37.13.120 or other
14 provisions, the provisions of this section prevail. The board may cooperate with the
15 Alaska Retirement Management Board in carrying out the requirements of this
16 section.

17 (h) In this section,

18 (1) "active business operations" means engaging in commerce in any
19 form in Sudan, including acquiring, developing, maintaining, owning, selling,
20 possessing, leasing, or operating equipment, facilities, products, services, and
21 other apparatus of business or commerce, but does not include inactive business
22 operations;

23 (2) "company" means any sole proprietorship, organization,
24 association, partnership, corporation, joint venture, limited partnership, limited
25 liability company, or other entity or business association, including all wholly owned
26 subsidiaries, majority-owned subsidiaries, parent companies, or affiliates or business
27 associations that exist for profit-making purposes;

28 (3) "government of Sudan" means the government in Khartoum,
29 Sudan, lead by the National Congress Party or any successor government, including
30 the coalition Government of National Unity agreed on in the Comprehensive Peace
31 Agreement for Sudan, but does not include the regional government of southern

1 Sudan;

2 (4) "inactive business operations" means the mere continued holding
3 or renewal of rights to property in Sudan previously used for the purpose of generating
4 revenue but not presently used for that purpose;

5 (5) "marginalized populations" includes the portion of the population
6 in the Darfur region that has been genocidally victimized and in southern Sudan that
7 has been victimized by Sudan's north-south civil war, the Beja, Rashidiya, and other
8 similarly underserved groups of eastern Sudan, the Nubian and other similarly
9 underserved groups in Sudan's Abyei, Southern Blue Nile, and Nuba Mountain
10 regions; and the Amri, Hamadab, Manasir, and other similarly underserved groups of
11 northern Sudan;

12 (6) "mineral extraction activities" means exploring for, extracting,
13 processing, transporting, or wholesale selling or trading of minerals, and includes the
14 provision of supplies, services, or other forms of support for those activities;

15 (7) "oil-related activities" means exploring for oil, owning rights to oil,
16 exporting, extracting, producing, refining, processing, transporting, selling, or trading
17 oil, or constructing, maintaining, or operating an oil pipeline, refinery, or other oil
18 infrastructure, and includes the provision of supplies, services, or other forms of
19 support for those activities, but does not include the retail sale of gasoline and oil-
20 based consumer products;

21 (8) "power production activities" means any business operation that
22 involves a project commissioned by the National Electricity Corporation of Sudan or
23 other similar government of Sudan entity that engages in power generation and
24 delivers, sells, installs, or maintains components for power generation and delivery
25 projects, and includes the provision of supplies, services or other forms of support for
26 those activities;

27 (9) "scrutinized company" means a company

28 (A) with business operations that involve contracts with,
29 provision of supplies to, or provision of services to the government of Sudan, a
30 company in which the government of Sudan has a direct or indirect equity
31 interest, or a company that is involved in a consortium or project

1 commissioned by the government of Sudan if

2 (i) more than 10 percent of the company's revenue or
3 assets linked to Sudan involve oil-related activities or mineral
4 extraction activities and less than 75 percent of the company's revenue
5 or assets linked to Sudan involve contracts with or provision of oil-
6 related or mineral extracting products or services to the regional
7 government of southern Sudan or a project or consortium created
8 exclusively by that regional government; or

9 (ii) more than 10 percent of the company's revenue or
10 assets linked to Sudan involve power production activities and less than
11 75 percent of the company's power production activities include
12 projects to provide power or electricity to the marginalized populations
13 of Sudan:

14 (B) that is complicit in the Darfur genocide by supporting or
15 promoting the genocidal campaign, including taking action to prevent Darfur's
16 victimized persons from communicating with each other, to encourage
17 Sudanese citizens to speak out against an internationally approved security
18 force for Darfur, or to alter the record on human rights abuses in Darfur; or

19 (C) that supplies military equipment to Sudan, unless the
20 company can clearly demonstrate that the equipment is not being used by a
21 party participating in armed conflict in Sudan, or is supplied solely to the
22 regional government of southern Sudan or an internationally recognized
23 peacekeeping force or humanitarian organization.

24 * Sec. 3. AS 37.10.212 and AS 37.13.125 are repealed on the day after the Alaska
25 Retirement Management Board and the Board of Trustees of the Alaska Permanent Fund
26 Corporation jointly inform the revisor of statutes that

27 (1) the United States Congress or the President of the United States has
28 declared that the Darfur genocide

29 (A) has been halted; and

30 (B) has not resumed for at least 12 months;

31 (2) the United States has revoked all sanctions it imposed against the

1 government of Sudan;

2 (3) the United States Congress or the President of the United States has
3 declared that the government of Sudan has honored its commitments

4 (A) to stop attacks on civilians;

5 (B) to demobilize and demilitarize the Janjaweed and associated
6 militias;

7 (C) to grant free and unfettered access for deliveries of humanitarian
8 assistance; and

9 (D) to allow for the safe and voluntary return of refugees and internally
10 displaced persons; or

11 (4) the United States Congress or the President of the United States, through
12 legislation or executive order, declares that mandatory divestment of the types provided for in
13 AS 37.13.125 interferes with the conduct of United States foreign policy.

14 * Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 **TRANSITION.** Within 90 days after the effective date of AS 37.10.212, added by sec.
17 1 of this Act, and of AS 37.13.125, added by sec. 2 of this Act, the Alaska Retirement
18 Management Board and the Board of Trustees of the Alaska Permanent Fund Corporation
19 shall prepare the initial list of scrutinized companies required to be identified by those
20 sections.

Alaska State Legislature

Chairman
State Affairs Committee

Vice-Chairman
Economic Development, Trade & Tourism
Committee

Member
Judiciary Committee
Joint Armed Services Committee

Finance Subcommittees
Corrections
Labor and Workforce Development
Military and Veterans' Affairs
Public Safety



A Communication From
REPRESENTATIVE BOB LYNN
District 31 Anchorage

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Sponsor Statement HB 287

Alaska should not invest money in companies that have a business relationship and are complicit with the Sudanese Government's policy of genocide in the Darfur region of Western Sudan.

More than 400,000 people have been killed, an additional 2.5 million have been forced from their homes, and untold thousands of women and children have been abducted and raped, since Sudan began sponsoring attacks on innocent civilians in Darfur.

On July 22, 2004 the U.S. Congress declared that "the atrocities unfolding in Darfur, Sudan are genocide." This is the first time in history that the United States government has recognized genocide while it's still occurring.

HB 287 mandates targeted divestment and prohibits future investment of the state managed PFD and Pension funds in targeted companies that do business with Sudan. The overall objective of this legislation is to pressure Sudan economically until it ends it's genocide in Darfur.

There are few things an individual state can do to end genocide. Targeted Divestment is one promising strategy to do just that: Pressure the Sudanese government to end it's genocide in Darfur. The State of Alaska can do this with slim to no impact on the fund manager's wise investment mandate to invest principal while maximizing total return.

Alaska has very little invested in Sudan, about 36 million, or 0.1% of total assets and it's important to note that none of the targeted businesses currently operating in Sudan are American.

U.S. Senator Sam Brownback and former republican presidential candidate, said: "We've said often 'never again' and taken up the pledge of 'not on our watch.' We also need to take up the pledge of 'not on our dime.'"

To date, 20 states have already divested assets from companies doing business with the government of Sudan. Alaska is the 49th State to join the union, but it should not be the last to say: "No to genocide. not on our dime."

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 287
 (j) Publish Date: 1/15/2008

Identifier (file name): HB287-REV-APFC-01-29-08 Dept. Affected: Revenue
 Title: Divest Investments in Sudan RDU: Alaska Permanent Fund Corp
 Component: Alaska Permanent Fund Corp
 Sponsor: Representative Lynn
 Requester: House State Affairs Committee Component Number: 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

	Appropriation Required	Information						
		FY 2009	FY 2008	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	33.8		11.6	11.6	11.6	11.6	11.6	11.6
Travel	4.8							
Contractual	10,843.0		6,807.0	7,273.0	7,771.2	8,304.0	8,873.5	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1	

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1105 APFC Receipts	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1	
TOTAL	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1	

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time	1.0		1	1	1	1	1	1
Temporary								

ANALYSIS: (Attach a separate page if necessary)

HB 287 would require that the Alaska Permanent Fund Corporation develop a list of companies doing business in Sudan that support the Sudanese government, excluding humanitarian efforts and other activities listed in the legislation. Once identified, APFC would write to the companies in question to ask them to cease operations in Sudan. If they do not cease operations, APFC would divest these holdings from the Alaska Permanent Fund's portfolios over 15 months. APFC estimates that it will take a part-time Equities Analyst to perform the initial analysis, undertake the engagement with the listed companies and notify APFC external managers to divest of any holdings if necessary. Estimated costs include purchasing external contractors' information on companies doing business in Sudan, increased manager fees due to mandate customization, and costs necessary to search for new managers when mandates can not be customized.

Prepared by: Michael J. Burns, Chief Executive Officer
 Division: Alaska Permanent Fund Corporation
 Approved by: _____

Phone: 907-796-1520
 Date/Time: 1/29/08 12:00 AM
 Date: _____



Alaska Permanent Fund Corporation
 Analysis of HB 287 Divest Investments in
 Sudan

Estimated first year costs of implementing a divestiture plan **\$10.9 - \$14.6 million**

Estimated ongoing costs of implementing a divestiture plan - **\$8.3 - \$8.9 million**
Excludes impact of divestiture on performance of fund assets

Breakdown of initial costs of implementing a divestiture plan

Equities portfolio restructuring **Estimated cost**

Some managers will not be able to customize their account mandates. APFC will need to search for replacement managers.

Manager search

Callan Associates (consultant) fee for three manager searches: \$26,000 search **\$78,000**
 Staff due diligence travel for manager searches **\$4,800**

Transaction costs to transfer holdings to new managers

Transaction costs range from 0.25%-0.5% of portfolio value

Tukman - manages \$523.6mm large-cap value portfolio **\$1.3 - \$2.6 mm**

GEAM - manages \$494.7mm large-cap growth portfolio **\$1.2 - \$2.5 mm**

GEAM - manages \$468.3mm EAFE fund **\$1.2 - \$2.3 mm**

Transition Manager to facilitate holdings transfers **\$745,000**

Legal

Review of contracts for 3 replacement managers, estimated at 2 days per manager; All remaining equities and fixed income contracts would need to be reviewed, estimated at a half-day per contract. We believe that in-house counsel will be able to absorb this workload. **\$0**

Internal costs to implement legislation

Additional staff costs to perform tasks in HB 287: Review public information, contact fund managers and other institutional investors to identify companies engaged in restricted activities; Contact identified companies to determine nature of business; If activities are deemed restricted, notify company to encourage divestiture; 90 day follow up to determine if company has complied with divestiture; Ongoing monitoring.

<u>FY09</u>	<u>Ongoing</u>
\$33,775	\$11,580

Purchase of externally generated lists

IW Financial	\$13,000	\$13,000
RiskMetrics Group	\$12,000	\$12,000
KLD Research	\$5,000	\$5,000



Alaska Permanent Fund Corporation

Analysis of HB 287 Divest Investments in
Sudan

Breakdown of annual costs of implementing a divestiture plan

Note: Annual costs will be incurred in the first year as well as in subsequent years

Existing managers that need to customize their strategy or replacement managers may charge higher annual fees:	Estimated cost
Passive equity index manager - assume manager increases fee by 1 basis point. Since the APFC has \$5.1 billion in passive index assets, this would increase manager fees by \$509,000 per year.	\$509,000
Active US equity managers (large and small-cap) - assume managers increase fee by 2.5 bps. Since the APFC has \$4.7 billion in US equity assets, this would increase fees by \$1.2 million per year.	\$1.2 million
Active Non-US equity managers (global, developed and emerging) - assume managers increase fee by 5 bps. (Such firms may have more exposure in their portfolios and may experience a greater impact on how they manage their portfolios. They may need to find replacement stocks that they otherwise wouldn't have to worry about.) Since the APFC has about \$8.7 billion in global and non-US equity assets. This would increase costs by \$4.2 million per year.	\$4.2 million
Assume fixed income manager fees rise by 3%, producing an increase of \$381,000.	\$381,000

Note: Manager fees are based on the volume of assets under management. The increase in fees for customizing mandates for the first year is estimated at \$6.3 million. All budget projections for fees are based on APFC's mid-case assumption of an annual growth in assets of 7% each year. Accordingly, we expect that this fee increase will adjust upwards at 7% each year.

General Consultant Costs

The general consultant may increase its fee to reflect its higher costs associated with monitoring the impact of divestiture. For example, for each manager running a customized strategy, that manager's performance would need to be compared to the non-customized strategy. The consultant would have to prepare analysis and report to the APFC board on a periodic basis.

Unknown

Operational Considerations that could affect the APFC Finance, IT, Training and

To be determined

Higher compliance costs - need to monitor manager holdings

May need to add staff

May need to develop or buy special software

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3887 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 17, 2008

SUBJECT: Restrictions on investments in companies that do business in Sudan; Sectional Summary (HB 287; Work Order No. 25-LS1170M)

TO: Representative Lee Gara
Attn: Meagan Foster

FROM: Tamara Brandt Cook
Director *TBC*

Sec. 1. The Alaska Retirement Management Board is required to comply with AS 37.13.125, a new section added in bill sec. 2. The board is permitted to cooperate with the Board of Trustees of the Alaska Permanent Fund Corporation in complying with the new section.

Sec. 2. A new section is added restricting certain investment in companies involved in business in Sudan. Under subsection (a), the Board of Trustees of the Alaska Permanent Fund Corporation is required to identify all scrutinized companies in which the Permanent Fund has direct or indirect holdings or might have holdings in the future that have active business operations in Sudan. The board must prepare and update on a quarterly basis a scrutinized companies list. Subsection (b) identifies the characteristics of companies that may not be included on the scrutinized companies list. Subsection (c) requires the Board of Trustees to send certain notices to companies regarding divestment requirements. Under subsection (d), if, 90 days after the notice is sent, a company continues to have active business operations in Sudan, all publicly traded securities of the company held directly by the Permanent Fund and managed by an employee of the fund must be divested. A divestment schedule is set out for securities not managed by an employee that are held directly by the fund. Subsection (e) addresses indirect holdings of the fund. The board is required to submit a letter to the manager of the fund requesting that consideration be given to removing investments in companies from the fund that have active business operations in Sudan. Under subsection (f), the Board of Trustees is required to file a report by February 1 each year summarizing its activities relating to divestment of investments in companies with active business operations in Sudan and including the list of scrutinized companies. Under subsection (g), this new law prevails over other provisions of law. The Board of Trustees is permitted to cooperate with the Alaska Retirement Management Board in carrying out the requirements of the new law. Subsection (h) sets out definitions of terms used in the new law.

Representative Les Gara
January 17, 2008
Page 2

Sec. 3. The new provisions in this Act are repealed when the U.S. Congress or President declares that the Darfur genocide has stopped and not been resumed for at least 12 months, the U.S. revokes sanctions against the government of Sudan, the U.S. Congress or President declares that the government of Sudan has honored commitments to stop attacks on civilians and take certain other actions, or the U.S. Congress or President declares that mandatory divestment of investments in companies that do business in Sudan interferes with the conduct of foreign policy.

Sec. 4. The Alaska Retirement Management Board and the Board of Trustees of the Alaska Permanent Fund Corporation are required to prepare the initial list of scrutinized companies within 90 days after the effective date the new sections added in this Act.

TBC:ljw
08-018.ljw



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For Immediate Release
Office of the Press Secretary
December 31, 2007

Statement by the President

Today, I have signed into law S. 2271, the "Sudan Accountability and Divestment Act of 2007." I share the deep concern of the Congress over the continued violence in Darfur perpetrated by the Government of Sudan and rebel groups. My Administration will continue its efforts to bring about significant improvements in the conditions in Sudan through sanctions against the Government of Sudan and high level diplomatic engagement and by supporting the deployment of peacekeepers in Darfur. [White House News](#)

This Act purports to authorize State and local governments to divest from companies doing business in named sectors in Sudan and thus risks being interpreted as insulating from Federal oversight State and local divestment actions that could interfere with implementation of national foreign policy. However, as the Constitution vests the exclusive authority to conduct foreign relations with the Federal Government, the executive branch shall construe and enforce this legislation in a manner that does not conflict with that authority.

GEORGE W. BUSH

THE WHITE HOUSE.

December 31, 2007.

Return to this article at:

<http://www.whitehouse.gov/news/releases/2007/12/20071231.html>

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FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESS.ON

Fiscal Note Number: _____
Bill Version: HB 287
() Publish Date: _____

Identifier (file name): HB287-DOR-TRE-02-08-08 Dept. Affected: Revenue 04
Title: Divestment of investment in Sudan RDU: Taxation and Treasury
Sponsor: Rep Lynn Component: Treasury
Requester: House State Affairs Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
Personal Services	33.8		11.6	11.6	11.6	11.6	11.6
Travel	4.8						
Contractual	2,954.3		2,876.3	2,876.3	2,876.3	2,876.3	2,876.3
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time	10		1	1	1	1	1
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Please see the details on page two.

Prepared by: Brian C Andrews
Division: Revenue / Treasury
Approved by: Jerry Burnett
Department of Revenue

Phone: 907 465-3663
Date/Time: 2/8/08 12:00 AM
Date: 2/8/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. HB 287

ANALYSIS CONTINUATION

Identify and hire screening service providers - \$30,000

Decide on, hire, and fund information providers to provide a daily screening service that could be used by all of the ARMB's active managers.

IW Financial - \$13,000

RiskMetrics Group - \$12,000

KLD Research - \$5,000

Money manager contract revision - \$2.8 million

Restricting investment may require contract revisions and increases in management fees:

Passive equity index managers - assume fees increase by 1 basis point. With \$3.0 billion assets in this category, manager fees will increase by \$297,798 per year.

Active US Equity managers - assume fees increase by 2.5 basis points. With \$3.2 billion assets in this category, manager fees will increase by \$801,633 per year.

Active Non-US equity managers - assume fees increase by 5 basis points. With \$3.5 billion assets in this category, manager fees will increase by \$1.7 million per year.

Money manager replacement, incurred only in FY09 - \$82,800

Restricting investment may also result in a change in managers if some managers are unable or unwilling to comply.

Callan Associates fee for three manager searches: \$28,000/manager.

Staff due diligence travel for manager searches: \$4,800.

Internal cost for initial implementation - \$33,800 in FY09 and \$11,600/FY thereafter

Additional staff costs associated with monitoring and reporting for compliance with HB287

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

January 17, 2008

SUBJECT: Restrictions on investments in companies that do business in Sudan: Sectional Summary
(HB 287; Work Order No. 25-LS1170M)

TO: Representative Les Gara
Attn: Meagan Foster

FROM: Tamera Brandt Cook
Director *TBC*

Sec. 1. The Alaska Retirement Management Board is required to comply with AS 37.13.125, a new section added in bill sec. 2. The board is permitted to cooperate with the Board of Trustees of the Alaska Permanent Fund Corporation in complying with the new section.

Sec. 2. A new section is added restricting certain investment in companies involved in business in Sudan. Under subsection (a), the Board of Trustees of the Alaska Permanent Fund Corporation is required to identify all scrutinized companies in which the Permanent Fund has direct or indirect holdings or might have holdings in the future that have active business operations in Sudan. The board must prepare and update on a quarterly basis a scrutinized companies list. Subsection (b) identifies the characteristics of companies that may not be included on the scrutinized companies list. Subsection (c) requires the Board of Trustees to send certain notices to companies regarding divestment requirements. Under subsection (d), if, 90 days after the notice is sent, a company continues to have active business operations in Sudan, all publicly traded securities of the company held directly by the Permanent Fund and managed by an employee of the fund must be divested. A divestment schedule is set out for securities not managed by an employee that are held directly by the fund. Subsection (e) addresses indirect holdings of the fund. The board is required to submit a letter to the manager of the fund requesting that consideration be given to removing investments in companies from the fund that have active business operations in Sudan. Under subsection (f), the Board of Trustees is required to file a report by February 1 each year summarizing its activities relating to divestment of investments in companies with active business operations in Sudan and including the list of scrutinized companies. Under subsection (g), this new law prevails over other provisions of law. The Board of Trustees is permitted to cooperate with the Alaska Retirement Management Board in carrying out the requirements of the new law. Subsection (h) sets out definitions of terms used in the new law.

Representative Les Gara

January 17, 2008

Page 2

Sec. 3. The new provisions in this Act are repealed when the U.S. Congress or President declares that the Darfur genocide has stopped and not been resumed for at least 12 months, the U.S. revokes sanctions against the government of Sudan, the U.S. Congress or President declares that the government of Sudan has honored commitments to stop attacks on civilians and take certain other actions, or the U.S. Congress or President declares that mandatory divestment of investments in companies that do business in Sudan interferes with the conduct of foreign policy.

Sec. 4. The Alaska Retirement Management Board and the Board of Trustees of the Alaska Permanent Fund Corporation are required to prepare the initial list of scrutinized companies within 90 days after the effective date the new sections added in this Act.

TBC:ljw
08-018.ljw

Representative Bob Lynn
100 W. 4th Ave Ste 650
Anchorage, AK 99501-2133

Dear Representative Lynn:

12/7/07

Thank you very much for your leadership on the issue of divesting Alaska's Permanent Fund and state pension funds from foreign businesses that are helping to fund the genocide in Darfur, Sudan. I am deeply disturbed that a small portion of Alaska's assets are in foreign companies that are complicit in the first genocide of the 21st century. I join you in saying "not in our watch" and "not on our dime." I am proud that you have taken the lead on this urgent issue, and I ask you to continue working hard to pass divestment legislation in the upcoming session.

Thank you once again for taking initiative!

Sincerely,

Sarah C. Wallner

Sarah C. Wallner
18527 Neumann Circle
Eagle River, AK 99577

LISA MURKOWSKI
ALASKA

COMMITTEES:

ENERGY AND NATURAL RESOURCES
RANKING MEMBER
SUBCOMMITTEE ON ENERGY

FOREIGN RELATIONS
RANKING MEMBER, SUBCOMMITTEE ON
EAST ASIAN AND PACIFIC AFFAIRS

HEALTH, EDUCATION, LABOR,
AND PENSIONS

INDIAN AFFAIRS
VICE CHAIRMAN

Kelley Nixon
2439 Ronny Place, #1
Anchorage, Alaska 99508

United States Senate

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August 28, 2007

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(907) 376-7665

P.O. Box 1030
311 WILLOW STREET, BUILDING 3
BETHEL, AK 99558-1030
(907) 543-1639

Dear Kelley:

Thank you for contacting me about the situation in Darfur, Sudan. I appreciated receiving your views and the petition you submitted to my office.

You will be pleased to know that I joined with 95 of my Senate colleagues in sending a letter to Chinese President Hu Jintao urging him to put pressure on the government of Sudan to end military operations in Darfur. As one of Sudan's main investors and a member of the U.N. Security Council, China's cooperation is critical to ending the crisis.

You also should be aware that, on October 10, 2006, all 100 United States Senators signed a letter to Arab League Secretary General Amr Moussa asking that the Arab League press Sudanese President Omar Hassan El-Bashir to halt Sudan's military offensive in Darfur, withdraw Sudanese troops from the area, and facilitate the deployment of United Nations peacekeepers to the region. In addition, on September 19, 2006, the President named former USAID Administrator Andrew Natsios as his Special Envoy to Darfur to lead the United States' efforts in bringing peace to the region.


On December 9, 2006, the U.S. Senate passed Senate Resolution 631, urging the Government of Sudan to implement the agreement for a United Nations peacekeeping force in Darfur. Congress also has passed into law the Darfur Peace and Accountability Act of 2006, directing the President to block the assets and deny visas and entry into the United States of any individual (and family member) and associates responsible for acts of genocide, war crimes, or crimes against humanity in Sudan. The legislation also prohibits U.S. port entry to cargo ships or oil tankers engaged in trade activities in Sudan's oil sector or involved in the shipment of goods for the Armed Forces of Sudan. It also prohibits U.S. assistance to countries that violate the United Nations Security Council embargo on military assistance to Sudan. I am hopeful that the European Union will follow suit and enact sanctions as well.

As you know, the Government of Sudan recently stated that it would accept a United Nations international peacekeeping force to be deployed to the Darfur region. With about 20,000 soldiers and 6,000 civilian police officers, it will be the world's largest peacekeeping operation, costing \$2 billion in the first year. The force is expected to deploy later this year. I will continue to press Khartoum to stick to this agreement.

With regard to divestment of state funds from companies that do business with the government of Sudan, as you may know, Florida recently became the first state to enact a law divesting state pension funds from Iran and Sudan. The governor signed the bill into law on June 8, 2007. Connecticut, Illinois, Maine, New Jersey and Oregon have also begun to divest public pension funds from Sudan. S. 831, the Sudan Divestment Authorization Act of 2007, would safeguard a state's right to divest such funds. S. 831 was introduced on March 8th and referred to the Senate Committee on Banking, Housing, and Urban Affairs, of which I am not a member. Should the full Senate consider related legislation or additional appropriations for the crisis in Darfur, I will keep your support for it in mind.

Again, thank you for contacting me.

Sincerely,



Lisa Murkowski
United States Senator

THE WHITE HOUSE

WASHINGTON

August 29, 2007

**Ms. Kelley Nixon
Unit 1
2439 Ronny Place
Anchorage, Alaska 99508-3823**

Dear Ms. Nixon:

Thank you for sharing your views on the crisis in Sudan. President Bush appreciates your taking the time to write about this important issue.

The brutal treatment of innocent civilians in the Darfur region of Sudan is unacceptable to the President. He abhors the loss of life in Sudan and has called this massive violence a genocide. He believes that the people of Darfur have suffered too long and that the world has a moral obligation to help stop the violence. Sudan remains one of the highest foreign policy priorities for President Bush and his Administration, and he is committed to working with the international community to resolve this humanitarian crisis.

President Bush has demanded that the Sudanese government work with peacekeepers and end the campaign of violence that targets defenseless men, women, and children. However, President Bashir of Sudan has repeatedly obstructed international efforts to bring peace to his country. As a result, President Bush expanded sanctions against the Sudanese government and targeted economic restrictions against companies and individuals responsible for the violence. The United States is also prepared to impose additional punitive measures and sanctions against those violating human rights or impeding the peace process.

The President is working with our allies throughout the world to provide security for the people of Darfur and promote political reconciliation. The United States strongly supports the important work of the United Nations-African Union hybrid peacekeeping operation. This force of nearly 26,000 military personnel and police can play a critical role in stopping armed attacks, protecting civilians, and preventing further disruptions to the implementation of the Darfur Peace Agreement. America will remain focused on pursuing the full implementation of the peace agreement and a lasting political settlement so that the atrocities come to an end.

As America works individually and with other nations to increase pressure on Sudan's government, we will continue to help the refugees and support the people of Darfur. Over the past several years, the United States has led the world in protecting the lives of civilians in Darfur. America is the largest single donor to the people of Darfur and has provided more than \$1.7 billion in humanitarian and peacekeeping assistance since this crisis began.

The President will continue to stand for the innocent until peace in Darfur is secured. For more information, you may wish to visit the White House website at whitehouse.gov/in/focus/africa. Thank you again for writing.

Sincerely,

A handwritten signature in black ink, appearing to read "Darren K. Hipp", with a long horizontal flourish extending to the right.

Darren K. Hipp
Special Assistant to the President
and Director of Presidential Correspondence

Congress of the United States
Washington, DC 20515

November 15, 2006

Governor Elect Sarah Palin
245 W. 5th Avenue
Anchorage AK 99501-2358

Dear Governor Elect Palin:

As you prepare to become the new governor, we write today to call on you to direct your state to take action to divest itself from companies identified as assisting the current regime in Sudan. This matter is of the highest priority relating to the ongoing genocide in the Darfur region of Sudan. As you may know, most recently the states of California, Connecticut, Illinois, Maine, New Jersey and Oregon have moved to divest from companies doing business with Sudan.

For over 20 years the government of Sudan was engaged in a brutal civil war with the people of Southern Sudan. This conflict took the lives of over 2 million people. During this time slavery flourished and terrorism took root in Sudan. In the 1990's Osama bin Laden took refuge in Sudan and operated terrorist training camps. In 2003, as the war was ending, a conflict in Sudan's Darfur region broke out. The government reacted by arming a militia and beginning a campaign of genocide. That was three years ago. Over 400,000 people have died since and over 2 million continue to be at risk.

We have followed Sudan for many years. Many of us have traveled to Sudan. We have witnessed the horrors and the impact of decades of war. There is no question that the government of Sudan orchestrated and continues to direct the genocide in Darfur. Bold action is now warranted. The United Nations is working to try to get desperately needed U.N. troops on the ground but the government of Sudan continues to reject this deployment. Targeted divestment from companies doing business in Sudan is an action that should be taken. The genocide in Sudan can be stopped and it is up to every American to do his or her part. The United States Congress and the president have called it genocide. Therefore, anything that can be done, should be done.

Enclosed is a list of companies that may warrant scrutiny, provided to us by the Sudan Divestment Task Force. We encourage you to review your state's pension funds and identify companies which are doing the type of business in Sudan that is aiding the government and fulfilling this genocide, not helping the people. Then we ask that you work with your state legislators to enact legislation to divest from those companies. We urge you to join the six states that have already passed divestment legislation. California just passed a law last month and its model of targeted divestment limits the scope of companies and investments, providing a good plan for action. We need to send a signal to the government in Khartoum that America and the

Governor Elect Sarah Palin
November 15, 2006
Page 2

West will not stand silent in the face of genocide – that the women and children in those camps matter as much to us as our own families.

History will judge our willingness to act. We all must play a part.

Best wishes.

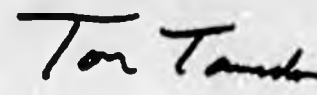
Sincerely,



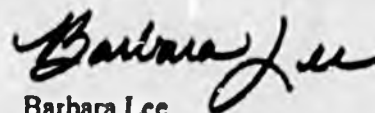
Frank R. Wolf
Member of Congress



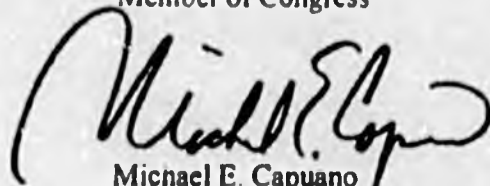
Donald Payne
Member of Congress



Thomas G. Tancredo
Member of Congress



Barbara Lee
Member of Congress



Michael E. Capuano
Member of Congress



James P. Moran
Member of Congress

Terrorism Awareness Project

Islamofascist Bigotry: The Persecution of Fellow Believers

Islamic jihad violence has captured worldwide attention when focused on unbelievers – in the Twin Towers, as well as in London, Madrid, Bali, and in so many other places. But the jihadists don't hesitate to target fellow Muslims as well, when they regard them as insufficiently Islamic.

The most notorious example of this throughout Islamic history is the Sunni-Shi'ite strife that has broken out in many times and places – and today in Iraq, Afghanistan, and Pakistan. Sunni suicide killers and Shi'ite death squads have targeted one another since the removal of Saddam Hussein in Iraq. Nor have they hesitated to target holy sites: Sunni jihadists destroyed the tenth-century Shi'ite Al-Askari Mosque in Samarra, Iraq, in a two bombings in 2006 and 2007. Some estimate that 4,000 have been killed in Sunni-Shi'ite strife in Pakistan since the late 1980s, and in Afghanistan, while the Taliban was in power they waged relentless jihad warfare against the Shi'ite Hazaras.

The Qur'an forbids a Muslim to kill a fellow believer intentionally (4:92), but both sides justify these conflicts by appealing to the Islamic practice of *takfir*: the declaration that, because of some doctrinal deviation, some group of Muslims are not actually Muslims at all, and their blood can lawfully be shed. One of the chief characteristics of modern day Salafist movements – that is, movements to restore the purity of Islam – is their frequent use of *takfir* and subsequent targeting of those whom everyone in the world except they themselves would regard as their fellow Muslims. This phenomenon is playing out all over the world today, as Wahhabis and other Salafist preachers take an Islamic hardline into areas where a more relaxed cultural Islam has long prevailed. The result is often violent. In fact, the Algerian sociologist Marieme Helie Lucas explains that the controversial term "Islamofascism" was "initially coined by Algerian people struggling for democracy, against armed fundamentalist forces decimating people in our country, then later operating in Europe, where a number of us had taken refuge." These pro-democracy Algerians were, of course, Muslims – Muslims who were massacred by jihadists in the 1990s for being insufficiently Islamic. Over 150,000 were killed.

In November 2003, a Somali journalist named Bashir Goth complained in the *Addis Tribune* about a group of Islamic clerics, the "Authority for Promotion of Virtue and Prevention of Vice," who were "trying to impose draconian moral codes on Somaliland citizens." Goth was himself a Muslim, but he objected to the Wahhabi Islam that Saudi preachers were bringing into Somalia.

Wahhabism, said Goth, was "an austere and closed school of thought," deviating from the established schools of Islamic jurisprudence. "Wahhabism," according to Goth, "is the only school that compels its followers strictly to observe Islamic rituals, such as the five prayers, under pain of flogging, and for the enforcement of public morals to a degree unprecedented in the history of Islam." He characterized it as "a closed mind sect that turned Islam into a fragile creed that lives in constant fear of children's toys and games such as Barbie dolls and Pokemon." Wahhabi clerics, Goth noted, were challenging Somali Muslims: "They want to tell us that over the LAST 14 CENTURIES, our people have been practicing the wrong religion; that since the dawn of Islam, Somali people had lived in vain, worshipped in vain and died in vain. God help them, they all will be burned in hell because they did not follow the correct path – Wahhabism."

Their devotion to this "correct path" led them to despise numerous manifestations of Somali culture, despite its Islamic character. "These people," Goth continued, "are out to eradicate our culture, our traditions, our songs, our poetry and our folklore dances.... If we let them have their way, these prophets of 'purity' would soon be on a mission to destroy what has remained of our culture." He listed several female Somali singers, warning that "the cassettes of their songs will be burned in the streets. Just remember Taliban." Goth went on to explain that the jihadists also wanted to eliminate co-ed schools and compel Somali girls to go out only "fully shrouded with black from head to toe."

The Wahhabi-influenced Islamic Courts Union that held power in Mogadishu for seven months in 2006 bore out Bashir Goth's fears. It criticized indigenous Somali practices as not sufficiently Islamic. One militia commander, Mohamed Ali Aden, explained: "We've neglected God's verses for so long. We want our women veiled and we want them at home. We men have to grow our beards." The Courts forbade music (which is prohibited according to strict Islamic law), dancing and soccer within days of taking power. Women began to don Saudi dress, which covered their faces, rather than traditional Somali garb, which did not.

ICU militiamen were ready to enforce Islamic law with an iron fist: after banning all movies and television viewing, jihadists shot and killed two people who were watching a World Cup soccer match in early July. Raids in Mogadishu led to sixty

arrests for the crime of movie-watching. Islamic Courts militiamen also raided a wedding reception in Mogadishu because men and women were attending the celebration together and music was playing. "We had warned the family," explained Sheikh Iise Salad of the ICU, "not to include in their ceremony what is not allowed by the sharia law. This includes the mixing of men and women and playing music. That is why we raided and took their equipment. What was going there was un-Islamic." In September 2006, the ICU closed down Radio Jowhar, a station in a town about fifty miles from Mogadishu, because it was playing love songs. ICU Sheikh Mohamed Mohamoud Abdirahman explained that the programming was "un-Islamic." The station was later allowed to return to the airwaves, without music. The Islamic Courts even decreed that Muslims who did not perform the five daily prayers would be executed.

Salafists target Muslims they regard as insufficiently Islamic also in Darfur, where Arab Muslims attack non-Arab Muslims whose Islam is closer to the cultural version that prevailed in Somalia than to Wahhabi austerity. Dr. Hassan Al-'Audha of the Sudanese Muslim Brotherhood explained in July 2007 that "we are not zealous for this land because of the rivers that flow in it. We are zealous for it because it is the land of Islam." Another Sudanese leader situation the activities of the brutal Janjaweed militia within the larger struggle of the Muslims against the infidels: "Those scumbags want to play with us? They want to come to the children of Darfur? The children of Darfur will eat them alive. By Allah, there are some ferocious tribes there. They call them Janjaweed, and they want to attack them. There is a tribe called 'Al-Masiriya.' Are they men or not? By Allah, when we ride horses and make these battle cries... By Allah, the infidels die of fear. They die of fear." In 2004, Sudanese President Omar al-Beshir charged that international efforts to aid Darfur were actively targeting Islam. Referring to the 1990s Sudanese jihad against the Christians in the southern part of the country, he said: "The door of the jihad is still open and if it has been closed in the south it will be opened in Darfur."

That jihad in Darfur features Muslims targeting Muslims. Such episodes, whether in Somalia, Darfur, or anywhere else, emphasize the need for peaceful Muslims to stand up strongly, in deed as well as word, against global jihadist violence. The sword of *nakfir* ought to cut both ways, with peaceful Muslims willing to distinguish themselves from their bloody-minded coreligionists, and to repudiate their murders not just of fellow Muslims but of non-Muslims also.

Meanwhile, Islamic jihadists and Sharia supremacists continue, with increasing confidence and brutality, to impose – violently – their vision of Islam upon their coreligionists.

Robert Spencer is a scholar of Islamic history, theology, and law and the director of Jihad Watch. He is the author of seven books, eight monographs, and hundreds of articles about jihad and Islamic terrorism, including the New York Times Bestsellers *The Politically Incorrect Guide to Islam (and the Crusades)* and *The Truth About Muhammad*. His latest book is *Religion of Peace?*.

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Daily News Opinion

COMMUNITY VOICES: A guest columnist's view

Permanent Fund could be used to fight genocide in Darfur

In my more cynical moments, I complain that Alaskans are too parochial — that the only issues that seem to matter here are Alaska issues. Fortunately, it never takes long for a caring Alaskan to prove me wrong.

One particularly memorable incident took place on a bitter October morning in Noorvik, an Inupiaq village north of the Arctic Circle. I met an elder in that village who had fallen on hard times. However, she didn't want to talk about her own troubles. Knowing that I worked for an anti-hunger agency, she asked me what I knew about the hungry children in Darfur, the long-suffering region in western Sudan. Her eyes welled up with tears as we discussed the plight of the victims of genocide in a desert land on the other side of the planet.

This elder's grief was well-founded: More than 200,000 people have died and 2.5 million more been displaced in Darfur since the Sudanese government began sponsoring military attacks on their own civilians in 2003. Whether you live in Noorvik or New York City, it is hard not to be distressed and angered by stories of burned villages, raped women and murdered children. The situation

**SHAWN
POWERS**
COMMUNITY
VOICES



in Darfur — the first to be declared a genocide by the U.S. government while the atrocities were ongoing — pleads to the sense of common humanity in all of us.

We may be a world away from Darfur, but there is something very concrete that we Alaskans can do to help. Thirteen other states have taken a stand against genocide through a promising strategy called targeted divestment. These states have divested their pension funds of holdings in a handful of "highest-of-fending" foreign companies that are indirectly funding or otherwise enabling genocide through their relationship with the Sudanese government. Seven additional states have divested using different strategies but with similar aims. Alaska could

At negligible or no cost to Alaska, we can join a growing and successful movement against the first genocide of the 21st century. All it will take is a few courageous legislators who will introduce a targeted divestment bill.

be doubly influential by divesting both the Permanent Fund and our state pension funds from companies that are accomplices to genocide.

Under these divestment policies, only companies that meet very stringent criteria become targets for divestment: they must have a business relationship with the government of Sudan, impart minimal benefit to the country's underprivileged, and have shown no substantial corporate governance policy regarding the Darfur genocide. Since the United States has had sanctions on Sudan since 1997 (Sudan is a state sponsor of terror), there are no American businesses operating in the country that would meet these criteria. Most state divestment laws have several sunset clauses, which would deactivate the law if divestment ever became obsolete or went against U.S. foreign

policy interests.

Alaskans may rightly be concerned about the financial impact of targeted divestment, especially with those \$1,654 dividends coming next month. Fortunately, we can look to the experience of the 13 states that have already divested using the targeted strategy. In every case, the states' holdings in the highest-of-fending companies amounted to less than 0.5 percent of total assets. In other words, target divestment would involve simply selling a tiny fraction of the funds' shares and buying other financially equivalent assets to take their place.

You might also wonder if divestment would actually work. Once again, the experience to date is encouraging. Since the targeted divestment movement began, several major companies

have either changed their problematic practices or withdrawn from Sudan, citing divestment as a factor in their decisions. The movement has also caught the attention of the Sudanese regime, which has gone so far as to purchase a six-page New York Times ad for more than \$1 million in an attempt to counteract the divestment tidal wave. Sudan has shown responsiveness to economic pressure in the past, as it did when it deported Osama bin Laden under threat of U.S. sanctions in 1996.

At negligible — no cost to Alaska, we can join a growing and successful movement against the first genocide of the 21st century. All it will take is a few courageous legislators who will introduce a targeted divestment bill and a critical mass of compassionate and globally minded Alaskans to make sure the Legislature does the right thing. I know that if my friend from Noorvik is reading, she will do her part.

Shawn Powers is a Community Voices columnist. He lives in Anchorage and is a member of Save Darfur Anchorage. His e-mail is shawn.m.powers@gmail.com.

Daily News Opinion

Letters to the Editor

Alaska should boycott investment in Sudan and Darfur genocide

Massachusetts and New Mexico became the 21st and 22nd states to pursue policies of targeted Sudan divestment. These policies require that each state sell its holdings in foreign companies currently engaged in business with the government of Sudan and complicity in the Darfur genocide.

I believe Alaska should waste no time in becoming the 23rd state to require investments that are genocide free. We Alaskans would know then that our state funds are not in any way helping finance Khartoum in its ongoing genocidal campaign of murder, torture, rape and forced displacement.

Targeted divestment focuses the financial impact on the government of Sudan and its chief financiers, while minimizing the impact on Sudan's citizens and investment returns. This strategy has already proven to be effective. The government of Sudan took out a multi-page ad in the New York Times to try to combat divestment campaign efforts, and several companies, including Siemens, Schlumberger and Rolls Royce, have either left Sudan or substantially altered their business operations to benefit the marginalized populations in Sudan. This policy is responsible and safe for investments.

We Alaskans do not condone the Darfur genocide and we certainly don't want to help finance it. Genocide should not occur on our watch and it should not occur on our dime!

— Kelley Nixon
Anchorage

The New York TimesPRINTER FRIENDLY FORMAT
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January 1, 2008

Bush Signs Bill Allowing Sudan Divestment

By SHERYL GAY STOLBERG

CRAWFORD, Tex. — President Bush signed legislation on Monday allowing state and local governments to cut investment ties with companies doing business in Sudan, even as he expressed concerns that the bill could interfere with his right to set foreign policy.

The measure, called the Sudan Accountability and Divestment Act, is aimed at pressuring Sudan to end the violence in the Darfur region, where 200,000 people have been killed and more than two million driven from their homes in a four-year conflict that Mr. Bush has termed a genocide.

The bill, which passed both houses of Congress unanimously, makes it easier for mutual funds and private pension fund managers to sell their investments and allows states to prohibit debt financing for companies that do business in Sudan. It also requires companies seeking contracts with the federal government to certify that they are not doing business in Sudan.

"I share the deep concern of the Congress over the continued violence in Darfur perpetrated by the government of Sudan and rebel groups," Mr. Bush said in a statement issued from his ranch here, where he planned to celebrate the new year with his wife, Laura, and some friends.

But the administration has expressed reservations about the bill, and Mr. Bush's signature was accompanied by a proviso known as a signing statement, in which he said he was reserving the authority to overrule state and local divestment decisions if they conflicted with foreign policy. The statement said the measure "risks being interpreted as insulating" state and local divestment actions from federal oversight.

Mr. Bush has long sought an effective way to press Sudan to end the violence in Darfur, and he has been under intense pressure from human rights advocates to do more. The administration imposed stiff economic sanctions on the Sudanese government at the end of May, trying to force it to accept a United Nations-led peacekeeping force.

On Monday, formal authority was transferred from the current African Union peacekeeping force to a joint United Nations-African Union mission. But advocates complained that the deployment was delayed for months because of bureaucratic foot-dragging by the Sudanese government.

The peacekeeping force will be staffed far below the levels set by the United Nations Security Council when it voted unanimously in July to deploy 26,000 troops to try to stop the violence in Darfur.

As planned, the peacekeeping force would have been the largest such effort in the world, costing about \$2 billion in its first year and drawing on military and police forces from the African Union and the United Nations.

Instead, after months of wrangling, the force that made its debut on Monday had 9,000 troops, United Nations officials said. Experts worry that it may never get to the level where it will make any difference in the region's troubles.

"What we are seeing and hearing is a reprisal of their same stall-and-delay tactics," said Allyn Brooks-LaSure, a spokesman for the Save Darfur Coalition.

The coalition, an umbrella group of more than 170 organizations, has been waging a "Divest in Darfur" campaign aimed at big investment companies like Fidelity and Vanguard, highlighted by the question "Is your mutual fund funding genocide?" After a State Department official testified that the divestment bill might not be necessary, the coalition put together a letter-writing campaign urging Mr. Bush to sign it.

"The Congress passed this measure unanimously in both chambers, and I think that sent a strong message to the White House," Mr. Brooks-LaSure said. "We believe they were right to heed that message."

Maria Newman contributed reporting.

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Darfur: The economic lifeline to genocide

How can institutional investors ensure they are not supporting death in Sudan?



by Scott Wisor | December 8th, 2007

In early 2003, rebel groups in Darfur, the western region of Sudan, took up arms over their systematic exclusion from political power and development. The government of Sudan responded with a brutal counter-insurgency campaign targeting non-Arab civilian populations in Darfur. By conservative estimates, 2.5 million people have been displaced and over 200,000 killed, but numbers are likely much higher. The conflict is known as the first genocide of the 21st century.

In 2004, several institutions identified divestment as a possible tool to exert pressure on the government of Sudan. While the Government of Sudan in Khartoum has been resistant to political and diplomatic pressure, it previously has been sensitive and responsive to economic pressure. It has to be; the government carries a debt burden as large as its GDP and garners 80% of its export revenue from oil. Sudan lacks the internal expertise or capital to extract resources itself and is therefore completely dependent on foreign companies to exploit its oil reserves. Furthermore, the majority of the oil revenues received by the Khartoum regime are spent on military expenditures.

Firms like China National Petroleum Corporation, Oil and Natural Gas Company of India, and Petronas of Malaysia provide the economic lifeline for a genocidal regime. They have the leverage with the government necessary to change the situation on the ground in Sudan. Unfortunately, these major players have proven reluctant to do so.

Developed by the Sudan Divestment Task Force, a project of the Genocide Intervention Network, the targeted model of divestment encourages shareholders to exert pressure only on companies that have a truly problematic presence in Sudan, encouraging them to adopt a substantial policy in response to the Darfur genocide. Problematic companies, particularly those involved in Sudan's oil, power, mining, and defense sectors provide significant support to Khartoum and fail to benefit Sudan's marginalized populations. Rather than necessarily asking these companies to leave Sudan completely, shareholders should encourage companies to remain in Sudan and to use their considerable leverage to contribute to positive change. Shareholder divestment should

only be used as economic incentive for the company to change if they are unresponsive to engagement. Targeted Sudan divestment will have two immediate outcomes. First, divestment can influence key foreign companies to cease their operations in problematic industries in Sudan, thereby increasing economic pressure on Khartoum. Reports indicate that the departure of Rolls Royce earlier this year specifically commanded the attention of the Sudanese government. Second, companies that remain in Sudan can use their leverage to push for peace, expand their humanitarian programs, and implement improved corporate social responsibility policies (specifically focusing on security, revenue transparency, corruption, labor standards, and environmental practices). These companies will contribute to an end to the Darfur conflict, and help assure a sustainable peace throughout the country.

Fiduciary duty, a paramount concern of investors, requires that financial risk be managed appropriately. Investors that hold securities in companies with links to problematic industries in Sudan face substantial material risk. These companies are subject to operational risk from spreading violence in the country, an unstable business environment created by political crisis, and substantial reputational risk posed by public campaigns highlighting their financial ties to a genocidal regime.

A widespread divestment campaign also has the ability to affect share price negatively. It has been argued that there always is a buyer for a sold share. However, if a critical mass of investors begins to sell a company, its share price will depress relative to peer competitors.

Furthermore, a number of countries have threatened to sanction Sudan if the situation continues to deteriorate. Notably, a piece of legislation pending in the US Senate would prohibit companies with scrutinized operations in Sudan from receiving US federal contracts.

"By conservative estimates, 2.5 million people have been displaced and over 200,000 killed, but numbers are likely much higher."

Some fund managers have mistakenly argued that they cannot divest because of legal restrictions or fiduciary obligations. First, it is consistent with prudent management of financial risk to exclude targeted companies because of the substantial material risk they present to investors. Second, no single market, sector, or asset class within Sudan is excluded categorically from a portfolio; therefore, financially equivalent alternatives are available. Targeted ex-Sudan market indices will have a tracking error of less than 0.3%, and the total percentage of most portfolios invested in Sudan-linked companies is less than 0.2%. Third, it also is important to consider the interests of funds' beneficiaries, particularly whether they want their money invested in companies that subsidize a genocidal regime when financially equivalent alternatives exist. For companies in Sudan, the business case is also strong.

The absence of peace and equitable development increasingly poses a threat to profitability in Sudan. Twenty-two US states have adopted Sudan divestment policies for their public pension funds, as have 54 university endowments, both in the US and abroad. Investors outside the United States are also beginning to address Sudan-linked companies. Many of the Dutch pension funds currently are engaging Sudan-linked companies, and PGGM has committed to exclude Sudan-linked companies that prove unresponsive to shareholder engagement. Several major mutual fund families in the US are under increasing client pressure to address Sudan-linked companies. In addition, a number of asset managers based in the UK, France, the US, and elsewhere in Europe are developing collective engagement strategies to influence company behavior. Berkshire Hathaway and Fidelity recently cut stakes in PetroChina in the midst of Sudan-related pressure, though both denied that it was because of PetroChina's parent company's operations in Sudan.

Investors and activists have seen the tangible results of the pressure they place on companies. A number of companies have responded to the targeted divestment campaign. Rolls Royce, CHC Helicopter, ICSA of India, and others left Sudan completely, citing as a reason the humanitarian crises in the country. Schlumberger and La Mancha Resources continue their operations, having adopted and implemented responsible business plans in

Sudan. Tremendous opportunities for mainstream and SRI investors exist to engage with problematic Sudan-linked companies, and ultimately to bring about positive change for the people of Sudan.
Scott Wisor is a senior field organizer with the Sudan Divestment Task Force

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Sudan

The oil factor

Jun 21st 2007

From The Economist print edition

The oil may not be enough to protect Sudan's government for ever

Get article background

FEW countries owe so much, over so little time, to the magic of black gold as does Sudan. From near-bankruptcy in the early 1990s, Sudan has trebled its GDP in the past seven years thanks to the discovery and exploitation of oil; it is now one of Africa's fastest-growing economies. Sparkling office blocks are beginning to crowd the skyline of Khartoum, the capital. Oil has also brought vital political dividends. China, which buys about 80% of Sudan's oil exports, has proved a loyal friend at the UN when Sudan has been criticised for murder and mayhem in its Darfur region.

With so much resting on oil, the government of President Omar al-Bashir likes to talk up the industry's prospects. Production now stands at 480,000 barrels a day, with proven reserves estimated at 1.6 billion barrels. The bullish oil minister, Awad Ahmed al-Jaz, often says he expects output to rise to about 1m b/d next year.



But this scenario may be too rosy. The country's original and most reliable oilfields, which produce valuable low-sulphur crude marketed as Nile Blend, are maturing. Their output dropped from a peak of 300,000-odd b/d in early 2005 to 254,000 b/d in the first quarter of this year. Prospects for pushing production back up using better oil-recovery techniques are poor, and this dip will be only partly offset by output from new fields that have begun to be exploited in Sudan's south (see map).

For though oil from a number of new fields began to flow last year, there have been setbacks. Much of the new oil is of inferior quality, selling for less than a third of average international prices. Sudan has some scope to raise production from these fields, but it has less incentive to do so. So exploration for further reserves (and even for offshore gas) is being conducted across the country. In recent months, a flurry of new oil concessions have been awarded.

But many of them have been granted to small and inexperienced operators, often partners of local companies tied to the government. A consortium exploring one southern block is made up wholly of Sudanese firms. A new concession in north Darfur was also given last year to six companies from Arab countries. In both, a substantial stake is held by Hi-Tech Petroleum Group, a company set up by a former oil minister, Abdel Aziz Osman. This firm, in which a brother of President Bashir has a senior post, was recently named as a target of new American sanctions against Sudan.

Many of the big Western oil companies are being scared off by the prospect of more sanctions and humanitarian divestment campaigns over Darfur. In 2003 a Canadian firm, Talisman, was forced out by pressure from campaigners. Similar reasons were cited for the departure of the Cliveden Group, a Swiss firm, last year. There is speculation that Marathon, an American oil company, may dispose of its 32.5% share in Block B, in southern Sudan.

Without the big internationals' wealth and experience, smaller local and regional players may struggle. If, for example, they have to build export facilities, the lengths of pipelines in a country the size of western Europe are daunting. And any company wanting a secure export route in case the southern half of the country chose to secede in a referendum promised in 2011 would have to lay a pipeline to the Kenyan port of Lamu—another huge challenge.

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LEGISLATIVE RESEARCH REPORT

NOVEMBER 27, 2007



REPORT NUMBER 08.034
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TARGETED DIVESTMENT OF COMPANIES OPERATING IN SUDAN FROM ALASKA PUBLIC FUNDS

PREPARED FOR REPRESENTATIVE BOB LYNN

BY DANIEL LESH, LEGISLATIVE ANALYST

You asked about state economic sanctions against the government of Sudan via the divestment of public assets in qualifying companies. Specifically, you asked for a review of relevant U.S. state laws and an analysis of the effects of a "targeted divestment" law on the State of Alaska with respect to the Alaska Permanent Fund, the Alaska Retirement Management Board's funds, and other Alaska state funds.

SUMMARY

Currently, at least 35 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has determined that genocide is taking place. Twenty of these states have enacted divestment policies. By our calculation, investments within the Alaska Permanent Fund totaling \$41.2 million, or about 0.1% of the fund's total value, would be subject to divestment if Alaska adopted targeted divestment legislation. Under such a law, divestment of these assets would be accomplished over an 18-month period and would incur additional administrative costs. The direct impacts of divestment on the state's investment earnings, as well as on targeted companies, are debatable, but in both cases would likely be minimal.

STATUS OF STATE DIVESTMENT LEGISLATION

Currently, at least 35 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has determined that genocide is taking place.¹ Lawmakers in 16 states have enacted laws that require state funds to divest holdings in some or

¹ Data on state legislation from LexisNexis and the Sudan Divestment Task Force's report "State of Sudan Divestment" (Attachment A).

all companies operating in Sudan. Four additional states have adopted similar policies through their executive branches.² Louisiana and Maryland, respectively, have weaker laws that encourage and allow divestment or encourage divestment and prohibit future investments. Lawmakers in another eleven states are considering measures that address divestment from Sudan. The U.S. Congress is currently considering the Sudan Accountability and Divestment Act, which would authorize but not require state and local governments to disassociate from companies operating in Sudan and would prohibit granting new federal contracts to such companies.³ In Table 1, we detail the status of state legislation related to divestment of public assets from Sudan.

The laws and pending legislation listed in Table 1 generally follow one of two models. Of the 35 divestment policies, 18 follow a targeted approach that applies only to specific types of foreign companies operating in Sudan.⁴ This approach relies on the creation and maintenance of lists of companies that are deemed to be supporting the genocide in Sudan.⁵ Most of the targeted companies operate in Sudan's oil industry and pay taxes and royalties that fund the Sudanese government. States that do not follow a targeted divestment approach prohibit investment in any company operating in Sudan, though generally with an exception for humanitarian and some other types of organizations. A number of states (Florida, Georgia, Kentucky, Louisiana, and Missouri) also include other countries, such as Iran, North Korea, and Syria, in their legislation. As you may know, no domestic companies are affected by these divestment laws, because U.S. companies are prohibited from operating in Sudan by federal executive orders dating from 1997.⁶

² In two additional states, Nevada and New Mexico, executive leaders have urged state pension fund managers to enact a targeted divestment from Sudan but no action has been taken.

³ This bill, H.R. 180, passed the House, and on October 17, 2007, passed out of the Senate Committee on Banking, Housing, and Urban Affairs. It partially addresses constitutional concerns raised by President Bush and a U.S. District Court decision that struck down a 2005 divestment law in Illinois. Recently, Illinois passed new divestment legislation to address the court's concerns, which involved violations of the foreign commerce, foreign affairs, and supremacy clauses of the U.S. Constitution.

⁴ Targeted divestment is advocated by the Sudan Divestment Task Force (SDTF), the leading advocacy organization on this issue. According to the SDTF, 14 states have adopted versions of its model legislation on targeted divestment. We include this model as Attachment B and apply its provision to Alaska in this report. We include an example of non-targeted divestment legislation from Illinois as Attachment C.

⁵ In this report, we use the Sudan Divestment Task Force's list of targeted companies, which is available at <http://www.sudaninvestments.org/reportrequest.asp>, to screen Alaska state funds.

⁶ Executive Orders 13067 (1997), 13400 (2006), and 13412 (2006)

Table 1: Status of State Legislation Related to Divestment of Public Funds from Sudan

State	Citation	Pending Legislation
<i>Targeted Divestment Legislation</i>		
California	Cal. Gov. Code § 7513.6 (2007)	
Colorado	Colo. Rev. Stat., § 24-54.8-100 (2007)	
Florida	Fla. Stat. § 215.473 (2007)	
Hawaii	Act No. 192, Session Law 2007	
Indiana	Ind. Code Ann. § 5-10.2-9	
Iowa	Chapter 10a, Session Law 2007	
Kansas	Kan. Stat. Ann. § 74-4923 and 74-4960 (2007)	
Minnesota	Minn. Stat. § 11A.243 (2007)	
New York ^(a)	Executive Branch Policy	
North Carolina	Session Law 2007-486	
Rhode Island	Chapter 93, Session Law 2007	
Texas	Tex. Gov't Code Ann. § 806.001 (2007)	
Vermont ^(b)	Executive Branch Policy	
Kentucky		HB 25
Michigan		SB 0555, HB 4854
Ohio		SB 161
Pennsylvania		HB 1140
Wisconsin		AB 124, SB 57
<i>Non-targeted (Blanket) Divestment Legislation</i>		
Illinois ^(c)	Public Act No. 95-521, Session Law 2007	
Maine	Me. Rev. Stat. Ann. tit. 5, § 1956 (2007)	
Massachusetts	Mass. Gen. Laws Ann. ch. 32, § 23 (2006)	
New Jersey	N.J. Stat. Ann. § 52:18A-89.9 (2007)	
Oregon	ORS § 293.811-817 (2006)	
Delaware		SE 9
Georgia		HB 2-6, SB 199
<i>Non-binding Measures Encouraging Divestment</i>		
Arkansas ^(d)	SCR 20 & Executive Branch Policy	
Connecticut ^(d)	Conn. Gen. Stat. § 3-21e (2007) & Executive Branch Policy	
Louisiana	La. Rev. Stat. Ann. § 11:312 (2007)	
Maryland ^(e)	Md. Code Ann. § 21-123.1 (2007)	
Nevada ^(f)	Executive Branch Policy	
New Mexico ^(f)	Executive Branch Policy	
Missouri		HCR 32
New Hampshire ^(g)		L.S.R. 2506
Oklahoma		H.R. 1026
Wyoming		HB 245

NOTES: (a) New York's state comptroller adopted a targeted divestment policy.
 (b) Vermont's pension fund has enacted a targeted divestment from Sudan.
 (c) The 2007 Illinois law amended the state's 2005 law, which was found to be unconstitutional.
 (d) Arkansas and Connecticut passed non-binding legislation but have divested significant assets.
 (e) Maryland law encourages divestment and prohibits future investments in all companies with operations in Sudan.
 (f) Executive leaders in Nevada and New Mexico have urged the adoption of a targeted divestment policy but no action has been taken.
 (g) A bill was filed on October 3rd in New Hampshire, but has not been introduced; no details are available at this time.
SOURCES: LexisNexis; Sudan Divestment Task Force, "State of Sudan Divestment," available at http://www.sudaninvestments.org/docs/state_of_sudan_divestment.pdf (Attachment A).

TARGETED DIVESTMENT OF ALASKA STATE FUNDS

By our calculation, at this writing, the balances of all state invested assets total approximately \$67.2 billion.⁷ Of these investments, a very small portion would be subject to divestment under a targeted approach.⁸ Of the \$37.8 billion in the Alaska Permanent Fund, we calculate that, at this writing, a maximum of \$41.2 million (about 0.1%) would require divestment (Table 2).⁹ We screened the Alaska Retirement Management Board's investments and did not find any holdings in companies targeted for divestment. We did not screen state funds outside the investment authority of the Alaska Permanent Fund Corporation or Alaska Retirement Management Board.

Table 2: Alaska Permanent Fund Stock Holdings Subject to Divestment

Company	Market Value	Country
WEATHERFORD INTL LTD BERMUDA	\$ 20,157,763	Bermuda
ALSTOM	\$ 6,883,272	France
MALAYSIA INT SHIP MYR1(ALIEN MKT)-SHIPPING MYR1	\$ 5,621,257	Malaysia
PETROCHINA CO HKD 0.1	\$ 2,375,614	China
WEATHERFORD INTL LTD	\$ 2,156,478	Bermuda
PETROFAC LTD USD 0	\$ 1,091,701	UK
DONGFENG MOTOR GRP CO LTD-H	\$ 1,084,951	China
WARTSILA B EUR 3.5-METRA OYJ ABF BORD EUR3.5	\$ 778,410	Finland
WEIR GROUP PLC (THE)	\$ 508,336	UK
MITSUI ENGINEERING + SHIPB JPY 50.0-& SHIPBUILDING Y50	\$ 401,628	Japan
LUNDIN PETROLEUM AB	\$ 74,408	Sweden
CNPC HONG KONG LIMITED	\$ 63,335	Bermuda
TOTAL	\$ 41,197,153	

NOTES: Holdings subject to divestment determined using the Sudan Divestment Task Force's (SDTF) divestment lists. Some of the stocks listed above may be indirect holdings in actively managed investment funds, which are exempt from divestment under the SDTF targeted divestment model applied here.

SOURCES: All stock information was obtained on October 30, 2007, from the Alaska Permanent Fund Corporation's website at <http://www.apfc.org/divestments/stocks.cfm?unshow=france>.

⁷ These funds include the Alaska Permanent Fund (\$37.8 billion); funds under the fiduciary responsibilities of the Commissioner of Revenue, which include Alaska Retirement Management Board funds (\$19.2 billion; including the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, National Guard/Naval Militia Retirement System, Alaska Supplemental Annuity Plan, Alaska Deferred Compensation Plan, Alaska Defined Contribution Plan), General Fund and other Non-segregated Investments (GeFONSI; \$4.4 billion), Constitutional Budget Reserve Fund (\$2.7 billion), and other funds (\$2.7 billion; including the Public School Trust Fund, Alaska Children's Trust, Investment Loss Trust Fund, Supplemental Benefits Trust Fund, General Obligation Bond Fund, International Airports Fund, International Airports Construction Fund, Retiree Health Insurance Fund, Power Cost Equalization Endowment Fund, Mine Reclamation Fund, and Alaska Sport Fish Construction Fund); and state funds outside the fiduciary responsibility of the Commissioner of Revenue (\$0.4 billion, including the University of Alaska Trust Fund, Alaska Student Loan Corporation Fund, Exxon Valdez Oil Spill Investment Fund, and Mental Health Trust Reserve Fund). Information on state funds obtained from Gary Bader, chief investment officer, Alaska Department of Revenue, (907) 465-4399.

⁸ Only the portions of funds with publicly-traded equity in foreign companies would be affected, which for these funds is typically a small proportion of total investments. Furthermore, the targeted approach we apply here includes an exception for indirect holdings in actively managed, commingled investment funds—the most difficult and expensive type of fund to customize.

Under the targeted divestment model we apply here, divestment of the assets described in Table 2 would occur over an 18-month period following the effective date of the legislation. In the first step of the process, fund directors are allowed 90 days to compile and adopt a "scrutinized companies list" based on criteria outlined in the legislation. Following adoption of the list, the fund must contact all scrutinized companies in which they have holdings and allow them 90 days to change their offending operations before becoming subject to divestment. Within 9 months of the adoption of the "scrutinized companies list," the fund must complete the divestment of 50 percent of holdings in scrutinized companies. Within 15 months, 100 percent of holdings in scrutinized companies must be divested. Funds are not required to divest indirect, actively managed holdings. This timeframe is within that described by Alaska funds as reasonable.¹⁰ Lastly, ongoing reporting requirements and the screening of future investments would be required.

The Alaska Permanent Fund and the Alaska Retirement Management Board expressed reservations about the wisdom of divestment, citing increased administrative costs and possible declines in fund performance.¹¹ We note, however, that recent divestment research we reviewed, which ultimately argues against divestment, concludes that fund performance changes are usually "negligible, and in most cases zero."¹²

Due to the nature of the global investment marketplace, it is debatable, but unlikely, that the divestment of Alaska public funds from targeted companies would have a direct, negative economic impact on those companies. Clearly, however, divestment laws have drawn considerable press attention and are a significant factor in the ongoing debate regarding public response to the genocide occurring in Sudan.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

¹⁰ Of the \$41.2 million in Alaska Permanent Fund assets targeted for divestment, \$20.2 million are assets in Weatherford International Ltd., which has filed documents with the Securities and Exchange Commission announcing the company's intent to discontinue doing business in Sudan. Following this action, assets in this company would not be subject to divestment.

¹¹ Personal correspondence with Laura Achee, research and communications liaison, Alaska Permanent Fund Corporation, (907) 796-1522. Ms. Achee stated that most of the assets could be divested in several weeks. However, managers of two accounts that do not allow customization would have to be replaced, a process which generally requires several months. Gary Bader, chief investment officer, Alaska Department of Revenue, (907) 465-4399, described a similar process, including the necessity to review contracts with seven asset account managers hired by the Alaska Retirement Management Board.

¹² Ms. Achee, research and communications liaison, Alaska Permanent Fund Corporation, expressed concern that new manager searches could yield managers that do not perform as well as current managers. Overall, in her view, divestment "would have a dampening effect on the Permanent Fund to some degree, without any guarantee that the actions would bring about the desired result in the targeted country." Gary Bader, chief investment officer, Alaska Department of Revenue, expressed his belief that Alaska funds would likely perform substantially worse after divestment.

¹³ See page 6 of "Should Public Plans Engage in Social Investing," Center for Retirement Research at Boston College, Attachment D, for a description of empirical research on the impacts of divestment on fund performance.

Attachment A

Sudan Divestment Task Force

"State of Sudan Divestment"

http://www.sudandivestment.org/docs/state_of_sudan_divestment.pdf



SUDAN DIVESTMENT

TASK FORCE

A project of the Genocide Intervention Network

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The State of Sudan Divestment:

An Overview of States, Cities, Universities, Companies, and Private Pensions
Currently Working on Sudan Divestment

December 24, 2005 (UPDATED *October 26, 2007*)

A Report by
The Sudan Divestment Task Force

SUDAN DIVESTMENT TASK FORCE

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I. Introduction

This State of Sudan Divestment report provides details on the progress of numerous states, cities, universities, and companies that have active divestment campaigns as well as the status of ex-Sudan investment offerings by asset managers and private pension plans. The report serves as a resource for various individuals and organizations examining the issue of divestment from companies that support the Government of Sudan as it commits genocide in the Darfur region of Sudan. To our knowledge, the current status of Sudan divestment as of August 2007 is as follows (please also see www.sudandivestment.org/home.asp#map):

The states of California, Colorado, Florida, Hawaii, Indiana, Iowa, Kansas, Minnesota, New York, Rhode Island, Texas, and Vermont have all adopted the Sudan Divestment Task Force model of targeted Sudan divestment. While the states of New Jersey, Illinois, Oregon, Maine, Connecticut, Maryland and Arkansas have all approved divestment plans. Finally, over a dozen states have active divestment movements with varying levels of involvement from state officials. Religious and international campaigns have also gathered steam; several religious organizations have divested or restricted future investments, including the Evangelical Covenant Church, National Ministries and Unitarian Universalist Church. Internationally, Canadian universities and provinces have initiated divestment campaigns and over half a dozen European countries have active divestment campaigns. Cities have contributed to the divestment movement as well: San Francisco, CA; Providence, RI; New Haven, CT; Philadelphia, PA; Denver, CO; Los Angeles, CA; Pittsburgh, PA and Miami Beach, FL have passed measures prohibiting certain Sudan investments while the fiduciaries of Buffalo, NY; Newton, MA, and other smaller cities are considering the issue. At the university level, over fifty institutions have enacted restrictions on Sudan investments. There are emerging or active Sudan divestment campaigns at over two dozen other colleges and universities. At the asset manager level, a grassroots campaign targeting Fidelity Investments and Warren Buffet's holding company, Berkshire Hathaway, has been initiated. Berkshire Hathaway holds roughly \$3 billion in PetroChina, one of the primary offending companies in Sudan, making it the largest single shareholder in the company. At the private pension fund level, there is an active divestment campaign for TIAA-CREF, the nation's largest such fund. Finally, the investment community has begun to respond to investors demands for Sudan free investment opportunities. A limited number of ex-Sudan investment vehicles have been developed or are being developed by asset managers such as Northern Trust, Barclays Global Investors, State Street Global Advisors as well as several socially responsible investing firms. Third party research firms have begun to develop list of companies that meet the targeted divestment criteria. A number of Sudan-free mutua

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funds have also been recently introduced.

Below, we provide more detail and contact information on many of the campaigns mentioned above, as well as others not mentioned in this introduction. However, we acknowledge that other individuals and groups may be organizing without our knowledge. If you do have information on other campaigns, please e-mail us at info@sudandivestment.org so we can update this report.

II. State of Divestment: State Legislatures

The State of Sudan Divestment report provides a historical account of the divestiture movements in each state. This document does not address the specifics of each piece of legislation. Despite passing the Sudan Divestment Task Force model of targeted Sudan divestment legislation, each state labeled 'Divested: Task Force Model' will have unique legislation, subject to the amendment process in each respective legislature. These amendments do not compromise the integrity of the legislation. Rather, the amendments often deal with the specifics of implementation and reporting. Details on the nuances of each bill are available by email info@sudandivestment.org.

The overwhelming majority of Sudan divestment legislation is passed as a stand alone item. However, in some cases, bills have included multiple premises. These instances are noted and details are available by contacting us by email, info@sudandivestment.org.

Alabama (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/alabama>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
alabama@sudandivestment.org

Alaska (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

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Website and Articles:

<http://www.sudandivestment.org/alaska>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
alaska@sudandivestment.org

Arizona (Campaign Initiated)

Legislative Status:

In the 2007 legislative session, Senator Paula Aboud and Representative Phil Lopes attempted to pass an amendment requiring divestment from Sudan, but this amendment was stripped in conference committee.

Representative Kyrsten Sinema has agreed to introduce legislation based off of the Sudan Divestment Task Force's targeted divestment model in the 2008 legislative session. The Arizona Education Association has endorsed targeted Sudan divestment.

Website and Articles:

<http://www.sudandivestment.org/arizona>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
arizona@sudandivestment.org

Arkansas (Divested: Other Model)

Legislative Status:

In March 2007, the Arkansas General Assembly passed SCR20 which was sponsored by Senator Sue Madison. The resolution passed both houses of the Assembly and received the signature of Governor Beebe. SCR20 encourages Arkansas State Retirement Systems to identify their investments in companies operating in Sudan and then divest from these companies until the genocide in Darfur has ended.

The Arkansas Teachers Retirement System (ATRS), which oversees \$11 billion in assets,

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voted to adopt a Sudan divestment policy. ATRS has no direct holdings in any of the worst offending companies as identified by the Sudan Divestment Task Force. ATRS has written to their fund managers requesting that they implement Sudan divestment policies. ATRS has acquired both the broader and more restrictive KLD list of companies and voted to adopt Sudan divestment based on the KLD list based off of Sudan Divestment Task Force criteria of targeted Sudan divestment.

The Arkansas State Employees Retirement System, which oversees \$5 billion in assets, has written to their fund managers requesting that they comply with Senate Resolution 20, but have publicly stated that they do not intend to purchase or maintain a list of companies that operate in Sudan.

Bill Text:

<http://www.arkleg.state.ar.us/2007/scripts/alar/bills/bills.asp?billno=SCR20>

Website and Articles:

<http://www.sudandivestment.org/arkansas>

Contact:

Sudan Divestment Task Force
arkansas@sudandivestment.org

California (Divested: Task Force Model)

Legislative Status:

On September 25, 2006, California Governor Arnold Schwarzenegger was joined by actors George Clooney and Don Cheadle, former Secretary of State George Shultz, executive members of the Sudan Divestment Task Force, and other community leaders at a public signing for AB 2941, adopting a targeted divestment policy for the California Public Employees Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) and indemnifying the boards of both funds.

History:

In August 2005, the California legislature adopted Assembly Concurrent Resolution #11 (ACR11) which urges CalPERS and CalSTRS to encourage their portfolio companies doing business in Sudan "to act responsibly and not take actions that promote or otherwise enable human rights violations in the Sudan."¹

Separately, in a letter dated August 8, 2005, CalPERS Board Members Willie Brown, Jr.

¹ http://www.leginfo.ca.gov/pub/bill_asm/ab_0001-0020/acr_11_bill_20050830_chaptered.html

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and California Treasurer Phil Angelides requested that CalPERS ensure that the pension fund's investments in companies doing business in the Sudan are not contributing to genocide and human suffering in the Darfur region of that country. Specifically, the Treasurer and Member Brown's letter requested that staff provide to the Board a report identifying any companies that have business operations in the Sudan and the exact nature of those business activities. Secondly, they requested that CalPERS take all necessary steps to ensure that companies are not engaged in any business activities that in any way support genocide in Darfur, including directly engaging with each company.²

CalPERS followed up on Angelides' and Browns' request by:

- (1) Building a coalition with four other public pension plans to establish an engagement process with companies doing business in Sudan.
- (2) Building a second coalition of 50 pension funds that engaged the U.S. Department of Commerce, U.S. Department of State, U.S. Department of the Treasury, and the U.S. Securities and Exchange Commission.
- (3) Engaging 46 external investment managers and 1,869 portfolio companies in an effort to identify companies that may be operating in Sudan.
- (4) Identifying, through its coalition with four other public pension plans, five companies in the CalPERS portfolio to directly engage regarding business activities in the Sudan: ABB, Siemens, Alcatel, Total SA, and Royal Dutch Shell.
- (5) Engaging those five companies to determine their relationship to the Sudanese government and the Darfur genocide.³

On December 12, 2005, CalPERS reported the results of its ongoing research and engagement process. Specifically, it noted that of the five initial companies it had investigated, ABB, Alcatel and Siemens all had business relationships with the Sudanese government or government-controlled entities. CalPERS staff reported that the other two companies, Total SA and Royal Dutch Shell, had operations in Sudan but no clear business affiliation with the Sudanese government.⁴

Based on CalPERS' findings, Treasurer Angelides recommended that CalPERS continue to monitor the Sudanese business activities of Total SA and Royal Dutch Shell while proposing that CalPERS "use the power of the funds' \$200 billion investment portfolio to demand that... ABB, Ltd., Alcatel, and Siemens AG cease their business ties with the Sudanese government and all government-controlled entities." The CalPERS Board approved the Treasurer's proposal in a 9 to 2 vote on December 12, 2005.⁵ The CalPERS staff also plans to continue its research and engagement process, reporting back to the CalPERS' Committee on Investments on a regular basis.

Also in December, Treasurer Angelides urged CalSTRS to divest from its PetroChina holdings following the fiasco and cover-up of the Nov. 13 PetroChina chemical spill in China. Angelides noted that the combination of PetroChina's negligent behavior at home and troubling relationship with the government of Sudan indicated that investment in the

² CalPERS Agenda Item 6a: Committee on Investments Meeting, September 19, 2005. http://www.calpers.ca.gov/govdocs/about/board/cal_pers/ia/agendas/invest/200509/item06a-00.pdf

³ At
⁴ California State Treasurer News Release, December 12, 2005
http://www.treasurer.ca.gov/newsreleases/2005/20051212_sudan.pdf

⁵ At

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company was too risky for CalSTRS. As is widely known, Angelides pointed out that PetroChina's parent company, the Chinese-government oil company China National Petroleum Corp., holds a 40% stake in the Sudanese-government created Greater Nile Petroleum Operating Company, which provides revenue to the Sudanese government.⁶

CalPERS subsequently sent letters of concern to Siemens, Alcatel, and ABB urging them to halt their business ties to Sudan. The companies' responded in the negative in the middle of February 2006.

CalSTRS researchers investigated divestment from multiple Sudan-related companies, including PetroChina. While letters were sent to these companies, CalSTRS staff research, at the time, determined that South African divestment by CalSTRS did not fulfill the prudent investor rule and that the fund would be vulnerable to liability if it were to divest from Sudan, no matter how few companies were under consideration. CalSTRS Trustee Roger Kozberg noted at the time, "Short of thermonuclear war, this [divestment] is a direction we ought not take."

Assembly Bill 2941, introduced by Assemblymember Paul Koretz, passed out of the Assembly by a bipartisan vote of 72-4 in May 2006 and passed out of the California Senate by a bipartisan vote of 29-7.

Independent Actions taken by the Pension Systems:

As follow-up to the April 2006 meeting of the CalSTRS Board (when they indicated their intent to divest and instructed staff to develop a financially prudent plan), CalSTRS agreed to the following Sudan policy in early June: CalSTRS "will actively engage management of companies with ties to the Sudanese government. If portfolio companies fail to comply with the fund's 20 risk factors [a set of social, moral, and economic risk factors that determines whether CalSTRS will invest in a company], CalSTRS will direct its active managers to find suitable alternate investments that wouldn't impair returns or add risk to the portfolio. CalSTRS' passive portfolios will stop buying shares of companies that violate pension fund policy." The California divestment bill, AB2941, would require CalSTRS to divest from passive holdings.

On May 15, 2006, CalPERS agreed to disinvest from the same nine companies from which the University of California had divested. While CalPERS had no current holdings in the nine companies, the Sacramento Bee noted, "Five CalPERS money managers include Bharat and Oil & Natural Gas as part of a benchmark used to measure their investment performance. Now, they will be specifically precluded from investing in the two Indian companies." This action was taken independently of AB 2941.

Bill Text:

http://www.leginfo.ca.gov/pub/bill/asn/ab_2901-

⁶ California State Treasurer News Release, December 2, 2005
http://www.treasurer.ca.gov/news-releases/2005/20051202_petrochina.pdf

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[2950/ab_2941_bill_20060925_chaptered.html](#)

Website and Articles:

<http://www.sudandivestment.org/california>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
asterling@sudandivestment.org

Colorado (Divested: Task Force Model)

Legislative Status:

On April 19, 2007, Colorado Governor Bill Ritter signed House Bill 1184, Colorado's targeted Sudan divestment bill, into law.

Speaker of the House Andrew Romanoff and Senate President Pro-Tempore Peter Groff sponsored HB 1184, a bill based on the Sudan Divestment Task Force model of targeted divestment.

Additionally, HB 1184 was endorsed by the Public Employees' Retirement Association of Colorado (PERA).

Bill Text:

[http://www.leg.state.co.us/Clics/Clics_1007A/csl.nsf/\(sbillcont\)/C67D12670D14E9E787257251007B243B?Open&file=1184_ren.pdf](http://www.leg.state.co.us/Clics/Clics_1007A/csl.nsf/(sbillcont)/C67D12670D14E9E787257251007B243B?Open&file=1184_ren.pdf)

Website and Articles:

<http://www.sudandivestment.org/colorado>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
Colorado@sudandivestment.org

Connecticut (Divested: Other Model)

Legislative Status:

A non-binding divestment resolution passed the Connecticut legislature and was signed by the governor on May 8, 2006. The non-binding resolution was requested by Treasurer

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Denise Nappier, principal fiduciary of the \$24 billion Connecticut Retirement Plans and Trust Funds (CRPTF), to affirm her statutory authority to divest from companies that her office identifies as offending. The legislation goes into extensive detail on what qualities a company may demonstrate to be offending. The legislation also gives significant leeway to Treasurer Nappier to decide what factors are important in determining if a particular company should be targeted. Nappier has emphasized that divestment would occur at the end of an engagement process with companies identified as offending.

Treasurer Nappier announced on May 9, 2007 that she is directing investment managers who invest the funds of the CRPTF to divest from Sinopec. As of April 30, the CRPTF held 12,439,950 shares with a market value of \$11,085,867.72 in Sinopec. In addition, Nappier announced that she is prohibiting direct investment in the following 5 companies: Bharat Heavy Electricals Ltd., Nam Fatt Corp., Oil and Natural Gas Corp. (ONGC), PECO Group and Sudan Telecom (Sudatel). In addition to the above companies, investment in PetroChina has been prohibited since its initial public offering in 2000.

Staff of the Treasurer's office has initiated a dialogue with approximately 25 companies, and it is anticipated that additional companies will be contacted in the near future. According to the Treasurer's office, dialogue is ongoing with eight companies in which CRPTF's holdings are valued at approximately \$10,000,000.

Full Text:

<http://www.state.ct.us/off/pressreleases/press.2006/pr022406legislation.pdf>

Website and Articles:

<http://www.sudandivestment.org/connecticut>

Contact:

Sudan Divestment Task Force
connecticut@sudandivestment.org

Delaware (Campaign Initiated)

In June 2007 the Delaware House of Representatives passed a non-binding resolution calling for targeted Sudan divestment.

Targeted Sudan divestment legislation will be introduced in 2008 by Senator Harris McDowell.

Website and Articles:

<http://www.sudandivestment.org/delaware>

SUDAN DIVESTMENT TASK FORCE

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
dcraware@sudandivestment.org

Florida (Divested: Task Force Model)

On June 8, 2007 Governor Charlie Crist signed legislation containing targeted Sudan divestment language.

Senate Bill 2142 was introduced by State Senator Ted Deutch, the bill language had multiple premisses aside from Sudan divestment.

Bill Text:

http://www.flhouse.gov/Sections/Documents/loaddoc.aspx?FileName=_2142cr.html&DocumentType=Bill&BillNumber=2142&Session=2007

Website and Articles:

<http://www.sudandivestment.org/florida>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

Georgia (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/georgia>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
georgia@sudandivestment.org

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Hawaii (Campaign Initiated)

Legislative Status:

On June 18th, 2007 Lieutenant Governor Duke Aiona signed House Bill 34, based on the Sudan Divestment Task Force model of targeted Sudan divestment.

House Bill 34 was introduced by State Representative Roy Takumi.

Bill text:

HB 34: <http://www.capitol.hawaii.gov/sessioncurrent/Bills/HB34.htm>

Website and Articles:

<http://www.sudandivestment.org/hawaii>

Contact:

Sudan Divestment Task Force
Hawaii@sudandivestment.org

Idaho (Campaign Initiated)

Legislative Status:

In 2007, a targeted Sudan divestment bill was voted down in committee.

In September, 2007, the Public Employee Retirement System of Idaho began offering Sudan Free fund options for beneficiaries investing into defined contribution plans (401(k) plans). This is the first such offering of public fund in the United States.

Acknowledging that a majority of Sudan Related Investments are in defined benefit plans, Idahoans are actively pursuing binding targeted Sudan divestment legislation for the 2008 session.

Website and Articles:

<http://www.sudandivestment.org/idaho>

Contact:

John Sullivan
idahodivestment@hotmail.com

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Illinois (Divested: Other Model)

Legislative Status:

In June 2005, the Illinois state legislature passed into law a blanket Sudan divestment plan that affected the entire Illinois pensions system. The Illinois statute targeted all companies with ties to Sudan, and mandated divestment on all of the states investment vehicles.

In late February 2007, U.S. District Judge Matthew F. Kennelly ruled Illinois' blanket Sudan divestment statute to be unconstitutional. However, instead of striking down divestment per se as unconstitutional, Judge Kennelly defined certain limits to Sudan divestment statutes and ruled that Illinois had crossed those certain limits.

In response, Illinois Senator Jacqueline Collins has filed Senate Bill 1169, legislation intended to amend the law to bring it in line with constitutional requirements outlined by Judge Kennelly. The bill awaits approval from the Governor.

Bill Text:

<http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=09-0079> (original statute)
[http://www.ilga.gov/legislation/95/SB/0950/SB1169-am\(02\).htm](http://www.ilga.gov/legislation/95/SB/0950/SB1169-am(02).htm) (amended legislation)

Website and Articles:

<http://www.sudandivestment.org/illinois>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Indiana (Divested: Task Force Model)

Legislative Status:

On May 3, 2007, Indiana Governor Mitch Daniels signed House Bill 1067, Indiana's targeted Sudan divestment bill, into law. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment, this language does not stand alone.

House Bill 1067 was based on legislation originally introduced by Indiana Representatives Matt Pierce and Cindy Noe and Senators John Broden and Gary Dillon.

Bill Text:

<http://www.in.gov/legislative/bills/2007/HB/HB1484.1.html>

SUDAN DIVESTMENT TASK FORCE

Website and Articles:

<http://www.sudandivestment.org/indiana>

Contact:

Sudan Divestment Task Force
Indiana@sudandivestment.org

Iowa (Divested: Task Force Model)

Legislative Status:

On April 5, 2007 Iowa Governor Chet Culver signed Senate File 361; Iowa's targeted Sudan divestment legislation. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment.

In addition to divesting Iowa's state pension plan from Sudan, the legislation also mandates targeted divestment from Sudan by the University of Iowa, Iowa State University, and the University of Northern Iowa.

State Representative Dawn Pettengill (D-39) had introduced House File 807 and Senator Michael Connolly (D-14) had introduced Senate File 361.

Bill Text:

<http://coalice.legis.state.ia.us/Coal-ICE/default.asp?category=billinfo&service=Billbook&hbill=HF2241&menu=text>

Website and Articles:

<http://www.sudandivestment.org/iowa>

Contact:

Sudan Divestment Task Force
iowa@sudandivestment.org

Kansas (Divested: Task Force Model)

Legislative Status:

On May 11, 2007, Kansas Governor Kathleen Sebelius signed House Bill 2457. Kansas' targeted Sudan divestment bill, into law. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment, the language does not stand alone.

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House Bill 2457 was based on legislation originally introduced by Kansas Senator Donald Betts Jr.

Bill Text:

HB 2457: <http://www.kslegislature.org/legisv-bills/showBill.do?id=164697>

Website and Articles:

<http://www.sudandivestment.org/kansas>

Contact:

Matthew Vines
Kansas@sudandivestment.org

Kentucky (Campaign Initiated)

In December 2006, the Board of Trustees of the Kentucky State Teacher's Retirement Fund unanimously voted to adopt a non-binding policy of engagement with certain companies operating in Sudan.

A targeted Sudan divestment campaign seeking binding legislation has been initiated.

Website and Articles:

<http://www.sudandivestment.org/kentucky>

Contact:

Katie Savin
College Divestment Coordinator, Sudan Divestment Task Force
info@sudandivestment.org

Maine (Divested: Other Model)

Legislative Status:

In April 2006, Maine adopted a Sudan divestment statute, LD 1758, for all active investments in separately managed accounts held by the Maine State Retirement System (MSRS). Index funds and all commingled funds are excluded from the bill. The law requires divestment, "in accordance with sound investment criteria and consistent with the board's fiduciary obligations." MSRS utilizes information from the Sudan Divestment Task Force, direct correspondence from companies, and other data sources to develop and maintain their own divestment and engagement lists.

SUDAN DIVESTMENT TASK FORCE

Separately, in January 2006, State Treasurer David Lemoine ordered the sale of all direct holdings in Schlumberger Ltd. stock held by Maine's \$24 million State Held Trusts.

Bill Text:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280019872&LD=1758&Type=1&SessionID=6>

Website and Articles:

<http://www.sudandivestment.org/maine>

Contact:

Sudan Divestment Task Force
Maine@sudandivestment.org

Maryland (Divested: Other Model)

Legislative Status:

On April 10, 2007, Maryland Governor Martin O'Malley signed Senate Bill 543, a Sudan divestment bill, into law. The statute urges the Maryland State Retirement and Pension System to divest from any company with operations in Sudan and prohibits future investment in those companies.

Senate Bill 543 was introduced by State Senator Verna Jones.

Bill Text:

<http://mlis.state.md.us/2007RS/billfile/sb0543.htm>

Website and Articles:

<http://www.sudandivestment.org/maryland>

Contact:

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Massachusetts (Campaign Initiated)

Legislative Status:

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In early 2007, State Senator Harriette Chandler, Senator Edward Augustus and Representative Jay Kaufman introduced S2255, based off the Sudan Divestment Task Force targeted divestment model.

In June 2007, S2255 passed the Massachusetts State Senate. Subsequently, the Massachusetts House of Representatives passed S2255 in September.

Currently, S2255 awaits the signature of Governor Deval Patrick. The Governor has already publicly endorsed the legislation.

Bill Text:

S2255: <http://www.mass.gov/legis/bills/senate/185/st02/st02255.htm>

Website and Articles:

<http://www.sudandivestment.org/massachusetts>

Contact:

Daniel Millenson
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Michigan (Campaign Initiated)

Legislative Status:

State Senator Hansen Clarke has introduced Senate Bill 0555, based off the Sudan Divestment Task Force model of targeted Sudan divestment. Senate Bill 0555 has been referred to the Senate Appropriations committee.

Companion House legislation, House Bill 4854, has been introduced by Representative Alma Wheeler Smith. House Bill 4854 has been referred to the Government Operations Committee.

Website and Articles:

<http://www.sudandivestment.org/michigan>

Bill Text:

SB 0555:

[http://www.legislature.mi.gov/\(S\(1ht0p45adyonk450o14ld55\)\)/milc.asp?page=getobject&objectname=2007-SB-0555&queryid=18337355](http://www.legislature.mi.gov/(S(1ht0p45adyonk450o14ld55))/milc.asp?page=getobject&objectname=2007-SB-0555&queryid=18337355)

SUDAN DIVESTMENT TASK FORCE

HB 4854:

[http://www.legislature.mi.gov/\(S\(exwbw4bh4gmqw5ahstnl1nn4\)\)/mileg.aspx?page=Bills&objectname=2007-HB-4854](http://www.legislature.mi.gov/(S(exwbw4bh4gmqw5ahstnl1nn4))/mileg.aspx?page=Bills&objectname=2007-HB-4854)

Contact:

Scott Wisor
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Minnesota (Divested: Task Force Model)

Legislative Status:

In May 2007, Governor Tim Pawlenty signed Senate File 1075, based on the Sudan Divestment Task Force model of targeted divestment.

Senate File 1075 was introduced by State Senator Sandra Pappas. Companion legislation, House File 1332, was introduced by State Representative Karen Clark.

Website and Articles:

<http://www.sudandivestment.org/minnesota>

Bill Text:

SF 1075:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=SF1075.1.html&session=1s85>

HF 1332:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=HF1332.0.html&session=1s85>

Contact:

Scott Wisor
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Missouri (Campaign Initiated)

Legislative Status:

In late 2005 a state-owned equity portfolio, the Missouri Investment Trust (MIT), put out a request for proposals to manage a \$5 million international portfolio "terror-free."

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Despite the requirement that the entire portfolio, including any commingled or index funds, be terror-free and the portfolio was a mere \$5 million, MIT received four bids, two of which were from leading Wall Street managers. In June 2006, MIT selected a State Street Global Advisors enhanced index fund to handle the \$5 million investment. According to the state treasurer, State Street will subcontract with Conflict Securities Advisory Group to provide the list of identified stocks. Furthermore, the treasurer has stated that, "historical net return analysis shows no negative impact."

In 2007 Missouri House of Representatives Minority Leader Jeff Harris introduced a blanket Sudan divestment amendment which was stripped in conference committee.

A targeted Sudan divestment campaign has been initiated for the 2008 legislative session.

Website and Articles:

<http://www.sudandivestment.org/missouri>

Press Release:

<http://www.treasurer.missouri.gov/pressroom/MITFund.html>

Contact:

Scott Wisor
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Missouri@sudandivestment.org

Nebraska (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/nebraska>

Contact:

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Nevada (Campaign Initiated)

Legislative Status:

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In June 2007 Governor Jim Gibbons joined with Senate Majority Leader William Raggio and Assembly Speaker Barbara Buckley, to encourage the Public Employees Retirement System of Nevada (PERS) to adopt a targeted Sudan divestment policy. PERS has not taken any subsequent action.

Website and Articles:

<http://www.sudandivestment.org/nevada>

Contact:

Nevada@sudandivestment.org

New Hampshire (Campaign Initiated)

Legislative Status:

State Representative Jeff Fontas has agreed to introduce targeted Sudan divestment legislation for the 2008 legislative session.

Website and Articles:

<http://www.sudandivestment.org/newhampshire>

Contact:

Daniel Millenson
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New Jersey (Divested: Other Model)

Legislative Status:

Since adopting a blanket divestment statute in July 2005, the state of New Jersey completed divestment of \$2.16 billion from 17 companies identified as having an equity tie to the government of Sudan. The divestment's completion comes two years before the statute's mandatory deadline.

Website and Articles:

<http://www.sudandivestment.org/newjersey>

Bill Text:

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<http://www.nileg.state.nj.us/2004/Bills/AL05/162.PDF>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

New Mexico (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/newmexico>

Contact:

Sudan Divestment Task Force
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New York (Divested: Task Force Model)

Legislative Status:

On June 11, 2007, New York State Comptroller Thomas P. DiNapoli announced that the New York State Common Retirement Fund, one of the largest pension funds in the country, will develop and implement a policy designed to place pressure on the Sudanese government to end the genocide currently taking place in Darfur. The Comptroller's policy will follow the Sudan Divestment Task Force's targeted Sudan divestment model.

The New York State Teachers' Retirement Fund has yet to make divestment commitments.

Press Release and Policy:

<http://www.osc.state.ny.us/press/releases/june07/061107.htm>

Website and Articles:

<http://www.sudandivestment.org/newyork>

Contact:

SUDAN DIVESTMENT TASK FORCE

Sudan Divestment Task Force
NewYork@sudandivestment.org

North Carolina (Divested: Task Force Model)

Legislative Status:

State Representative Paul Luebke has introduced House Bill 291, targeted Sudan divestment legislation based on the Sudan Divestment Task Force's model in the 2007 legislative session.

In April 2007, House Bill 291 passed the house unanimously.

On July 27th, 2007, House Bill 291 received unanimous approval in the Senate.

On August 31st, 2007, Governor Mike Easley signed House Bill 291.

Additionally, on November 1, 2006 North Carolina Treasurer Richard Moore announced his decision to divest the North Carolina Retirement System (NCRS), the state's pension fund, from nine companies he identified as providing monetary or military support to the Sudanese government. The initial decision affected NCRS's assets in Bharat Heavy Metals, China Petroleum and Chemical Corp., Nam Fatt, Oil & Natural Gas Company, PECD Berhad, PetroChina Company, Sudan Telecom Company, Tatnef: OAO and Videocon Industries Limited, assets totaling \$24 million of the pension fund's \$70 billion. The decision affects offending assets held in all of NCRS' applicable asset classes.

Website and Articles:

<http://www.sudandivestment.org/northcarolina>

Bill Text:

HB 291: <http://www.ncga.state.nc.us/Sessions/2007/Bills/House/PDF/H291v2.pdf>

SB 516: <http://www.ncga.state.nc.us/Sessions/2007/Bills/Senate/PDF/S516v1.pdf>

Contact:

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Ohio (Campaign Initiated)

Legislative Status:

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State Senator Jeff Jacobson has introduced Senate Bill 161, based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Senate Bill 161 has been referred to the Senate Finance Committee.

Media reports suggest that the state retirement systems have voluntarily agreed to divest their Sudan related assets. The Sudan Divestment Task Force is closely monitoring the possible implementation of this agreement.

Additionally, in January 2006, Ohio passed resolutions (SCR 17 and HCR 19) aimed at pressuring the U.S. Congress for increased action in Darfur and requesting that State pensions consider screening and divesting from Sudan-affiliated companies.

When the Ohio Retirement Study Council, who is charged with advising Ohio's pension funds and their \$143 billion in assets, was contacted by the Task Force in July 2006 about HCR 19, the Director of the Council was unaware of the resolution.

Bill Text:

SB 161: http://www.legislature.state.oh.us/bills.cfm?ID=127_SB_161

SCR 17: <http://www.gongwer-oh.com/126/resolutions/scr17.pdf>

Website and Articles:

<http://www.sudandivestment.org/ohio>

Contact:

Sudan Divestment Task Force
ohio@sudandivestment.org

Oklahoma (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/oklahoma>

Contact:

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SUDAN DIVESTMENT TASK FORCE

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Oregon (Divested: Other Model)

Since passing a divestment statute in Summer 2005, Oregon has divested 83% (\$35 million) of total asset holdings it has in the first four companies it identified in December of 2005: ABB, PetroChina, Sinopec, and Tatneft.

Based on Oregon's divestment statute (Or. Laws Ch. 774), the fiduciary of Oregon's investments, the Oregon Investment Council (OIC), developed the following definition of "offending company" in a December 7th, 2005, meeting:

"Any sole proprietorship, organization, firm, association, corporation, utility, partnership, venture, public franchise, franchisor, franchisee or its wholly owned subsidiary that exists for profit-making purposes or otherwise to secure economic advantage...that is doing business in Sudan: maintaining equipment, facilities, personnel or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan."⁷

Similar to Illinois, Oregon provides the following offending company exemption:

- (1) Investments in companies that are engaged solely in the provision of goods and services intended to relieve human suffering or to promote welfare, health, education or religious or spiritual activities.
- (2) Investments in United States companies authorized by the federal government to do business in Sudan.
- (3) Investments in companies that are engaged solely in journalistic activities.⁸

In contrast to Illinois' broad definition of an offending company as any entity with an equity or *non-equity* tie to Sudan (e.g. companies that provide goods or services to, obtain goods or services from, or have distribution agreements with offending companies), Oregon's definition of offending companies focuses on businesses with an equity tie to Sudan—factories, facilities, land, property, labor, etc. Oregon's legislation, does, however, direct divestment at most types of funds (stocks, bonds, commingled funds, index funds, etc.) for most of the state's investments; some short term investment funds were excluded from the divestment bill in a compromise with the Oregon Treasurer's Office.⁹

Based on their definition of offending companies, the OIC chose four companies for their initial stage of divestment in December 2005: PetroChina, ABB Lt, Sinopec, and Tatneft (the Stanford Four). It is not clear how or why these four companies were chosen. While the initial round did not include divestment from "indirect" holdings such as index funds containing offending stock, part of the policy that was adopted in December 2005 was a placeholder policy for the future implementation of ex-Sudan index funds. According to John Turner, Chief of Staff for the principle sponsor of Oregon's divestment legislation (Oregon Representative Peter Buckley), Oregon will implement "indirect" index fund

⁷ OIC draft policy 4/1.15

⁸ Section VII, Oregon SB 1089, Oregon Laws Ch 774. <http://www.leg.state.or.us/05orlaws/05sb0700.chr/0774sec.pdf>

⁹ Personal communication with John Turner, Chief of Staff to Oregon State Representative Peter Buckley; johnturner@gn.ai.com

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divestment once appropriate index funds become available.¹⁰

In the future, Oregon will continue to work with its external managers to identify and screen its portfolios with an emphasis on the external fund managers taking the lead. Part of Oregon's law requires these managers to "act reasonably" to investigate companies' ties with Sudan, screen investments containing Oregon assets, and report back to the Treasury on any action taken. On or before January 15 of each year, the State Treasurer will report to the Legislative Assembly on actions taken by the State Treasurer and the OIC.¹¹ The State Treasurer will consult with the council in preparing the reports. Presumably, this reporting requirement will allow Oregon's legislature to track divestment progress and raise concerns if asset managers aren't making reasonable progress.

Bill Text:

<http://iandru.leg.state.or.us/05reg/asures/hb3400.dir/hb3499.intro.html>

Website and Articles:

<http://www.sudandivestment.org/oregon>

Contact:

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Pennsylvania (Campaign Initiated)

Legislative Status:

State Representative Babette Josephs, chair of the House State Government Committee, has introduced House Bill 1140, based on the Sudan Divestment Task Force model of targeted Sudan divestment.

In July 2007 House Bill 1140 passed the Pennsylvania House of Representatives. The bill has been referred to the State Senate.

HB 1140:

<http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2007&sessInd=0&billBody=H&billTyp=B&billNbr=1140&pn=1390>

Website and Articles:

¹⁰ *Id.*

¹¹ Please see the 2007 report for more information. [http://www.sudandivestment.org/docs/Oregon Sudan Divestment 2007 Report from Treasurer.pdf](http://www.sudandivestment.org/docs/Oregon%20Sudan%20Divestment%202007%20Report%20from%20Treasurer.pdf)

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<http://www.sudandivestment.org/pennsylvania>

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Rhode Island (Divested: Task Force Model)

Legislative Status:

On June 22nd, 2007 Governor Donald L. Carcieri signed Senate Bill 87 and House Bill 5142, both based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Website and Articles:

<http://www.sudandivestment.org/rhodeisland>

Contact:

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RhodeIsland@sudandivestment.org

South Carolina (Legislation Failed)

Legislative Status:

State Senator Joel Laurie had introduced Senate Bill 241, based of the California targeted Sudan divestment statute, however, the bill failed to pass the 2007 legislative session.

The South Carolina Retirement System doesn't currently hold international equity investments and therefore has no investments in companies targeted by the Sudan Divestment Task Force.

Website and Articles:

<http://www.sudan divestment.org/southcarolina>

Contact:

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Tennessee (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/tennessee>

Contact:

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Texas (Divested: Task Force Model)

Legislative Status:

On June 15th, 2007 Governor Rick Perry held a public signing for Senate Bill 247, based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Senator Rodney Ellis had introduced Senate Bill 247 and Representative Corbin Van Arsdale had introduced House Bill 667, companion legislation in the House of Representatives.

Website and Articles:

<http://www.sudandivestment.org/texas>

Contact:

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Utah (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

SUDAN DIVESTMENT TASK FORCE

<http://www.sudandivestment.org/utah>

Contact:

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Vermont (Divested: Task Force Model)

Legislative Status:

In February 2007, Vermont State Treasurer Jeb Spaulding oversaw the state pension fund's targeted divestment from Sudan. Vermont became the second state to adopt the Task Force's model for targeted divestment and the seventh state overall to divest from Sudan.

Website and Articles:

<http://www.sudandivestment.org/vermont>

Contact:

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Virginia (Campaign Initiated)

Legislative Status:

In early 2007, Virginia Delegates Shannon Valentine and John O'Bannon introduced HB 1828, based off the Sudan Divestment Task Force model of targeted Sudan divestment. State Senators Ken Cuccinelli, Jeannemarie Devolites Davis, and Patricia Ticer filed SB 1331, companion legislation in the Senate.

HB 1828 died in the Subcommittee on Compensation and Retirement for the House Appropriations Committee.

SB 1331 unanimously passed the Senate and passed the House Committee on Appropriations with a substitute. After the substitute failed to pass the Senate, a conference committee was established, but no compromise was reached and SB 1331 died in committee.

In 2008, targeted Sudan divestment legislation will be introduced in the House of Delegates by Delegates Shannon Valentine and John O'Bannon. Companion Senate

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legislation is anticipated.

Website and Articles:

<http://www.sudandivestment.org/virginia>

Contact:

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Washington (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/washington>

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West Virginia (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/westvirginia>

Contact:

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Wisconsin (Campaign Initiated)

Legislative Status:

State Representative Fred Kessler (D-Milwaukee) has introduced AB 124 and State Senator Sheila Harsdorf (R-River Falls) has introduced SB 57. Both bills are based on the Sudan Divestment Task Force model of targeted divestment.

Assembly Bill 124 has been referred to the committee on financial institutions. Senate Bill 57 has been referred to the committee on Veterans and Military Affairs, Biotechnology and Financial Institutions.

Website and Articles:

<http://www.sudandivestment.org/wisconsin>

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III. State of Divestment: Cities and Municipalities

Atlanta, Georgia (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=257>

Contact:

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Buffalo, NY (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Attachment B

Sudan Divestment Task Force

"Targeted Sudan Divestment: Model Legislation"

http://www.sudandivestment.org/docs/task_force_targeted_divestment_model.pdf



SUDAN DIVESTMENT

TASK FORCE

A Project of the Genocide Intervention Network

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Targeted Sudan Divestment: Model Legislation

The Divestment Policy of
The Sudan Divestment Task Force

December 8, 2006 (UPDATED) April 16, 2007)

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In this document, sections that are highlighted in red are intended to be filled in by each institution, council, or legislature adopting targeted divestment.

AN ACT relating to: provisions for how the [pension fund systems or other affected entities of the state] shall address certain investments relating to Sudan.

The people of the [State of x, represented in the State Senate and Assembly], do enact as follows:

Section 1: Legislative Findings

(a) On July 23, 2004, the United States Congress declared that "the atrocities unfolding in Darfur, Sudan, are genocide."

(b) On September 9, 2004, Secretary of State Colin L. Powell told the U.S. Senate Foreign Relations Committee that "genocide has occurred and may still be occurring in Darfur" and "the Government of Sudan and the Janjaweed bear responsibility."

(c) On September 21, 2004, addressing the United Nations General Assembly, President George W. Bush affirmed the Secretary of State's finding and stated, "[A]t this hour, the world is witnessing terrible suffering and horrible crimes in the Darfur region of Sudan, crimes my government has concluded are genocide."

(d) On December 7, 2004, the U.S. Congress noted that the genocidal policy in Darfur has led to reports of "systematic rape of thousands of women and girls, the abduction of women and children, and the destruction of hundreds of ethnically African villages, including the poisoning of their wells and the plunder of their crops and cattle upon which the people of such villages sustain themselves."

(e) Also on December 7, 2004, Congress found that "the Government of Sudan has restricted access by humanitarian and human rights workers to the Darfur area through

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intimidation by military and security forces, and through bureaucratic and administrative obstruction, in an attempt to inflict the most devastating harm on those individuals displaced from their villages and homes without any means of sustenance or shelter."

(f) On September 25, 2006, Congress reaffirmed that "the genocide unfolding in the Darfur region of Sudan is characterized by acts of terrorism and atrocities directed against civilians, including mass murder, rape, and sexual violence committed by the Janjaweed and associated militias with the complicity and support of the National Congress Party-led faction of the Government of Sudan."

(g) On September 26, 2006, the U.S. House of Representatives stated that "an estimated 300,000 to 400,000 people have been killed by the Government of Sudan and its Janjaweed allies since the [Darfur] crisis began in 2003, more than 2,000,000 people have been displaced from their homes, and more than 250,000 people from Darfur remain in refugee camps in Chad."

(h) The Darfur crisis represents the first time the United States Government has labeled ongoing atrocities a genocide.

(i) The Federal Government has imposed sanctions against the Government of Sudan since 1997. These sanctions are monitored through the U.S. Treasury Department's Office of Foreign Assets Control (OFAC).

(j) According to a former chair of the U.S. Securities and Exchange Commission, "the fact that a foreign company is doing material business with a country, government, or entity on OFAC's sanctions list is, in the SEC staff's view, substantially likely to be significant to a reasonable investor's decision about whether to invest in that company."

(k) Since 1993, the U.S. Secretary of State has determined that Sudan is a country the government of which has repeatedly provided support for acts of international terrorism.

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thereby restricting United States assistance, defense exports and sales, and financial and other transactions with the Government of Sudan.

(l) A 2006 U.S. House of Representatives report states that "a company's association with sponsors of terrorism and human rights abuses, no matter how large or small, can have a materially adverse result on a public company's operations, financial condition, earnings, and stock prices, all of which can negatively affect the value of an investment."

(m) In response to the financial risk posed by investments in companies doing business with a terrorist-sponsoring state, the Securities and Exchange Commission established its Office of Global Security Risk to provide for enhanced disclosure of material information regarding such companies.

(n) The current Sudan divestment movement encompasses nearly 100 universities, cities, states, and private pension plans.

(o) Companies facing such widespread divestment present further material risk to remaining investors.

(p) It is a fundamental responsibility of the [State of X] to decide where, how, and by whom financial resources in its control should be invested, taking into account numerous pertinent factors.

(q) It is the prerogative and desire of the [State of X], in respect to investment resources in its control and to the extent reasonable, with due consideration for, among other things, return on investment, on behalf of itself and its investment beneficiaries, not to participate in an ownership or capital-providing capacity with entities that provide significant practical support for genocide, including certain non-United States companies presently doing business in Sudan.

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(r) It is the judgment of the [State Legislature] that this Act should remain in effect only insofar as it continues to be consistent with, and does not unduly interfere with, the foreign policy of the United States as determined by the Federal Government.

(s) It is the judgment of this [State Legislature] that mandatory divestment of public funds from certain companies is a measure that should be employed sparingly and judiciously. A Congressional and Presidential declaration of genocide satisfies this high threshold.

Section 2: Definitions

As used in this Act, the following definitions shall apply:

(a) "Active Business Operations" means all Business Operations that are not Inactive Business Operations.

(b) "Business Operations" means engaging in commerce in any form in Sudan, including by acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly-owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

(d) "Complicit" means taking actions during any preceding twenty (20) month period which have supported or promoted the genocidal campaign in Darfur, including, but not limited to, preventing Darfur's victimized population from communicating with each other, encouraging Sudanese citizens to speak out against an internationally approved

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security force for Darfur, actively working to deny, cover up, or alter the record on human rights abuses in Darfur, or other similar actions.

(e) "Direct Holdings" in a Company means all securities of that Company held directly by the Public Fund or in an account or fund in which the Public Fund owns all shares or interests.

(f) "Government of Sudan" means the government in Khartoum, Sudan, which is led by the National Congress Party (formerly known as the National Islamic Front) or any successor government formed on or after October 13, 2006 (including the coalition National Unity Government agreed upon in the Comprehensive Peace Agreement for Sudan) and does not include the regional government of southern Sudan.

(g) "Inactive Business Operations" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such purpose.

(h) "Indirect Holdings" in a Company means all securities of that Company held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the Public Fund, in which the Public Fund owns shares or interests together with other investors not subject to the provisions of this Act.

(i) "Marginalized Populations Of Sudan" include, but are not limited to, the portion of the population in the Darfur region that has been genocidally victimized; the portion of the population of southern Sudan victimized by Sudan's North-South civil war; the Beja, Rashidiya, and other similarly underserved groups of eastern Sudan; the Nubian and other similarly underserved groups in Sudan's Abyei, Southern Blue Nile, and Nuba Mountain regions; and the Anri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

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(j) "Military Equipment" means weapons, arms, military supplies, and equipment that readily may be used for military purposes, including, but not limited to, radar systems or military-grade transport vehicles; or supplies or services sold or provided directly or indirectly to any force actively participating in armed conflict in Sudan.

(k) "Mineral Extraction Activities" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides (ore), including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(l) "Oil-Related Activities" include, but are not limited to, owning rights to oil blocks; exploring, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; and facilitating such activities, including by providing supplies or services in support of such activities, provided that the mere retail sale of gasoline and related consumer products shall not be considered Oil-Related Activities.

(m) "Power Production Activities" means any Business Operation that involves a project commissioned by the National Electricity Corporation (NEC) of Sudan or other similar Government of Sudan entity whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for the project, providing service contracts related to the installation or maintenance of the project, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(n) "Public Fund" means [the state's pension fund systems and other affected assets] or the [trustees and other appropriate designates] in charge of [the state's pension fund systems and other assets targeted by this bill].

[Important Drafting Note: It is critical in this definition to specify precisely which of the many funds/assets managed by the state will be targeted (or, more generally, which

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TYPES of funds/assets are to be targeted) and then specify exactly who the appropriate manager of such funds/assets are. It may be the case that not all funds/assets under management by a trustee are appropriate for targeting and this needs to be specified here in the definition of Public Fund.]

(o) "Scrutinized" Company means any Company that meets the criteria in paragraph (1), paragraph (2), or paragraph (3) below:

(1) The Company has Business Operations that involve contracts with and/or provision of supplies or services to (A) the Government of Sudan, (B) Companies in which the Government of Sudan has any direct or indirect equity share, (C) Government of Sudan-commissioned consortiums or projects, or (D) Companies involved in Government of Sudan-commissioned consortiums or projects; and

(i) More than ten percent (10%) of the Company's revenues or assets linked to Sudan involve Oil-Related Activities or Mineral Extraction Activities; less than seventy-five percent (75%) of the Company's revenues or assets linked to Sudan involve contracts with and/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 the Company has failed to take Substantial Action; or

(ii) More than ten percent (10%) of the Company's revenues or assets linked to Sudan involve Power Production Activities; less than seventy-five percent (75%) of the Company's Power Production Activities include projects whose intent is to provide power or electricity to the Marginalized Populations Of Sudan; and the Company has failed to take Substantial Action.

(2) The Company is Complicit in the Darfur genocide.

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(3) The Company supplies Military Equipment within Sudan, unless it clearly shows that the Military Equipment cannot be used to facilitate offensive military actions in Sudan or the Company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict, for example, through post-sale tracking of such equipment by the Company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

Notwithstanding anything herein to the contrary, a Social Development Company which is not Complicit in the Darfur genocide shall not be considered a Scrutinized Company.

(p) "Social Development Company" means a Company whose primary purpose in Sudan is to provide humanitarian goods or services, including medicine or medical equipment, agricultural supplies or infrastructure, educational opportunities, journalism-related activities, information or information materials, spiritual-related activities, services of a purely clerical or reporting nature, food, clothing, or general consumer goods that are unrelated to Oil-Related Activities, Mineral Extraction Activities, or Power Production Activities.

(q) "Substantial Action" means adopting, publicizing, and implementing a formal plan to cease Scrutinized Business Operations within one year and to refrain from any such new Business Operations; or undertaking significant humanitarian efforts in conjunction with an international organization, the Government of Sudan, the regional government of southern Sudan, or a non-profit entity and evaluated and certified by an independent third party to be substantial in 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 genocidally victimized population in Darfur.

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Section 3: Identification of Companies

(a) Within 90 days following passage of this Act, the Public Fund shall make its best efforts to identify all Scrutinized Companies in which the Public Fund has Direct or Indirect Holdings or could possibly have such holdings in the future. Such effort shall include, as appropriate:

(1) Reviewing and relying, as appropriate in the Public Fund's judgment, on publicly available information regarding Companies with Business Operations in Sudan, including information provided by non-profit organizations, research firms, international organizations, and government entities; and/or

(2) Contacting asset managers contracted by the Public Fund that invest in Companies with Business Operations in Sudan; and/or

(3) Contacting other institutional investors that have divested from and/or engaged with Companies that have Business Operations in Sudan.

(b) By the first meeting of the Public Fund following the 90-day period described in subsection (a), the Public Fund shall assemble all Scrutinized Companies identified into a "Scrutinized Companies List."

(c) The Public Fund shall update the Scrutinized Companies List on a quarterly basis based on evolving information from, among other sources, those listed in subsection (a).

Section 4: Required Actions

The Public Fund shall adhere to the following procedure for Companies on the Scrutinized Companies List:

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(a) Engagement

(1) The Public Fund shall immediately determine the Companies on the Scrutinized Companies List in which the Public Fund owns Direct or Indirect Holdings.

(2) For each Company identified in paragraph (1) with only Inactive Business Operations, the Public Fund shall send a written notice informing the Company of this Act and encouraging it to continue to refrain from initiating Active Business Operations in Sudan until it is able to avoid Scrutinized Business Operations. The Public Fund shall continue such correspondence on a semi-annual basis.

(3) For each Company newly identified in paragraph (1) with Active Business Operations, the Public Fund shall send a written notice informing the Company of its Scrutinized Company status and that it may become subject to divestment by the Public Fund. The notice shall offer the Company the opportunity to clarify its Sudan-related activities and shall encourage the Company, within 90 days, to either cease its Scrutinized Business Operations or convert such operations to Inactive Business Operations in order to avoid qualifying for divestment by the Public Fund.

(4) If, within 90 days following the Public Fund's first engagement with a Company pursuant to paragraph (3), that Company ceases Scrutinized Business Operations, the Company shall be removed from the Scrutinized Companies List and the provisions of this Section shall cease to apply to it unless it resumes Scrutinized Business Operations. If, within 90 days following the Public Fund's first engagement, the Company converts its Scrutinized Active Business Operations to Inactive Business Operations, the Company shall be subject to all provisions relating thereto.

(b) Divestment

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(1) If, after 90 days following the Public Fund's first engagement with a Company pursuant to subsection (a)(3), the Company continues to have Scrutinized Active Business Operations, and only while such Company continues to have Scrutinized Active Business Operations, the Public Fund shall sell, redeem, divest, or withdraw all publicly-traded securities of the Company, except as provided below, according to the following schedule:

(i) At least 50% of such assets shall be removed from the Public Fund's assets under management by 9 months after the Company's most recent appearance on the Scrutinized Companies List.

(ii) 100% of such assets shall be removed from the Public Fund's assets under management within 15 months after the Company's most recent appearance on the Scrutinized Companies List.

(2) If a Company that ceased Scrutinized Active Business Operations following engagement pursuant to subsection (a)(3) resumes such operations, paragraph (1) shall immediately apply, and the Public Fund shall send a written notice to the Company. The Company shall also be immediately reintroduced onto the Scrutinized Companies List.

(c) Prohibition

At no time shall the Public Fund acquire securities of Companies on the Scrutinized Companies List that have Active Business Operations, except as provided below.

(d) Exemption

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No Company which the United States Government affirmatively declares to be excluded from its present or any future federal sanctions regime relating to Sudan shall be subject to divestment or investment prohibition pursuant to subsections (b) and (c).

(c) Excluded Securities

Notwithstanding anything herein to the contrary, subsections (b) and (c) shall not apply to Indirect Holdings in actively managed investment funds. The Public Fund shall, however, submit letters to the managers of such investment funds containing Companies with Scrutinized Active Business Operations requesting that they consider removing such Companies from the fund or create a similar actively managed fund with Indirect Holdings devoid of such Companies. If the manager creates a similar fund, the Public Fund shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards. For the purposes of this Section, "private equity" funds shall be deemed to be actively managed investment funds.

Section 5: Reporting

(a) The Public Fund shall file a publicly-available report to the [State Legislature and Attorney General] that includes the Scrutinized Companies List within 30 days after the list is created.

(b) Annually thereafter, the Public Fund shall file a publicly-available report to the [State Legislature and Attorney General] and send a copy of that report to the United States Presidential Special Envoy to Sudan (or an appropriate designee or successor) that includes:

(1) A summary of correspondence with Companies engaged by the Public Fund under Sections 4(a)(2) and (a)(3);

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- (2) All investments sold, redeemed, divested, or withdrawn in compliance with Section 4(b);
- (3) All prohibited investments under Section 4(c); and
- (4) Any progress made under Section 4(e).

Section 6: Provisions for Expiration of Act

This Act shall expire upon the occurrence of any of the following:

- (a) The Congress or President of the United States declares that the Darfur genocide has been halted for at least 12 months; or
- (b) The United States revokes all sanctions imposed against the Government of Sudan; or
- (c) The Congress or President of the United States declares that the Government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons; or
- (d) The Congress or President of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this Act interferes with the conduct of United States foreign policy.

Section 7: Other Legal Obligations

With respect to actions taken in compliance with this Act, including all good faith determinations regarding Companies as required by this Act, the Public Fund shall be

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exempt from any conflicting statutory or common law obligations, including any such obligations in respect to choice of asset managers, investment funds, or investments for the Public Fund's securities portfolios.

Section 8: Reinvestment in Certain Companies with Scrutinized Active Business Operations

Notwithstanding anything herein to the contrary, the Public Fund shall be permitted to cease divesting from certain Scrutinized Companies pursuant to Section 4(b) and/or reinvest in certain Scrutinized Companies from which it divested pursuant to Section 4(b) if clear and convincing evidence shows that the value for all assets under management by the Public Fund becomes equal to or less than 99.50% (50 basis points) of the hypothetical value of all assets under management by the Public Fund assuming no divestment for any company had occurred under Section 4(b). Cessation of divestment, reinvestment, and/or any subsequent ongoing investment authorized by this section shall be strictly limited to the minimum steps necessary to avoid the contingency set forth in the preceding sentence. For any cessation of divestment, reinvestment, and/or subsequent ongoing investment authorized by this section, the Public Fund shall provide a written report to the [State's legislature and Attorney General] in advance of initial reinvestment, updated semi-annually thereafter as applicable, setting forth the reasons and justification, supported by clear and convincing evidence, for its decisions to cease divestment, reinvest, and/or remain invested in Companies with Scrutinized Active Business Operations. This section has no application to reinvestment in Companies on the ground that they have ceased to have Scrutinized Active Business Operations.

Section 9: Enforcement

The Attorney General is charged with enforcing the provisions of this Act and, through any lawful designee, may bring such actions in court as are necessary to do so.

Section 10: Severability

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If any one or more provision, section, subsection, sentence, clause, phrase, or word of this legislation or the application thereof to any person or circumstance is found to be invalid, illegal, unenforceable or unconstitutional, the same is hereby declared to be severable and the balance of this legislation shall remain effective and functional notwithstanding such invalidity, illegality, unenforceability or unconstitutionality. The [State Legislature] hereby declares that it would have passed this legislation, and each provision, section, subsection, sentence, clause, phrase or word thereof, irrespective of the fact that any one or more provision, section, subsection, sentence, clause, phrase, or word be declared invalid, illegal, unenforceable or unconstitutional, including, but not limited to, each of the engagement, divestment, and prohibition provisions of this legislation.

Attachment C

Illinois Public Act No. 95-521, 2007

"An Act to disassociate from genocide and terrorism in Sudan"

LEXSEE 2007 BILL TEXT IL S.B. 1169

THE STATE OF ILLINOIS
BILL TEXT

STATENET STATE NET 

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2007 IL S.B. 1169

ILLINOIS 95TH GENERAL ASSEMBLY

SENATE BILL 1169

BILL TRACKING REPORT: 2007 Bill Tracking IL S.B. 1169

2007 Bill Text IL S.B. 1169

VERSION: Enacted

VERSION-DATE: August 28, 2007

SYNOPSIS: AN ACT concerning finance.

NOTICE: [A] UPPERCASE TEXT WITHIN THESE SYMBOLS IS ADDED <A>
[D] Text within these symbols is deleted <D>

TEXT: WHEREAS, This amendatory Act of the 95th General Assembly may also be cited as an Act to disassociate from genocide and terrorism in Sudan; therefore

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Deposit of State Moneys Act is amended by reenacting and changing Section 22.5 as follows:

(15 ILCS 520/22.5)(from Ch. 130, par. 41a)

(For force and effect of certain provisions, see Section 90 of P.A. 94-79)

Sec. 22.5. Permitted investments. The State Treasurer may, with the approval of the Governor, invest and reinvest any State money in the treasury which is not needed for current expenditures due or about to become due, in obligations of the United States government or its agencies or of National Mortgage Associations established by or under the National Housing Act, 1201 U.S.C. 1701 et seq., or in mortgage participation certificates representing undivided interests in specified, first-lien conventional residential Illinois mortgages that are underwritten, insured, guaranteed, or purchased by the Federal Home Loan Mortgage Corporation or in Affordable Housing Program Trust Fund Bonds or Notes as defined in and issued pursuant to the Illinois Housing Development Act. All such obligations shall be considered as cash and may be delivered over as cash by a State Treasurer to his successor.

The State Treasurer may, with the approval of the Governor, purchase any state bonds with any money in the State Treasury that has been set aside and held for the payment of the principal of and interest on the bonds. The bonds shall be considered as cash and may be delivered over as cash by the State Treasurer to his successor.

The State Treasurer may, with the approval of the Governor, invest or reinvest any State money in the treasury that is not needed for current expenditure due or about to become due, or any money in the State Treasury that has been set aside and held for the payment of the principal of and the interest on any State bonds, in shares, withdrawable accounts,

and investment certificates of savings and building and loan associations, incorporated under the laws of this State or any other state or under the laws of the United States; provided, however, that investments may be made only in those savings and loan or building and loan associations the shares and withdrawable accounts or other forms of investment securities of which are insured by the Federal Deposit Insurance Corporation

The State Treasurer may not invest State money in any savings and loan or building and loan association unless a commitment by the savings and loan (or building and loan) association, executed by the president or chief executive officer of that association, is submitted in the following form:

The Savings and Loan (or Building and Loan) Association pledges not to reject arbitrarily mortgage loans for residential properties within any specific part of the community served by the savings and loan (or building and loan) association because of the location of the property. The savings and loan (or building and loan) association also pledges to make loans available on low and moderate income residential property throughout the community within the limits of its legal restrictions and prudent financial practices.

The State Treasurer may, with the approval of the Governor, invest or reinvest, at a price not to exceed par, any State money in the treasury that is not needed for current expenditures due or about to become due, or any money in the State Treasury that has been set aside and held for the payment of the principal of and interest on any State bonds, in bonds issued by counties or municipal corporations of the State of Illinois

The State Treasurer may, with the approval of the Governor, invest or reinvest any State money in the Treasury which is not needed for current expenditure, due or about to become due, or any money in the State Treasury which has been set aside and held for the payment of the principal of and the interest on any State bonds, in participations in loans, the principal of which participation is fully guaranteed by an agency or instrumentality of the United States government; provided, however, that such loan participations are represented by certificates issued only by banks which are incorporated under the laws of this State or any other state or under the laws of the United States, and such banks, but not the loan participation certificates, are insured by the Federal Deposit Insurance Corporation.

The State Treasurer may, with the approval of the Governor, invest or reinvest any State money in the Treasury that is not needed for current expenditure, due or about to become due, or any money in the State Treasury that has been set aside and held for the payment of the principal of and the interest on any State bonds, in any of the following:

(1) Bonds, notes, certificates of indebtedness, Treasury bills, or other securities now or hereafter issued that are guaranteed by the full faith and credit of the United States of America as to principal and interest.

(2) Bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and instrumentalities.

(2.5) Bonds, notes, debentures, or other similar obligations of a foreign government, other than the Republic of the Sudan, that are guaranteed by the full faith and credit of that government as to principal and interest, but only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for a period of at least 25 years immediately before the time of acquiring those obligations.

(3) Interest-bearing savings accounts, interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

(4) Interest-bearing accounts, certificates of deposit, or any other investments constituting direct obligations of any savings and loan associations incorporated under the laws of this State or any other state or under the laws of the United States.

(5) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of this State or the laws of the United States; provided, however, the principal office of the credit union must be located within the State of Illinois.

(6) Bankers' acceptances of banks whose senior obligations are rated in the top 2 rating categories by 2 national rating agencies and maintain that rating during the term of the investment.

(7) Short-term obligations of corporations organized in the United States with assets exceeding \$ 500,000,000 if (i) the obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and mature not later than 180 days from the date of purchase, (ii) the purchases do not exceed 10% of the corporation's outstanding obligations, (iii) no more than one-third of the public agency's funds are invested in short-term obligations of corporations, and (iv) the corporation **[A] HAS NOT BEEN IDENTIFIED AS A FORBIDDEN ENTITY, AS THAT TERM IS DEFINED IN SECTION 1-110.6 OF THE ILLINOIS PENSION CODE, BY AN INDEPENDENT RESEARCHING FIRM THAT SPECIALIZES IN GLOBAL SECURITY RISK THAT HAS BEEN ENGAGED BY THE STATE TREASURER [D]** is not a forbidden entity, as defined in Section 22.6 of the Deposit of State Moneys Act **[D]**.

(8) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of the money market mutual fund is limited to obligations described in this Section and to agreements to repurchase such obligations.

(9) The Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act or in a fund managed, operated, and administered by a bank.

(10) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of that Act and the regulations issued thereunder.

(11) Investments made in accordance with the Technology Development Act.

For purposes of this Section, "agencies" of the United States Government includes:

(i) the federal land banks, federal intermediate credit banks, banks for cooperatives, federal farm credit banks, or any other entity authorized to issue debt obligations under the Farm Credit Act of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto;

(ii) the federal home loan banks and the federal home loan mortgage corporation;

(iii) the Commodity Credit Corporation; and

(iv) any other agency created by Act of Congress.

The Treasurer may, with the approval of the Governor, lend any securities acquired under this Act. However, securities may be lent under this Section only in accordance with Federal Financial Institution Examination Council guidelines and only if the securities are collateralized at a level sufficient to assure the safety of the securities, taking into account market value fluctuation. The securities may be collateralized by cash or collateral acceptable under Sections 11 and 11.1. (Source: P.A. 94-79, eff. 1-27-06, for force and effect of certain provisions, see Section 90 of P.A. 94-79.)

Section 10. The State Treasurer Act is amended by changing Section 16.5 as follows:

(15 ILCS 505/16.5)

Sec. 16.5. College Savings Pool. The State Treasurer may establish and administer a College Savings Pool to supplement and enhance the investment opportunities otherwise available to persons seeking to finance the costs of higher education. The State Treasurer, in administering the College Savings Pool, may receive moneys paid into the pool by a participant and may serve as the fiscal agent of that participant for the purpose of holding and investing those moneys.

"Participant", as used in this Section, means any person who makes investments in the pool. "Designated beneficiary", as used in this Section, means any person on whose behalf an account is established in the College Savings Pool by a participant. Both in-state and out-of-state persons may be participants and designated beneficiaries in the College Savings Pool.

New accounts in the College Savings Pool shall be processed through participating financial institutions. "Participating financial institution", as used in this Section, means any financial institution insured by the Federal Deposit Insurance Corporation and lawfully doing business in the State of Illinois and any credit union approved by the State Treasurer and lawfully doing business in the State of Illinois that agrees to process new accounts in the College Savings Pool. Participating financial institutions may charge a processing fee to participants to open an account in the pool that shall not exceed \$ 30 until the year 2001. Beginning in 2001 and every year thereafter, the maximum fee limit shall be adjusted by the Treasurer based on the Consumer Price Index for the North Central Region as published by the United States Department of Labor, Bureau of Labor Statistics for the immediately preceding calendar year. Every contribution

received by a financial institution for investment in the College Savings Pool shall be transferred from the financial institution to a location selected by the State Treasurer within one business day following the day that the funds must be made available in accordance with federal law. All communications from the State Treasurer to participants shall reference the participating financial institution at which the account was processed.

The Treasurer may invest the moneys in the College Savings Pool in the same manner, in the same types of investments [D], and subject to the same limitations [D] provided for the investment of moneys by the Illinois State Board of Investment. To enhance the safety and liquidity of the College Savings Pool, to ensure the diversification of the investment portfolio of the pool, and in an effort to keep investment dollars in the State of Illinois, the State Treasurer shall make a percentage of each account available for investment in participating financial institutions doing business in the State. The State Treasurer shall deposit with the participating financial institution at which the account was processed the following percentage of each account at a prevailing rate offered by the institution, provided that the deposit is federally insured or fully collateralized and the institution accepts the deposit: 10% of the total amount of each account for which the current age of the beneficiary is less than 7 years of age, 20% of the total amount of each account for which the beneficiary is at least 7 years of age and less than 12 years of age, and 50% of the total amount of each account for which the current age of the beneficiary is at least 12 years of age. The State Treasurer shall adjust each account at least annually to ensure compliance with this Section. The Treasurer shall develop, publish, and implement an investment policy covering the investment of the moneys in the College Savings Pool. The policy shall be published (i) at least once each year in at least one newspaper of general circulation in both Springfield and Chicago and (ii) each year as part of the audit of the College Savings Pool by the Auditor General, which shall be distributed to all participants. The Treasurer shall notify all participants in writing, and the Treasurer shall publish in a newspaper of general circulation in both Chicago and Springfield, any changes to the previously published investment policy at least 30 calendar days before implementing the policy. Any investment policy adopted by the Treasurer shall be reviewed and updated if necessary within 90 days following the date that the State Treasurer takes office.

Participants shall be required to use moneys distributed from the College Savings Pool for qualified expenses at eligible educational institutions. "Qualified expenses", as used in this Section, means the following: (i) tuition, fees, and the costs of books, supplies, and equipment required for enrollment or attendance at an eligible educational institution and (ii) certain room and board expenses incurred while attending an eligible educational institution at least half-time. "Eligible educational institutions", as used in this Section, means public and private colleges, junior colleges, graduate schools, and certain vocational institutions that are described in Section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and that are eligible to participate in Department of Education student aid programs. A student shall be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic work load for the course of study the student is pursuing as determined under the standards of the institution at which the student is enrolled. Distributions made from the pool for qualified expenses shall be made directly to the eligible educational institution, directly to a vendor, or in the form of a check payable to both the beneficiary and the institution or vendor. Any moneys that are distributed in any other manner or that are used for expenses other than qualified expenses at an eligible educational institution shall be subject to a penalty of 10% of the earnings unless the beneficiary dies, becomes disabled, or receives a scholarship that equals or exceeds the distribution. Penalties shall be withheld at the time the distribution is made.

The Treasurer shall limit the contributions that may be made on behalf of a designated beneficiary based on an actuarial estimate of what is required to pay tuition, fees, and room and board for 5 undergraduate years at the highest cost eligible educational institution. The contributions made on behalf of a beneficiary who is also a beneficiary under the Illinois Prepaid Tuition Program shall be further restricted to ensure that the contributions in both programs combined do not exceed the limit established for the College Savings Pool. The Treasurer shall provide the Illinois Student Assistance Commission each year at a time designated by the Commission, an electronic report of all participant accounts in the Treasurer's College Savings Pool, listing total contributions and disbursements from each individual account during the previous calendar year. As soon thereafter as is possible following receipt of the Treasurer's report, the Illinois Student Assistance Commission shall, in turn, provide the Treasurer with an electronic report listing those College Savings Pool participants who also participate in the State's prepaid tuition program, administered by the Commission. The Commission shall be responsible for filing any combined tax reports regarding State qualified savings programs required by the United States Internal Revenue Service. The Treasurer shall work with the Illinois Student Assistance Commission to coordinate the marketing of the College Savings Pool and the Illinois Prepaid Tuition Program when considered beneficial by the Treasurer and the Director of the Illinois Student Assistance Commission. The Treasurer's office shall not publicize or otherwise market the College Savings Pool or accept any moneys into the College Savings Pool prior to March 1, 2000. The Treasurer shall provide a separate accounting for each designated beneficiary to each

participant, the Illinois Student Assistance Commission, and the participating financial institution at which the account was processed. No interest in the program may be pledged as security for a loan.

The assets of the College Savings Pool and its income and operation shall be exempt from all taxation by the State of Illinois and any of its subdivisions. The accrued earnings on investments in the Pool once disbursed on behalf of a designated beneficiary shall be similarly exempt from all taxation by the State of Illinois and its subdivisions, so long as they are used for qualified expenses. Contributions to a College Savings Pool account during the taxable year may be deducted from adjusted gross income as provided in Section 203 of the Illinois Income Tax Act. The provisions of this paragraph are exempt from Section 250 of the Illinois Income Tax Act.

The Treasurer shall adopt rules he or she considers necessary for the efficient administration of the College Savings Pool. The rules shall provide whatever additional parameters and restrictions are necessary to ensure that the College Savings Pool meets all of the requirements for a qualified state tuition program under Section 529 of the Internal Revenue Code (26 U.S.C. 529). The rules shall provide for the administration expenses of the pool to be paid from its earnings and for the investment earnings in excess of the expenses and all moneys collected as penalties to be credited or paid monthly to the several participants in the pool in a manner which equitably reflects the differing amounts of their respective investments in the pool and the differing periods of time for which those amounts were in the custody of the pool. Also, the rules shall require the maintenance of records that enable the Treasurer's office to produce a report for each account in the pool at least annually that documents the account balance and investment earnings. Notice of any proposed amendments to the rules and regulations shall be provided to all participants prior to adoption. Amendments to rules and regulations shall apply only to contributions made after the adoption of the amendment.

Upon creating the College Savings Pool, the State Treasurer shall give bond with 2 or more sufficient sureties, payable to and for the benefit of the participants in the College Savings Pool, in the penal sum of \$ 1,000,000, conditioned upon the faithful discharge of his or her duties in relation to the College Savings Pool. (Source: P.A. 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02; 93-812, eff. 1-1-05.)

Section 15. The Illinois Pension Code is amended by adding Sections 1-110.6 and 1-110.10 as follows:

(40 ILCS 5/1-110.6 new)

[A] SEC. 1-110.6. TRANSACTIONS PROHIBITED BY RETIREMENT SYSTEMS; REPUBLIC OF THE SUDAN. <A]

[A] (A) THE GOVERNMENT OF THE UNITED STATES HAS DETERMINED THAT SUDAN IS A NATION THAT SPONSORS TERRORISM AND GENOCIDE. THE GENERAL ASSEMBLY FINDS THAT ACTS OF TERRORISM HAVE CAUSED INJURY AND DEATH TO ILLINOIS AND UNITED STATES RESIDENTS WHO SERVE IN THE UNITED STATES MILITARY, AND POSE A SIGNIFICANT THREAT TO SAFETY AND HEALTH IN ILLINOIS. THE GENERAL ASSEMBLY FINDS THAT PUBLIC EMPLOYEES AND THEIR FAMILIES, INCLUDING POLICE OFFICERS AND FIREFIGHTERS, ARE MORE LIKELY THAN OTHERS TO BE AFFECTED BY ACTS OF TERRORISM. THE GENERAL ASSEMBLY FINDS THAT SUDAN CONTINUES TO SOLICIT INVESTMENT AND COMMERCIAL ACTIVITIES BY FORBIDDEN ENTITIES, INCLUDING PRIVATE MARKET FUNDS. THE GENERAL ASSEMBLY FINDS THAT INVESTMENTS IN FORBIDDEN ENTITIES ARE INHERENTLY AND UNDULY RISKY, NOT IN THE INTERESTS OF PUBLIC PENSIONERS AND ILLINOIS TAXPAYERS, AND AGAINST PUBLIC POLICY. THE GENERAL ASSEMBLY FINDS THAT SUDAN'S CAPACITY TO SPONSOR TERRORISM AND GENOCIDE DEPENDS ON OR IS SUPPORTED BY THE ACTIVITIES OF FORBIDDEN ENTITIES. THE GENERAL ASSEMBLY FURTHER FINDS AND RE-AFFIRMS THAT THE PEOPLE OF THE STATE, ACTING THROUGH THEIR REPRESENTATIVES, DO NOT WANT TO BE ASSOCIATED WITH FORBIDDEN ENTITIES, GENOCIDE, AND TERRORISM. <A]

[A] (B) FOR PURPOSES OF THIS SECTION: <A]

[A] "BUSINESS OPERATIONS" MEANS MAINTAINING, SELLING, OR LEASING EQUIPMENT, FACILITIES, PERSONNEL, OR ANY OTHER APPARATUS OF BUSINESS OR COMMERCE IN THE REPUBLIC OF THE SUDAN, INCLUDING THE OWNERSHIP OR POSSESSION OF REAL OR PERSONAL PROPERTY LOCATED IN THE REPUBLIC OF THE SUDAN. <A]

[A] "CERTIFYING COMPANY" MEANS A COMPANY THAT (1) DIRECTLY PROVIDES ASSET MANAGEMENT SERVICES OR ADVICE TO A RETIREMENT SYSTEM OR (2) AS DIRECTLY AUTHORIZED OR REQUESTED BY A RETIREMENT SYSTEM (A) IDENTIFIES PARTICULAR INVESTMENT OPTIONS FOR

CONSIDERATION OR APPROVAL; (B) CHOOSES PARTICULAR INVESTMENT OPTIONS; OR (C) ALLOCATES PARTICULAR AMOUNTS TO BE INVESTED. IF NO COMPANY MEETS THE CRITERIA SET FORTH IN THIS PARAGRAPH, THEN "CERTIFYING COMPANY" SHALL MEAN THE RETIREMENT SYSTEM OFFICER WHO, AS DESIGNATED BY THE BOARD, EXECUTES THE INVESTMENT DECISIONS MADE BY THE BOARD, OR, IN THE ALTERNATIVE, THE COMPANY THAT THE BOARD AUTHORIZES TO COMPLETE THE CERTIFICATION AS THE AGENT OF THAT OFFICER. <A>

[A> "COMPANY" IS ANY ENTITY CAPABLE OF AFFECTING COMMERCE, INCLUDING BUT NOT LIMITED TO (I) A GOVERNMENT, GOVERNMENT AGENCY, NATURAL PERSON, LEGAL PERSON, SOLE PROPRIETORSHIP, PARTNERSHIP, FIRM, CORPORATION, SUBSIDIARY, AFFILIATE, FRANCHISOR, FRANCHISEE, JOINT VENTURE, TRADE ASSOCIATION, FINANCIAL INSTITUTION, UTILITY, PUBLIC FRANCHISE, PROVIDER OF FINANCIAL SERVICES, TRUST, OR ENTERPRISE; AND (II) ANY ASSOCIATION THEREOF. <A>

[A> "DEPARTMENT" MEANS THE PUBLIC PENSION DIVISION OF THE DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION. <A>

[A> "FORBIDDEN ENTITY" MEANS ANY OF THE FOLLOWING: <A>

[A> (1) THE GOVERNMENT OF THE REPUBLIC OF THE SUDAN AND ANY OF ITS AGENCIES, INCLUDING BUT NOT LIMITED TO POLITICAL UNITS AND SUBDIVISIONS; <A>

[A> (2) ANY COMPANY THAT IS WHOLLY OR PARTIALLY MANAGED OR CONTROLLED BY THE GOVERNMENT OF THE REPUBLIC OF THE SUDAN AND ANY OF ITS AGENCIES, INCLUDING BUT NOT LIMITED TO POLITICAL UNITS AND SUBDIVISIONS; <A>

[A> (3) ANY COMPANY (I) THAT IS ESTABLISHED OR ORGANIZED UNDER THE LAWS OF THE REPUBLIC OF THE SUDAN OR (II) WHOSE PRINCIPAL PLACE OF BUSINESS IS IN THE REPUBLIC OF THE SUDAN; <A>

[A> (4) ANY COMPANY (I) IDENTIFIED BY THE OFFICE OF FOREIGN ASSETS CONTROL IN THE UNITED STATES DEPARTMENT OF THE TREASURY AS SPONSORING TERRORIST ACTIVITIES IN THE REPUBLIC OF THE SUDAN; OR (II) FINED, PENALIZED OR SANCTIONED BY THE OFFICE OF FOREIGN ASSETS CONTROL IN THE UNITED STATES DEPARTMENT OF THE TREASURY FOR ANY VIOLATION OF ANY UNITED STATES RULES AND RESTRICTIONS RELATING TO THE REPUBLIC OF THE SUDAN THAT OCCURRED AT ANY TIME FOLLOWING THE EFFECTIVE DATE OF THIS ACT; <A>

[A> (5) ANY PUBLICLY TRADED COMPANY THAT IS INDIVIDUALLY IDENTIFIED BY AN INDEPENDENT RESEARCHING FIRM THAT SPECIALIZES IN GLOBAL SECURITY RISK AND THAT HAS BEEN RETAINED BY A CERTIFYING COMPANY AS PROVIDED IN SUBSECTION (C) OF THIS SECTION AS BEING A COMPANY THAT OWNS OR CONTROLS PROPERTY OR ASSETS LOCATED IN, HAS EMPLOYEES OR FACILITIES LOCATED IN, PROVIDES GOODS OR SERVICES TO, OBTAINS GOODS OR SERVICES FROM, HAS DISTRIBUTION AGREEMENTS WITH, ISSUES CREDITS OR LOANS TO, PURCHASES BONDS OR COMMERCIAL PAPER ISSUED BY, OR INVESTS IN (A) THE REPUBLIC OF THE SUDAN; OR (B) ANY COMPANY DOMICILED IN THE REPUBLIC OF THE SUDAN; AND <A>

[A> (6) ANY PRIVATE MARKET FUND THAT FAILS TO SATISFY THE REQUIREMENTS SET FORTH IN SUBSECTIONS (D) AND (E) OF THIS SECTION. <A>

[A> NOTWITHSTANDING THE FOREGOING, THE TERM "FORBIDDEN ENTITY" SHALL EXCLUDE (A) MUTUAL FUNDS THAT MEET THE REQUIREMENTS OF ITEM (III) OF PARAGRAPH (13) OF SECTION 1-113.2 AND (B) COMPANIES THAT TRANSACT BUSINESS IN THE REPUBLIC OF THE SUDAN UNDER THE LAW, LICENSE, OR PERMIT OF THE UNITED STATES, INCLUDING A LICENSE FROM THE UNITED STATES DEPARTMENT OF THE TREASURY, AND COMPANIES, EXCEPT AGENCIES OF THE REPUBLIC OF THE SUDAN, WHO ARE CERTIFIED AS NON-GOVERNMENT ORGANIZATIONS BY THE UNITED NATIONS, OR WHO ENGAGE SOLELY IN (I) THE PROVISION OF GOODS AND SERVICES INTENDED TO RELIEVE HUMAN SUFFERING OR TO PROMOTE WELFARE, HEALTH, RELIGIOUS AND SPIRITUAL ACTIVITIES, AND EDUCATION OR HUMANITARIAN PURPOSES; OR (II) JOURNALISTIC ACTIVITIES. <A>

[A] "PRIVATE MARKET FUND" MEANS ANY PRIVATE EQUITY FUND, PRIVATE EQUITY FUND OF FUNDS, VENTURE CAPITAL FUND, HEDGE FUND, HEDGE FUND OF FUNDS, REAL ESTATE FUND, OR OTHER INVESTMENT VEHICLE THAT IS NOT PUBLICLY TRADED. <A]

[A] "REPUBLIC OF THE SUDAN" MEANS THOSE GEOGRAPHIC AREAS OF THE REPUBLIC OF SUDAN THAT ARE SUBJECT TO SANCTION OR OTHER RESTRICTIONS PLACED ON COMMERCIAL ACTIVITY IMPOSED BY THE UNITED STATES GOVERNMENT DUE TO AN EXECUTIVE OR CONGRESSIONAL DECLARATION OF GENOCIDE. <A]

[A] "RETIREMENT SYSTEM" MEANS THE STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS, THE JUDGES RETIREMENT SYSTEM OF ILLINOIS, THE GENERAL ASSEMBLY RETIREMENT SYSTEM, THE STATE UNIVERSITY RETIREMENT SYSTEM, AND THE TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS. <A]

[A] (C) A RETIREMENT SYSTEM SHALL NOT TRANSFER OR DISBURSE FUNDS TO, DEPOSIT INTO, ACQUIRE ANY BONDS OR COMMERCIAL PAPER FROM, OR OTHERWISE LOAN TO OR INVEST IN ANY ENTITY UNLESS, AS PROVIDED IN THIS SECTION, A CERTIFYING COMPANY CERTIFIES TO THE RETIREMENT SYSTEM THAT, (1) WITH RESPECT TO INVESTMENTS IN A PUBLICLY TRADED COMPANY, THE CERTIFYING COMPANY HAS RELIED ON INFORMATION PROVIDED BY AN INDEPENDENT RESEARCHING FIRM THAT SPECIALIZES IN GLOBAL SECURITY RISK AND (2) 100% OF THE RETIREMENT SYSTEM'S ASSETS FOR WHICH THE CERTIFYING COMPANY PROVIDES SERVICES OR ADVICE ARE NOT AND HAVE NOT BEEN INVESTED OR REINVESTED IN ANY FORBIDDEN ENTITY AT ANY TIME AFTER 4 MONTHS AFTER THE EFFECTIVE DATE OF THIS SECTION. <A]

[A] THE CERTIFYING COMPANY SHALL MAKE THE CERTIFICATION REQUIRED UNDER THIS SUBSECTION (C) TO A RETIREMENT SYSTEM 6 MONTHS AFTER THE EFFECTIVE DATE OF THIS SECTION AND ANNUALLY THEREAFTER. A RETIREMENT SYSTEM SHALL SUBMIT THE CERTIFICATIONS TO THE DEPARTMENT, AND THE DEPARTMENT SHALL NOTIFY THE SECRETARY OF FINANCIAL AND PROFESSIONAL REGULATION IF A RETIREMENT SYSTEM FAILS TO DO SO. <A]

[A] (D) WITH RESPECT TO A COMMITMENT OR INVESTMENT MADE PURSUANT TO A WRITTEN AGREEMENT EXECUTED PRIOR TO THE EFFECTIVE DATE OF THIS SECTION, EACH PRIVATE MARKET FUND SHALL SUBMIT TO THE APPROPRIATE CERTIFYING COMPANY, AT NO ADDITIONAL COST TO THE RETIREMENT SYSTEM: <A]

[A] (1) AN AFFIDAVIT SWORN UNDER OATH IN WHICH AN EXPRESSLY AUTHORIZED OFFICER OF THE PRIVATE MARKET FUND AVERS THAT THE PRIVATE MARKET FUND (A) DOES NOT OWN OR CONTROL ANY PROPERTY OR ASSET LOCATED IN THE REPUBLIC OF THE SUDAN AND (B) DOES NOT CONDUCT BUSINESS OPERATIONS IN THE REPUBLIC OF THE SUDAN; OR <A]

[A] (2) A CERTIFICATE IN WHICH AN EXPRESSLY AUTHORIZED OFFICER OF THE PRIVATE MARKET FUND CERTIFIES THAT THE PRIVATE MARKET FUND, BASED ON REASONABLE DUE DILIGENCE, HAS DETERMINED THAT, OTHER THAN DIRECT OR INDIRECT INVESTMENTS IN COMPANIES CERTIFIED AS NON-GOVERNMENT ORGANIZATIONS BY THE UNITED NATIONS, THE PRIVATE MARKET FUND HAS NO DIRECT OR INDIRECT INVESTMENT IN ANY COMPANY (A) ORGANIZED UNDER THE LAWS OF THE REPUBLIC OF THE SUDAN; (B) WHOSE PRINCIPAL PLACE OF BUSINESS IS IN THE REPUBLIC OF THE SUDAN; OR (C) THAT CONDUCTS BUSINESS OPERATIONS IN THE REPUBLIC OF THE SUDAN. SUCH CERTIFICATE SHALL BE BASED UPON THE PERIODIC REPORTS RECEIVED BY THE PRIVATE MARKET FUND, AND THE PRIVATE MARKET FUND SHALL AGREE THAT THE CERTIFYING COMPANY, DIRECTLY OR THROUGH AN AGENT, OR THE RETIREMENT SYSTEM, AS THE CASE MAY BE, MAY FROM TIME TO TIME REVIEW THE PRIVATE MARKET FUND'S CERTIFICATION PROCESS. <A]

[A] (E) WITH RESPECT TO A COMMITMENT OR INVESTMENT MADE PURSUANT TO A WRITTEN AGREEMENT EXECUTED AFTER THE EFFECTIVE DATE OF THIS SECTION, EACH PRIVATE MARKET FUND SHALL, AT NO ADDITIONAL COST TO THE RETIREMENT SYSTEM: <A]

[A] (1) SUBMIT TO THE APPROPRIATE CERTIFYING COMPANY AN AFFIDAVIT OR CERTIFICATE CONSISTENT WITH THE REQUIREMENTS PURSUANT TO SUBSECTION (D) OF THIS SECTION; OR <A]

[A] (2) ENTER INTO AN ENFORCEABLE WRITTEN AGREEMENT WITH THE RETIREMENT SYSTEM THAT PROVIDES FOR REMEDIES CONSISTENT WITH THOSE SET FORTH IN SUBSECTION (G) OF THIS SECTION IF ANY OF THE ASSETS OF THE RETIREMENT SYSTEM SHALL BE TRANSFERRED, LOANED, OR OTHERWISE INVESTED IN ANY COMPANY THAT DIRECTLY OR INDIRECTLY (A) HAS FACILITIES OR EMPLOYEES IN THE REPUBLIC OF THE SUDAN OR (B) CONDUCTS BUSINESS OPERATIONS IN THE REPUBLIC OF THE SUDAN. <A]

[A] (F) IN ADDITION TO ANY OTHER PENALTIES AND REMEDIES AVAILABLE UNDER THE LAW OF ILLINOIS AND THE UNITED STATES, ANY TRANSACTION, OTHER THAN A TRANSACTION WITH A PRIVATE MARKET FUND THAT IS GOVERNED BY SUBSECTIONS (G) AND (H) OF THIS SECTION, THAT VIOLATES THE PROVISIONS OF THIS ACT SHALL BE AGAINST PUBLIC POLICY AND VOIDABLE, AT THE SOLE DISCRETION OF THE RETIREMENT SYSTEM. <A]

[A] (G) IF A PRIVATE MARKET FUND FAILS TO PROVIDE THE AFFIDAVIT OR CERTIFICATION REQUIRED IN SUBSECTIONS (D) AND (E) OF THIS SECTION, THEN THE RETIREMENT SYSTEM SHALL, WITHIN 90 DAYS, DIVEST, OR ATTEMPT IN GOOD FAITH TO DIVEST, THE RETIREMENT SYSTEM'S INTEREST IN THE PRIVATE MARKET FUND, PROVIDED THAT THE BOARD OF THE RETIREMENT SYSTEM CONFIRMS THROUGH RESOLUTION THAT THE DIVESTMENT DOES NOT HAVE A MATERIAL AND ADVERSE IMPACT ON THE RETIREMENT SYSTEM. THE RETIREMENT SYSTEM SHALL IMMEDIATELY NOTIFY THE DEPARTMENT, AND THE DEPARTMENT SHALL NOTIFY ALL OTHER RETIREMENT SYSTEMS, AS SOON AS PRACTICABLE, BY POSTING THE NAME OF THE PRIVATE MARKET FUND ON THE DEPARTMENT'S INTERNET WEBSITE OR THROUGH E-MAIL COMMUNICATIONS. NO OTHER RETIREMENT SYSTEM MAY ENTER INTO ANY AGREEMENT UNDER WHICH THE RETIREMENT SYSTEM DIRECTLY OR INDIRECTLY INVESTS IN THE PRIVATE MARKET FUND UNLESS THE PRIVATE MARKET FUND PROVIDES THAT RETIREMENT SYSTEM WITH THE AFFIDAVIT OR CERTIFICATION REQUIRED IN SUBSECTIONS (D) AND (E) OF THIS SECTION AND COMPLIES WITH ALL OTHER PROVISIONS OF THIS SECTION. <A]

[A] (H) IF A PRIVATE MARKET FUND FAILS TO FULFILL ITS OBLIGATIONS UNDER ANY AGREEMENT PROVIDED FOR IN PARAGRAPH (2) OF SUBSECTION (E) OF THIS SECTION, THE RETIREMENT SYSTEM SHALL IMMEDIATELY TAKE LEGAL AND OTHER ACTION TO OBTAIN SATISFACTION THROUGH ALL REMEDIES AND PENALTIES AVAILABLE UNDER THE LAW AND THE AGREEMENT ITSELF. THE RETIREMENT SYSTEM SHALL IMMEDIATELY NOTIFY THE DEPARTMENT, AND THE DEPARTMENT SHALL NOTIFY ALL OTHER RETIREMENT SYSTEMS, AS SOON AS PRACTICABLE, BY POSTING THE NAME OF THE PRIVATE MARKET FUND ON THE DEPARTMENT'S INTERNET WEBSITE OR THROUGH E-MAIL COMMUNICATIONS, AND NO OTHER RETIREMENT SYSTEM MAY ENTER INTO ANY AGREEMENT UNDER WHICH THE RETIREMENT SYSTEM DIRECTLY OR INDIRECTLY INVESTS IN THE PRIVATE MARKET FUND. <A]

[A] (I) THIS SECTION SHALL HAVE FULL FORCE AND EFFECT DURING ANY PERIOD IN WHICH THE REPUBLIC OF THE SUDAN, OR THE OFFICIALS OF THE GOVERNMENT OF THAT REPUBLIC, ARE SUBJECT TO SANCTIONS AUTHORIZED UNDER ANY STATUTE OR EXECUTIVE ORDER OF THE UNITED STATES OR UNTIL SUCH TIME AS THE STATE DEPARTMENT OF THE UNITED STATES CONFIRMS IN THE FEDERAL REGISTER OR THROUGH OTHER MEANS THAT THE REPUBLIC OF THE SUDAN IS NO LONGER SUBJECT TO SANCTIONS BY THE GOVERNMENT OF THE UNITED STATES. <A]

[A] (J) IF ANY PROVISION OF THIS SECTION OR ITS APPLICATION TO ANY PERSON OR CIRCUMSTANCE IS HELD INVALID, THE INVALIDITY OF THAT PROVISION OR APPLICATION DOES NOT AFFECT OTHER PROVISIONS OR APPLICATIONS OF THIS SECTION THAT CAN BE GIVEN EFFECT WITHOUT THE INVALID PROVISION OR APPLICATION. <A]

(40 ILCS 5/1-110.10 new)

[A] SEC. 1-110.10. SERVICER CERTIFICATION. <A]

[A] (A) FOR THE PURPOSES OF THIS SECTION: <A]

[A] "ILLINOIS FINANCE ENTITY" MEANS ANY ENTITY CHARTERED UNDER THE ILLINOIS BANKING ACT, THE SAVINGS BANK ACT, THE ILLINOIS CREDIT UNION ACT, OR THE ILLINOIS SAVINGS AND LOAN ACT OF 1985 AND ANY PERSON OR ENTITY LICENSED UNDER THE RESIDENTIAL MORT-

GAGE LICENSE ACT OF 1987, THE CONSUMER INSTALLMENT LOAN ACT, OR THE SALES FINANCE AGENCY ACT. <A]

[A> "RETIREMENT SYSTEM OR PENSION FUND" MEANS A RETIREMENT SYSTEM OR PENSION FUND ESTABLISHED UNDER THIS CODE. <A]

[A> (B) IN ORDER FOR AN ILLINOIS FINANCE ENTITY TO BE ELIGIBLE FOR INVESTMENT OR DEPOSIT OF RETIREMENT SYSTEM OR PENSION FUND ASSETS, THE ILLINOIS FINANCE ENTITY MUST ANNUALLY CERTIFY THAT IT COMPLIES WITH THE REQUIREMENTS OF THE HIGH RISK HOME LOAN ACT AND THE RULES ADOPTED PURSUANT TO THAT ACT THAT ARE APPLICABLE TO THAT ILLINOIS FINANCE ENTITY. FOR ILLINOIS FINANCE ENTITIES WITH WHOM THE RETIREMENT SYSTEM OR PENSION FUND IS INVESTING OR DEPOSITING ASSETS ON THE EFFECTIVE DATE OF THIS SECTION, THE INITIAL CERTIFICATION REQUIRED UNDER THIS SECTION SHALL BE COMPLETED WITHIN 6 MONTHS AFTER THE EFFECTIVE DATE OF THIS SECTION. FOR ILLINOIS FINANCE ENTITIES WITH WHOM THE RETIREMENT SYSTEM OR PENSION FUND IS NOT INVESTING OR DEPOSITING ASSETS ON THE EFFECTIVE DATE OF THIS SECTION, THE INITIAL CERTIFICATION REQUIRED UNDER THIS SECTION MUST BE COMPLETED BEFORE THE RETIREMENT SYSTEM OR PENSION FUND MAY INVEST OR DEPOSIT ASSETS WITH THE ILLINOIS FINANCE ENTITY. <A]

[A> (C) A RETIREMENT SYSTEM OR PENSION FUND SHALL SUBMIT THE CERTIFICATIONS TO THE PUBLIC PENSION DIVISION OF THE DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION, AND THE DIVISION SHALL NOTIFY THE SECRETARY OF FINANCIAL AND PROFESSIONAL REGULATION IF A RETIREMENT SYSTEM OR PENSION FUND FAILS TO DO SO. <A]

[A> (D) IF AN ILLINOIS FINANCE ENTITY FAILS TO PROVIDE AN INITIAL CERTIFICATION WITHIN 6 MONTHS AFTER THE EFFECTIVE DATE OF THIS SECTION OR FAILS TO SUBMIT AN ANNUAL CERTIFICATION, THEN THE RETIREMENT SYSTEM OR PENSION FUND SHALL NOTIFY THE ILLINOIS FINANCE ENTITY. THE ILLINOIS FINANCE ENTITY SHALL, WITHIN 30 DAYS AFTER THE DATE OF NOTIFICATION, EITHER (I) NOTIFY THE RETIREMENT SYSTEM OR PENSION FUND OF ITS INTENTION TO CERTIFY AND COMPLETE CERTIFICATION OR (II) NOTIFY THE RETIREMENT SYSTEM OR PENSION FUND OF ITS INTENTION TO NOT COMPLETE CERTIFICATION. IF AN ILLINOIS FINANCE ENTITY FAILS TO PROVIDE CERTIFICATION, THEN THE RETIREMENT SYSTEM OR PENSION FUND SHALL, WITHIN 90 DAYS, DIVEST, OR ATTEMPT IN GOOD FAITH TO DIVEST, THE RETIREMENT SYSTEM'S OR PENSION FUND'S ASSETS WITH THAT ILLINOIS FINANCE ENTITY. THE RETIREMENT SYSTEM OR PENSION FUND SHALL IMMEDIATELY NOTIFY THE DEPARTMENT OF THE ILLINOIS FINANCE ENTITY'S FAILURE TO PROVIDE CERTIFICATION. <A]

[A> (E) IF ANY PROVISION OF THIS SECTION OR ITS APPLICATION TO ANY PERSON OR CIRCUMSTANCE IS HELD INVALID, THE INVALIDITY OF THAT PROVISION OR APPLICATION DOES NOT AFFECT OTHER PROVISIONS OR APPLICATIONS OF THIS SECTION THAT CAN BE GIVEN EFFECT WITHOUT THE INVALID PROVISION OR APPLICATION. <A]

(15 ILCS 520/22.6 rep.)

Section 90. The Deposit of State Moneys Act is amended by repealing Section 22.6.

(40 ILCS 5/1-110.5 rep.)

Section 95. The Illinois Pension Code is amended by repealing Section 1-110.5.

Section 96. The State Mandates Act is amended by adding Section 8.31 as follows:

(30 ILCS 805/8.31 new)

[A> SEC. 8.31. EXEMPT MANDATE. NOTWITHSTANDING SECTIONS 6 AND 8 OF THIS ACT, NO REIMBURSEMENT BY THE STATE IS REQUIRED FOR THE IMPLEMENTATION OF ANY MANDATE CREATED BY THIS AMENDATORY ACT OF THE 95TH GENERAL ASSEMBLY <A]

Section 97. Severability. If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this Act that can be given effect without the invalid provision or application.

Section 99. Effective date. This Act takes effect upon becoming law.

SPONSOR: Collins

SUBJECT: TREASURY DEPARTMENTS (95%); US STATE GOVERNMENT (93%); PUBLIC FINANCE AGENCIES & TREASURIES (92%); BANKING & FINANCE (63%); MUNICIPAL BONDS (63%); PUBLIC DEBT (63%); BONDS (63%); GOVERNMENT BONDS (63%); MORTGAGE BANKING & FINANCE (62%); APPROVALS (62%); SAVINGS & LOANS (62%);

LOAD-DATE: August 29, 2007

Attachment D

"Should Public Plans Engage in Social Investing?"

Alicia Munnell, Center for Retirement Research at Boston College, August 2007

SHOULD PUBLIC PLANS ENGAGE IN SOCIAL INVESTING?

By ALICIA H. MUNNELL*

Introduction

Social investing is a movement that advocates incorporating social and environmental considerations, as well as financial factors, when making investment decisions. The most recent incarnation of this movement is the initiative by state legislatures to force public pension funds to sell their holdings of companies doing business in Sudan. The effort to divest Sudan-linked stocks began in 2004 after the U.S. government characterized the killing and displacement in Darfur province as genocide.¹ Riding on the coattails of the success of the Sudan effort, state legislatures have now targeted Iran, with a goal of "terror-free" investing. The emotional appeal of such actions is powerful. Over 2 million civilians have been displaced and more than 200,000 slaughtered in Darfur since 2003.² And Iran refuses to back away from its pursuit of nuclear weapons.³ But strong arguments also exist against using public pension plans to accomplish foreign policy goals.

This brief explores the current world of social investing, the recent efforts regarding the Sudan and Iran, the likely impact of social investing on the target firms, and the reasons why such activity may be inappropriate for public pension plans.

What Is Social Investing? How Much? Who's Doing It?

Social investing takes three primary forms: 1) screening (either excluding "bad" companies or including "good" companies); 2) shareholder advocacy; and 3) community investing. The Social Investment Forum (SIF), a trade group of social investors, reports that at the end of 2005, in terms of assets under management, screening is by far the most prevalent approach (see Figure 1). Significantly less is involved in shareholder advocacy, and community investing activity is tiny.

FIGURE 1. SOCIAL INVESTING IN THE UNITED STATES BY TYPE OF STRATEGY, 2005



Source: Social Investment Forum (2006).

* Alicia H. Munnell is the Director of the Center for Retirement Research at Boston College (CRR) and the Peter F. Drucker Professor of Management Sciences at Boston College's Carroll School of Management. Jeryllyn Libby served as the major research assistant on this project. Dan Muldoon also provided able assistance. John Langbein and Alan Marcus provided valuable comments.

TABLE 1. ASSETS IN SOCIALLY SCREENED PORTFOLIOS, 1999-2005 (BILLIONS)

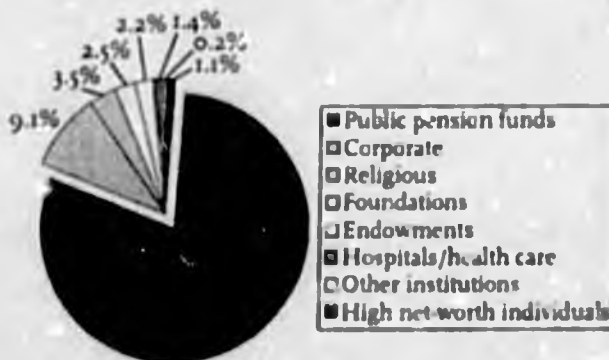
Year	Mutual funds	Separate accounts	Total
1995	\$12	\$150	\$162
1997	57	433	490
1999	154	1,343	1,497
2001	140	1,870	2,010
2003	151	1,992	2,143
2005	179	1,506	1,685

Source: Center for Retirement Research at Boston College (2006).

The Social Investment Forum reports that as of the end of 2005, mutual funds with social screens held \$179 billion and that socially screened "separate accounts," which are managed for individuals and institutional clients, held \$1,506 billion (see Table 1). The SIF calculates that these totals amount to 9.4 percent of all public and private assets under management.

The bulk of the money in separate accounts (80 percent) is the assets of public pension funds (see Figure 2). And screening is pervasive among public funds. The SIF numbers suggest that, in 2005, \$1.2 trillion of public pension fund assets were screened by some criteria. These screened assets accounted for 45 percent of total state and local pension holdings in that year.⁴

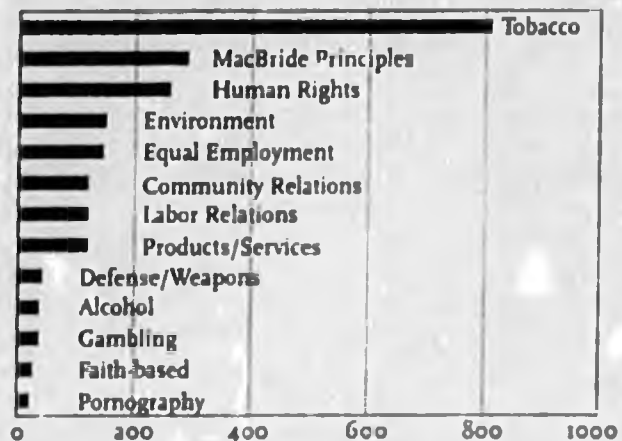
FIGURE 2. SOCIALLY SCREENED INVESTOR ASSETS, 2005



Source: Social Investment Forum (2006).

The screens vary by the nature of the customer. As of 2005, by far the most popular approach for mutual funds was a negative screen for tobacco; alcohol came in second; gambling third.⁵ But the pattern for institutional separate accounts, which is dominated by public plans, is quite different. For these accounts, the MacBride Principles (relating to fair hiring in Northern Ireland), Human Rights, the Environment, and Equal Employment Opportunity ranked among the top social concerns (see Figure 3).

FIGURE 3. SOCIAL SCREENING BY INSTITUTIONAL INVESTORS, 2005 (BILLIONS)



Source: Social Investment Forum (2006).

Note that almost none of the screened money is held in private sector defined benefit pension funds.⁶ These private plans are covered by the Employee Retirement Income Security Act (ERISA), and right from the beginning the Department of Labor has stringently enforced ERISA's duties of loyalty and prudence.⁷ In 1980, the chief administrator of the Department of Labor's pension section published an influential article that warned that the exclusion of investment options would be very hard to defend under ERISA's prudence and loyalty tests.⁸ And a 1994 Interpretive Bulletin reminded fiduciaries that they are prohibited from subordinating the interests of participants and beneficiaries ... to unrelated objectives.⁹ Thus, ERISA fiduciary law has effectively constrained social investing in private sector defined benefit plans.¹⁰ Social investing is a public pension fund phenomenon.

Recent Developments – Sudan and Now Iran

During 2005, and therefore not reflected in Figure 3, state legislatures in Arizona, Illinois, Louisiana, New Jersey, and Oregon passed legislation related to companies with operations in Sudan.¹¹ Since then some states have branched out to include Iran. And Missouri has taken the lead in initiating an entirely “terror-free” investment policy. American companies have been barred for some time from doing business in either Sudan or with states considered sponsors of terrorism according to the U.S. State Department (Cuba, Iran, North Korea, Sudan and Syria).¹² But in a world of global investing, U.S. investors can have a link to Sudan or “terror states” through foreign stock holdings. Such foreign holdings would be most affected by the recent state legislation.

Sudan

As of August 2007, eighteen states have passed laws regarding divestment of state pension and other funds from Sudan (see Figure 4).¹³ Divesting is not easy, however. State and local pension funds tend to invest in global indices, so the exercise involves identifying the companies with links to Sudan and then constructing a Sudan-free index that mimics established benchmarks.

Generally, the states have asked their money managers to figure out which stocks have a Sudan link. Money managers, in turn, have left it to the social investing firms, such as KLD Research and Analytics Institutional Shareholders Services, and the Conflict Securities Advisory Group to identify companies involved in Sudan. KLD originally said that 124 companies were on its Sudan list, including eight American companies.¹⁴ The social investing firms refuse to make the names public, however, since that is how they earn their money.¹⁵ And apparently, the lists are not definitive. Some companies appeared on the original KLD list even though they were not actually doing business in Sudan. And for at least one, 3M, its involvement was the result of a U.N. purchase of Scotchshield Ultra Safety and Security Film to protect embassy and mission windows from explosions, a transaction that was authorized by the federal government.¹⁶

The Sudan Divestment Task Force (2007) publishes a more tightly targeted list, recommending the divestment of only 28 companies. These are compa-

FIGURE 4. STATES THAT HAVE ENACTED OR ARE CONSIDERING SUDAN DIVESTMENT LEGISLATION, 2007



Sources: National Conference of State Legislatures (2007); Office of Missouri State Treasurer (2005); Sudan Divestment Task Force (2007); State of Arizona (2005), State of Arkansas (2007); and State of Louisiana (2005 and 2007).

nies that 1) do business with the Sudanese government; 2) provide little benefit to the disadvantaged of Sudan; and 3) have not developed policies to prevent their business activities from inadvertently contributing to the government's genocide capability.

Fund managers take the Sudan-link list and attempt to construct “Sudan Free” funds that mimic popular benchmarks. This step is also a challenge. According to the chief investment strategist at Northern Trust, whose fund tracks the Morgan Stanley Capital International Europe Australasia Far East index (MSCI EAFE) index, constructing a “Sudan-free” index will require divesting 25 companies or 9 percent of assets.¹⁷

Despite the challenges involved, public funds have moved \$2.2 billion away from Sudan-linked companies between 2005 and 2007.¹⁸

Iran

More recently, “terror-free” investment has been picking up steam. The primary targets are companies doing business in Iran.¹⁹ As noted above, U.S. companies have long been barred from operating in Iran, but more than 200 multinationals have investments there, from Royal Dutch Shell and France's telecommunications-equipment company Alcatel to Sweden's electronics company Ericsson.²⁰

On June 8, 2007, Florida's governor signed a Sudan and Iran Divestiture bill into law. Florida follows other states with regard to Sudan, but is the first to enact divestiture legislation for companies doing business with Iran.²¹ Louisiana, which had passed "terror-free investing" legislation in 2005, permits — but does not require — divestment. Arizona, which also passed legislation in 2005, only requires the public retirement system to disclose investments in terror-linked companies. In Illinois, the state Senate passed an Iran divestment bill on June 14, 2007 which would compel the state's five retirement systems to divest Iran-connected companies in energy and other natural resources.²² California, Georgia, Kansas, Michigan, Missouri, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, and Texas are also considering adopting Iran-free investing (see Figure 5).²³

If some of the bills are passed in their broadest form, institutions may be forced to sell \$18 billion

in investments.²⁴ Selling all Iran-related securities would add substantial risk to an indexed international equity portfolio. State Street Global Advisors (SSgA), Boston, has had preliminary conversations with clients about Iran divestments. SSgA estimates that if all companies with ties to Iran were removed from Morgan Stanley's EAFE index and replaced with similar performing companies, it would introduce a tracking error of up to 200 basis points, compared to the tracking error on a typical index of between five and 10 basis points.²⁵

Some state legislatures, however, are limiting the scope of divestiture to energy-related stocks, arguing that such action is likely to be most effective in curbing terrorist activities. Narrowing the scope greatly reduces the number of stocks and amount that would have to be sold.²⁶

Iran is a more politically complicated issue than Sudan. Sometimes promoters of "divest Iran" suggest that the effort is aimed at Al Qaeda.²⁷ But Al Qaeda is an enemy without a state and therefore difficult to target. In addition, the U.S. government is not enthusiastic about the effort, because it is working on its own initiative with allies to curtail business transactions tied to nuclear activities and support for terrorism. Treasury and State Department officials have expressed concern that broad-based divestiture could cause a backlash if allies feel that a wide range of companies is under attack.²⁸

Despite the complexities involved with Iran, some states have gone even further and are pursuing "terror-free" investing, which extends the scope of the boycott to all the countries on the U.S. State Department's State Sponsors of Terrorism list, which includes Cuba, Syria, and North Korea. Missouri has been at the forefront of this movement. The State Treasurer claims that at least 500 big foreign companies and multinationals do at least some business in countries identified as sponsoring terrorism.²⁹ The Treasurer's goal is to have all Missouri's investments "terror-free," although the state legislature has not yet passed divestiture legislation for the state pension funds.³⁰ Anti-terrorism bills have been enacted in Arizona, Florida, and Louisiana.

Given the substantial amount of social investing by public pension funds, it is useful to consider the likely impact of such activity on the targets of the social screen and the likely impact on the pension funds themselves.

FIGURE 5. STATES THAT HAVE ENACTED OR ARE CONSIDERING IRAN DIVESTMENT LEGISLATION, 2007



Sources: National Conference of State Legislatures (2007); Office of Missouri State Treasurer (2005); State of Arizona (2005); and State of Louisiana (2005 and 2007).

The Economics of Social Investing

The academic literature suggests that social screens are likely to have very little impact on the target company and that the impact on the pension fund depends on the scale of the screen

Impact on Targeted Company

The SIF Report suggests that social investing will have a financial impact — that investors are putting their money to work in ways that will build “a better, more just, and sustainable economy.” The academic literature on the stock market, however, suggests the opposite. And a comprehensive survey on the effect of the South African boycott — the largest and most visible social action — documents virtually no effect, suggesting the real world mirrors the textbook model.

According to standard finance theory, the price of any stock equals the present discounted value of expected future cash flows. Thus, the stock of a particular firm has a lot of close substitutes, which makes the demand curve for a particular stock, in economists’ terms, almost perfectly elastic.³¹ That is, even a big change in quantity demanded will lead to only a small change in price. And any significant deviation from the fundamental price would represent a profitable trading opportunity that market participants would quickly exploit and thus correct.³² In other words, boycotting tobacco stocks or international companies doing business in Sudan or Iran may result in a temporary fall in the stock price, but as long as some buyers remain they can swoop in, purchase the stock, and make money. And the buyers are out there. The “Vice Fund,” which was established in September 2002, specializes in only four sectors — alcohol, tobacco, arms, and gambling, and thus stands ready to buy the stocks screened out of standard portfolios.³³ Thus, the textbooks suggest that boycotting tobacco companies or international companies doing business in Iran is unlikely to have any impact on the price of their stocks.

A 1999 study took a comprehensive look at how equity prices responded to sanctions and pressures for firms to divest their holdings in South Africa.³⁴ The conclusion that emerges from a series of event studies is that the anti-apartheid shareholder and legislative boycotts had no negative effect on the valu-

ation of banks or corporations with South African operations or on the South African financial markets. This is not to say that the boycott was not important politically, but merely that it did not impact financial markets. The study looks at pressure put on firms from both congressional action and divestiture by pension funds and universities.

The bulk of the congressional action occurred in 1985 and 1986, when the U.S. government passed legislation imposing trade embargoes, currency sanctions, and lending restrictions. Most importantly, the Comprehensive Anti-Apartheid Act of 1986 prohibited new private or public loans to South Africa other than for humanitarian purposes. To test the impact of this prohibition, the study identified ten important legislative events leading up to the 1986 Act and examined their impact on a portfolio of nine banks with South African loans. The results showed few sig-

nificant effects on bank stock prices and where significant they were of the wrong sign.

Pension funds and universities also put

pressure on corporations. Pension fund involvement in the South African issue began when a number of churches threatened to divest from banks doing business in South Africa. In 1977, the first iteration of the “Sullivan principles,” which called for non-segregation of races and equal pay for equal work, was adopted in the hope that by adhering to these principles, companies could continue doing business in South Africa and at the same time promote non-discrimination policies.³⁵ But many felt that the Sullivan principles did not go far enough, so Reverend Sullivan called in 1987 for companies to withdraw completely from South Africa. Many funds began to divest themselves even of companies that had followed these principles.³⁶ The study looked at the effect of 16 pension fund divestments on a portfolio of firms with the highest exposure in South Africa. The results showed no evidence that the pension fund divestment announcements hurt firms with major South African operations.

In short, financial textbooks characterize the demand curves for individual stock as infinitely elastic, so the price of the stock of a targeted company is unlikely to be affected by a boycott so long as additional buyers remain to scoop up the profit opportunity. The fact that an effort as large as the boycott of firms doing business in South Africa had virtually no effect on stock prices suggests that the financial effect of social investing on target firms is roughly zero.

Injecting politics into pension policy is problematic.

Impact on the Pension Fund

But does social investing affect the pension fund adversely? Modern portfolio theory states that investors should diversify their asset holdings over a variety of securities, so that the returns on all financial assets do not move in lockstep.³⁷ The question is how many securities are needed for the portfolio to be efficient? The answer is that an investor needs only 20-30 stocks to construct a fully diversified portfolio.³⁸ The small number of required stocks suggests that eliminating, say, tobacco, which accounts for about 1 percent of the market capitalization of the S&P 500, should leave enough securities to construct something very, very close to the market index. As the number excluded increases, it would become increasingly difficult to duplicate the market.³⁹

In terms of evidence, considerable research has compared the risk-adjusted return of screened portfolios to the return of unscreened portfolios. Most of the studies cover the period since the mid-1980s. Overall, the results show that the differences in risk-adjusted returns between the screened portfolios and unscreened portfolios are negligible and in most cases zero.⁴⁰ A few studies have focused on the effects of divestiture of tobacco stocks in the 1990s and show that the risk and returns for the S&P 500 with and without tobacco stocks were almost identical.⁴¹

In addition to comparing the performance of screened portfolios to the S&P 500, several studies have examined the performance of social investment funds relative to the S&P 500. The Domini Social Index includes 400 U.S. companies that pass multiple and broad-based social screens, and the Calvert Social Index is a broad-based index including 659 companies. The majority of these studies show that socially screened funds have no significant effect on risk-adjusted returns.⁴²

In contrast, the evidence from the early days of the South Africa divestiture suggested that screening out stocks meant large losses. For example, in the 1970s, Princeton University reported that the stocks that had been excluded because of South Africa ties outperformed other holdings by 3 percent.⁴³ As time passed and researchers undertook more comprehensive studies, the conclusions shifted. For example, one study examined the performance of a South Af-

rica free portfolio compared to an unscreened NYSE portfolio for the period 1960-1983 and found that, after adjusting for risk, the portfolio excluding South Africa companies actually performed better than the unscreened portfolio.⁴⁴ The positive results occurred because companies with South Africa ties were large and excluding them companies increased reliance on small-cap stocks, which performed better on a risk-adjusted basis during this period. During the late 1980s, the results were also mixed. On the one hand, a 1998 study analyzed data from the Surveys of State and Local Employees (PENDAT) from the early 1990s and found no significant effect on returns from restrictions on South Africa investments.⁴⁵ On the other hand, the S&P 500 including South Africa stocks performed slightly better than the index without the stocks, and one study of public pension plans found that South Africa restrictions had a negative effect on returns.⁴⁶ Thus, a large divestiture movement could have some negative effect on returns earned by public plans.

State actions may conflict with federal foreign policy.

Another aspect that has received less attention is the administrative costs of social investing. It is possible that social investing is

associated with higher fees and therefore has lower net returns because additional resources are required by fund managers to do the screening. The 2003 SIF Report concluded that socially responsible funds appear as competitive as other funds when it comes to administrative costs. However, others challenge this view by pointing out that some of the large-cap social index funds have above-average fees.⁴⁷ Moreover, in the case of Sudan and Iran, constructing new indices to match existing benchmarks involves substantial costs.

In short, theoretical models of portfolio choice imply that restricting the portfolio to socially responsible investments could have an effect on the rate of return by limiting the ability to diversify. Given the large number of stocks available, however, the cost — using traditional asset pricing models — is likely to be negligible. The bulk of the studies, which compare risk-adjusted returns for socially screened portfolios to those of unrestricted portfolios, supports this claim. Although a "terror-free" effort as large as the South African divestiture may have had some effect.⁴⁸ And administrative costs may be an important issue.

Public Plans Are Not Suited to Social Investing

In the late 1970s, some observers identified the large and rapidly growing funds in state and local pension plans as a mechanism for achieving socially and politically desirable objectives. The initial debate focused on attempts to exclude from pension portfolios companies with specific characteristics, such as those with almost totally nonunion workforces or investments in South Africa. The focus quickly shifted to undertaking pension investments that would foster social goals such as economic development and home ownership.⁴⁹ Advocates generally contended that the broader goals could be achieved without any loss of return.

Early reports, however, suggested that the targeting did involve sacrificing return. For example, a 1983 study of state-administered pension funds showed that many states had purchased publicly or privately insured mortgage-backed pass-through securities to increase homeownership in their state.⁵⁰ Analysis of the risk/return characteristics of these targeted mortgage investments revealed that 11 states either inadvertently or deliberately had sacrificed as much as 200 basis

points to foster homeownership. Similarly, in 1992, Connecticut's state pension fund lost \$25 million attempting to shore up Colt Industries. The firm went bankrupt two years after the fund bought a 47 percent interest in an attempt to protect Connecticut jobs.⁵¹ In Kansas, the state pension fund lost between \$100 and \$200 million on defaulted loans from an in-state investment program that included a chain of video stores, a steel mill, and a failed savings and loan bank.⁵² State and local pension funds were on a naive and dangerous path.⁵³

The losses in the 1980s and early 1990s were a sharp wake-up call to a number of public pension fund managers who appeared to believe that they could accomplish social goals without sacrificing returns. Over the last 20 years, the rhetoric associated with targeted investments has changed markedly. Public pension fund managers, sensitive to the potential for losses, go out of their way to make clear that they are no longer willing to sacrifice returns for social considerations; almost every definition of social investing includes a requirement that the investment produce a "market rate of return."

In the recent debate regarding Sudan and Iran, trustees of public plans have spoken out opposing such initiatives. Administrators at California's large public pension funds — CalPERS and CalSTERS — oppose the California bills requiring divestiture. A CalPERS spokesman said that determining which companies have dealings with Iran would be a struggle: "We don't necessarily have the resources or the expertise."⁵⁴ Similarly, the executive director of Massachusetts' Pension Reserves Investment Management Board, which invests public plan assets, said "You hire us to make you money, and when you restrict our ability to pick stocks, you likely restrict our ability to get returns."⁵⁵ Ohio's legislature initially considered following the Missouri model making investments "terror-free" by filtering out all stocks with links to North Korea, Syria, Sudan or Iran. The pension fund administrators argued that the measure would affect stocks of more than 170 companies and require the funds to sell more than \$9 billion. Administrative costs would exceed \$60 million.⁵⁶

Moreover, legislative mandates for pension fund investing may have implications elsewhere in the state. For example, in the case of Ohio the "terror-

free" investing bill would have roped in companies such as Honda, DaimlerChrysler AG, Bridgestone Corporation, Siemens,

and Thyssenkrupp AG, all of which had investments in Ohio.⁵⁷ The pension funds estimated these companies employed more than 45,000 workers. In response, the legislature narrowed the scope of the effort and decided to go after only those companies with more than \$20 million in Iran's energy sector.⁵⁸

Most importantly, three aspects of public pension funds make them particularly ill-suited vehicles for social investing.

First, the decision-makers and the stakeholders are not the same people. The decision-makers are either the fund board or the state legislature. The stakeholders are tomorrow's beneficiaries and/or taxpayers. If social investing produces losses either through higher administrative costs or lower returns, tomorrow's taxpayers will have to ante up or future retirees will receive lower benefits. The welfare of these future actors is not well represented in the decision-making process.

Second, whereas the investment practices of many large public funds are first rate, other boards are much less experienced. The boards of smaller

Divestment can be complicated, costly, and ineffective.

funds often consist of between five and eleven people including mayors, treasurers, comptrollers, city councilors, union leaders, and citizens. The process is often conducted behind closed doors and subject to little public scrutiny. Moreover, many state and local plans are still run in-house and involve the selection of individual stocks rather than broad-based indices. A front page *New York Times* article reported that political money sometimes affects pension investment decisions. As a result, pension boards may overlook excessive fees or high rates of turnover, and they may approve inappropriate investments.⁵⁹ Introducing divestment requirements into such an environment is problematic.

The final issue is the slippery slope. This round of divestment began with Sudan and involved only a few stocks. It is quickly spreading to Iran, where the issues are even more complicated and the number of companies substantially greater. If "terror-free" investing gains momentum, what is going to stop the spread to, say, Saudi Arabia, original home of 15 of the 19 hijackers involved in the 9/11 terrorist attacks? At some point, the administrative costs of broad-based divestiture will balloon and excluding large numbers of companies will definitely hurt returns.

Conclusion

Everyone is horrified by genocide, and no one wants to support terror. Yet even those who sell socially responsible funds admit that the issue of divestiture is complex. "You have to ask yourself what your goal is with divestment. What's there if the government falls? Is there a government there that will take over and be better? If the companies that pull out provide money, goods, and services, is there an understanding that will make the people poorer in the short run?"⁶⁰ Yes, the regime changed in South Africa, but many South Africans say that it was the cultural boycott — particularly in sports — rather than the divestiture of companies with South-Africa-linked activities that resulted in the peaceful ascendance of Nelson Mandela as president.⁶¹

In addition to the issue of effectiveness, the fundamental question is where foreign policy should be made. Sudan does not raise as many issues in this regard as Iran. The State Department is working closely with foreign governments to get specific companies to stop selected activities, particularly in Iran's energy sector. Additionally, in more than one instance, federal courts have ruled that state legisla-

tion regarding social investment was unconstitutional on grounds that it overlapped with federal regulations.⁶² Statements by officials at both Treasury and the State Department make clear their concern that a broad-based divestiture could disrupt the government's effort.

But even assuming that divestment is an effective mechanism to stop genocide and reduce terror risk and that state legislatures and pension fund boards are the right place to make foreign policy, the issue remains whether pension funds are an appropriate vehicle for implementing that policy. The answer seems unquestionably "no." The decision-makers are not the people who will bear the brunt of any losses; rather they will accrue to future beneficiaries and/or taxpayers. In many instances, the environment surrounding public pension fund investing is politically charged and encouraging public pension fund trustees to take "their eyes off the prize" of the maximum return for any given level of risk is asking for trouble. And finally, boycotting companies doing business with particular countries is a slippery slope — today Sudan and Iran, tomorrow Saudi Arabia.

Endnotes

- 1 Actually, as early as 2000, many college endowments and public pension funds, including CalPERS, did not participate in the initial public offering of PetroChina, because of its involvement in oil extraction in Sudan. See Fried (2006).
- 2 Amnesty International (2007) and Hagan and Palloni (2006).
- 3 U.S. Department of Treasury (2007).
- 4 The Federal Reserve Flow of Funds reports total assets for state and local pension plans of \$2,701.5 billion in 2005.
- 5 The majority of funds (64 percent) use 5 or more screens; the remainder are divided between those with a single screen (25 percent) and those with 2-4 screens (11 percent).
- 6 Multi-employer plans have made a few efforts to stimulate demand for union labor, especially in the construction trades. And some health care companies and hospitals screen for tobacco. But generally very little social investment has taken place. The Social Investing Forum (SIF), however, has reported that nearly 10 percent, or \$137 billion, of screened assets are in corporate defined benefit plans. It was impossible for the author to ferret out where this money was. The only corporation mentioned by SIF was the Federal Home Loan and Mortgage Corporation (Freddie Mac). Since Freddie Mac invests most of its money in home mortgages, it is not clear how it is involved in social screening. In a personal communication, SIF's Joshua Humphreys said that there are other corporations that are not included on the list, but SIF refused to give out any additional names.
- 7 ERISA requires a fiduciary to act "solely in the interests of the [plan] participants and beneficiaries... for the exclusive purpose" of providing benefits to them. A fiduciary must also act "with the care, skill, prudence, and diligence" of the traditional "prudent man." See Langbein, Stabile, and Wolk (2006).
- 8 Lanoff (1980).
- 9 U.S. Department of Labor (1994).
- 10 Some companies offer their employees one or more mutual fund options that pursue social investing criteria. Such an option does not raise any fiduciary concerns because the decision is left entirely to the participant.
- 11 The New Jersey legislation requires its pension funds to divest holdings in businesses that have equity stakes in the Sudan. A similar bill in Illinois, enacted in June 2005, provides that a fiduciary should not transact any business with a company doing business with Sudan, although in February 2007 the Federal District Court for the Northern District of Illinois ruled this act unconstitutional. Oregon also passed such a law for its public pension funds, while Louisiana legislation permits, but does not require, divestiture of investments linked to the Sudan.
- 12 U.S. Department of State (2007a). In 1997, President Clinton issued an executive order barring companies from conducting business in the Sudan; foreign businesses do not fall under that restriction.
- 13 For example, Texas legislation, signed into law on June 15, 2007, will require both the Teacher Retirement System and the Texas Employees Retirement System to ask affected companies to cease business in Sudan and to divest shares of unresponsive companies. The Hawaiian Employees' Retirement System was required to divest from Sudan-related investments when legislation went into effect July 1st. In Connecticut, legislation enables the Treasurer to divest state funds invested in companies doing business in Sudan or decide against further or future investments. Nineteen other states have pending divestment legislation or are taking other actions towards divestment. For example, the New York State Comptroller adopted a targeted Sudan divestment policy for the New York State Common Retirement Fund.
- 14 Fried (2006).
- 15 A KLD employee told us that KLD sells their compliance list to institutional money managers who are interested in social divestment and that it is not in the company's best interest to allow outside organizations to obtain their list in whole or in part. KLD also would not provide information about the American companies on the list. This information was obtained through a personal communication with KLD's Randy O'Neill.

- 16 Fried (2006). In a personal communication, 3M's Jacqueline Berry also confirmed the sale of the Security Film to the United Nations.
- 17 Fried (2006) and a personal communication with Northern Trust's Priya Khetarpal.
- 18 Pichardo (2007).
- 19 The U.S. House Financial Services Committee on May 23, 2007 passed legislation that would protect public pension funds and their money managers from litigation in response to Iranian divestiture.
- 20 King (2007).
- 21 The new law requires the State's Board of Administration to contact companies with business ties to Sudan and with energy ties in Iran, asking them to stop such activities; unresponsive companies would have to be divested 90 days after the communication. See *Pensions and Investments* (2007a).
- 22 *Pensions and Investments* (2007b).
- 23 The California legislation, which was proposed in January and as of July is still in committee in the state senate, would force two of the nation's largest pension funds — for the state's public employees and teachers, with combined holdings of \$400 billion — to remove their money from any foreign company doing business with Iran. See Abdollah (2007).
- 24 Pichardo (2007).
- 25 See Pichardo (2007); and also confirmed by a personal communication with SSgA's Gary Conway. Also, according to Northern Trust Global Investments, companies doing business in Iran comprise about 25 percent of the MSCI EAFE index, compared to about 15 percent with ties to Sudan.
- 26 When narrowed, the number of companies involved declines from 100-125 to the 19-25 range. In California, for example, CalPERS would have to divest \$8 billion if a bill introduced by Joel Anderson is passed. If narrowed to companies only with energy interests in Iran, the divestiture requirement drops to \$2 billion. See Pichardo (2007).
- 27 LaFranchi (2007).
- 28 See U.S. Department of Treasury (2007); U.S. Department of State (2007b); and McKinley (2007).
- 29 Karmin (2007).
- 30 See Frick (2007).
- 31 For a summary of the literature on testing the extent to which the supply curve is elastic, see Munnell and Sundén (2005).
- 32 The caveat is, of course, that potential buyers must not think the sale (purchase) reflects a negative (positive) assessment of the firm's financial condition or business prospects that could affect future cash flows. If potential purchasers believe that the seller is disposing of the stock because he knows something adverse they do not, they will revise down their assessment of the stock's value, and the transaction will reduce the price of the stock.
- 33 Apparently the Vice Fund has grown at 20 percent annually since its inception, outpacing the S&P's growth of 16 percent. At first blush, these results appear to contradict the conclusion that screening has no impact, but the period under consideration is far too short for these numbers to have meaningful implications. See Authers (2007).
- 34 Teoh, Welch, and Wazzan (1999).
- 35 During the 1970s, as opposition against the apartheid government increased, social activists charged that companies investing in South Africa indirectly supported the government and its discrimination policies. In an initial effort to resolve the conflict, the Reverend Leon Sullivan in 1977 introduced a set of guidelines for companies doing business in South Africa, the so-called "Sullivan Principles." By 1987, 127 U.S. companies had signed on to the Sullivan principles (Auerbach, 1987).
- 36 For example, CalPERS divested itself of \$9.5 billion worth of shares of companies holding a South African subsidiary. Pressure to divest and a worsening economic and political environment in South Africa led many companies (IBM, Exxon, Ford, GM and Chrysler) to sell their holdings. See Teoh, Welch, and Wazzan (1999).
- 37 An asset can be characterized by its expected return and the risk associated with that return, measured by the variance in returns. The risk of a specific asset can be broken down into two parts: risks that are unique to that stock (firm risk) and risks that stem from market-wide variations such as business cycle variation, inflation, and interest rate fluctuations

(market risk). When assets are combined in a portfolio, the return on the overall portfolio is given by the average return of the assets. And the risk associated with the portfolio is determined by the variance of the individual returns and the degree to which the individual returns vary together (covariance). Thus, by combining assets into a portfolio that have differing risk characteristics, an investor can create an efficient portfolio — a portfolio that is expected to achieve a given level of expected returns while minimizing risk.

38 Assume an investor plans to divide his money among n stocks selected from the entire market portfolio. The portfolio variance is given by:

$$\text{Portfolio variance} = 1/n * \text{average variance} + (1 - 1/n) * \text{average covariance}$$

As the number of securities in the portfolio increases, the contribution to total risk from the individual firm-specific risk decreases and the contribution from how the risks vary in relation to each other (covariance) increases. Thus, as the number of securities increases, the overall portfolio variance approaches the economy-wide risk, represented by the second term in the equation. With 2 stocks in the portfolio, half of the overall variance is due to firm specific risk and half to market risk. By the time a portfolio contains 10 securities, 90 percent of the portfolio's variance should be determined by the market risk. With a 20 stock portfolio, 95 percent of the variance should be determined by the overall market risk. See Bearley and Myers (1988)

39 Rudd (1981) and Grossman and Sharpe (1986) argue that the investor will not be able to exactly duplicate the market portfolio, because the screened portfolio will have relatively greater covariation in returns. Rudd also argued that social investing will introduce size and other biases into the portfolio, which will lead to a deterioration in long-run performance.

40 Guerard (1997); Hamilton, Jo, and Statman (1993); Statman (2000); Bauer, Koedijk, and Otten (2002); Dhrymes (1998); and Bello (2005). A similar result has been found for bond portfolios (D'Antonio, Johnsen and Hutton, 1997).

41 DiBartolomeo (2000). In the late 1980s and early 1990s, tobacco stocks performed slightly better than the S&P 500 but during the second half of the 1990s the tobacco stocks underperformed the S&P 500 on a risk-adjusted basis (Social Investment Forum, 1999;

and Ferrari, 2000). However, the overall effect of divesting tobacco stocks should be small because they only account for about 1 percent of the S&P 500.

42 Kurtz and DiBartolomeo (1996); DiBartolomeo and Kurtz (1999); DiBartolomeo (1996); and Bello (2005). Some critics of these results contend that the comparable returns reflect the fact that the screened funds invest a higher proportion of their assets in small cap stocks. Small caps have out-performed large caps over the period 1995 to 2007 by more than 3 percentage points (10.9 percent versus 7.8 percent). The discrepancy since the trough in the market in 2002 has been even greater (20.0 percent versus 11.0 percent). Bello (2005) contends, however, that the sizes of the companies in the screened and unscreened portfolios are very similar.

43 Malkiel (1991).

44 Grossman and Sharpe (1986).

45 Munnell and Sundén (2001).

46 Romano (1993).

47 Hickey (2000).

48 A recent study (Karolyi, 2007) of terror-free investing concluded that there were no significant differences in risk or return of stock portfolios screened on the basis of their operations in countries designated as state sponsors of terrorism and the S&P 500. This study, however, focused exclusively on U.S. markets, where very few firms do business in terror-linked countries. The author notes that "Broadening the analysis to incorporate a global investment strategy may render different results and conclusions."

49 Two books were instrumental to broadening the social investing debate — Rifkin and Barber (1978) and Litvak (1981).

50 Munnell (1983).

51 Schwimmer (1992); and Langheim, Stabile, and Wolk (2006).

52 White (1991).

53 In their initial forays into economically targeted investments, public pension fund managers generally

did not appear to recognize the "Catch-22" nature of the exercise. For the most part, the goals of increasing in-state housing investment and maximizing returns are inconsistent in the United States' highly developed capital markets. Any housing investment that offers a competitive return at an appropriate level of risk, such as a GNMA, does not need special consideration by public pension plans nor would such consideration increase the long-run supply of mortgage loans. Investments by pension funds that would increase the supply of housing funds must by definition either produce lower returns or involve greater risk. Sophisticated advocates of targeted investments recognized the efficiency of the market for housing finance and argued that pension funds could make a contribution through innovative forms of housing finance. But that was not what was going on in 1983; the in-state mortgages purchased by public pension funds tended to be conventional fixed-rate 30-year mortgages. See Munnell (1983).

54 McKinley (2007) and also confirmed by a personal communication with CalPERS' Brad Pacheco.

55 Mishra (2006).

56 King (2007).

57 Ohio Retirement Study Council (2007).

58 King (2007).

59 Walsh (2004).

60 The comment is from Julie Gorte, director of social research at Calvert Investments (Fried, 2006).

61 Authers (2007)

62 Stern (2007).

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Alaska Permanent Fund Corporation

- **Should Public Plans Engage in Social Investing**
- **Public Footprints in Private Markets**
- **Testimony of Adam J. Szubin before the U.S. Senate Committee on Banking, Housing and Urban Affairs**
- **The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence from the South African**
- **Testimony of Acting A/S Elizabeth Dibble, Bureau of Economic, Energy and Business Affairs – Senate Committee on Banking, Housing and Urban Affairs October 3, 2007 “*Combating Genocide in Darfur: The Role of Divestment and Other Policy Tools*”**



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SHOULD PUBLIC PLANS ENGAGE IN SOCIAL INVESTING?

BY ALICIA H. MUNNELL*

Introduction

Social investing is a movement that advocates incorporating social and environmental considerations, as well as financial factors, when making investment decisions. The most recent incarnation of this movement is the initiative by state legislatures to force public pension funds to sell their holdings of companies doing business in Sudan. The effort to divest Sudan-linked stocks began in 2004 after the U.S. government characterized the killing and displacement in Darfur province as genocide.¹ Riding on the coattails of the success of the Sudan effort, state legislatures have now targeted Iran, with a goal of "terror-free" investing. The emotional appeal of such actions is powerful. Over 2 million civilians have been displaced and more than 200,000 slaughtered in Darfur since 2003.² And Iran refuses to back away from its pursuit of nuclear weapons.³ But strong arguments also exist against using public pension plans to accomplish foreign policy goals.

This *brief* explores the current world of social investing, the recent efforts regarding the Sudan and Iran, the likely impact of social investing on the target firms, and the reasons why such activity may be inappropriate for public pension plans.

What Is Social Investing? How Much? Who's Doing It?

Social investing takes three primary forms: 1) screening (either excluding "bad" companies or including "good" companies); 2) shareholder advocacy; and 3) community investing. The Social Investment Forum (SIF), a trade group of social investors, reports that at the end of 2005, in terms of assets under management, screening is by far the most prevalent approach (see Figure 1). Significantly less is involved in shareholder advocacy, and community investing activity is tiny.

FIGURE 1: SOCIAL INVESTING BY TYPE OF ACTIVITY AS A PERCENT OF ASSETS UNDER MANAGEMENT



Source: Social Investment Forum (2006)

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TABLE 1. ASSETS IN SOCIALLY SCREENED PORTFOLIOS, 1995-2005 (BILLIONS)

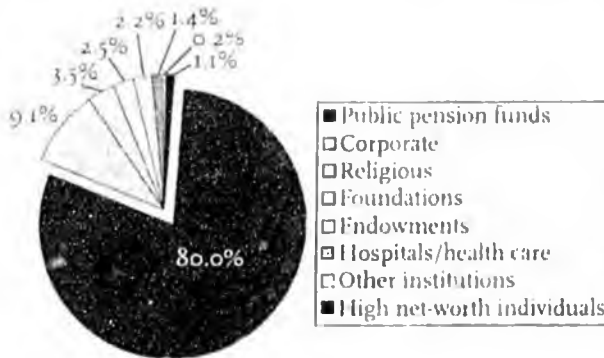
Year	Mutual funds	Separate accounts	Total
1995	\$12	\$150	\$162
1997	96	433	529
1999	154	1,343	1,497
2001	140	1,870	2,010
2003	151	1,992	2,143
2005	179	1,506	1,685

Source: Center for Retirement Research at Boston College (2006).

The Social Investment Forum reports that as of the end of 2005, mutual funds with social screens held \$179 billion and that socially screened "separate accounts," which are managed for individuals and institutional clients, held \$1,506 billion (see Table 1). The SIF calculates that these totals amount to 9.4 percent of all public and private assets under management.

The bulk of the money in separate accounts (80 percent) is the assets of public pension funds (see Figure 2). And screening is pervasive among public funds. The SIF numbers suggest that, in 2005, \$1.2 trillion of public pension fund assets were screened by some criteria. These screened assets accounted for 45 percent of total state and local pension holdings in that year.⁴

FIGURE 2. ASSETS UNDER MANAGEMENT BY INVESTOR TYPE, 2005



Source: Social Investment Forum (2006).

The screens vary by the nature of the customer. As of 2005, by far the most popular approach for mutual funds was a negative screen for tobacco; alcohol came in second; gambling third.⁵ But the pattern for institutional separate accounts, which is dominated by public plans, is quite different. For these accounts, the MacBride Principles (relating to fair hiring in Northern Ireland), Human Rights, the Environment, and Equal Employment Opportunity ranked among the top social concerns (see Figure 3).

FIGURE 3. SOCIAL SCREENING BY INSTITUTIONAL INVESTORS, 2005 (BILLIONS)



Source: Social Investment Forum (2006).

Note that almost none of the screened money is held in private sector defined benefit pension funds.⁶ These private plans are covered by the Employee Retirement Income Security Act (ERISA), and right from the beginning the Department of Labor has stringently enforced ERISA's duties of loyalty and prudence.⁷ In 1980, the chief administrator of the Department of Labor's pension section published an influential article that warned that the exclusion of investment options would be very hard to defend under ERISA's prudence and loyalty tests.⁸ And a 1994 Interpretive Bulletin reminded fiduciaries that they are prohibited from subordinating the interests of participants and beneficiaries "to unrelated objectives."⁹ Thus, ERISA fiduciary law has effectively constrained social investing in private sector defined benefit plans.¹⁰ Social investing is a public pension fund phenomenon.

On June 8, 2007, Florida's governor signed a Sudan and Iran Divestiture bill into law. Florida follows other states with regard to Sudan, but is the first to enact divestiture legislation for companies doing business with Iran.²¹ Louisiana, which had passed "terror-free investing" legislation in 2005, permits — but does not require — divestment. Arizona, which also passed legislation in 2005, only requires the public retirement system to disclose investments in terror-linked companies. In Illinois, the state Senate passed an Iran divestment bill on June 14, 2007 which would compel the state's five retirement systems to divest Iran-connected companies in energy and other natural resources.²² California, Georgia, Kansas, Michigan, Missouri, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, and Texas are also considering adopting Iran-free investing (see Figure 5).²³

If some of the bills are passed in their broadest form, institutions may be forced to sell \$18 billion

in investments.²⁴ Selling all Iran-related securities would add substantial risk to an indexed international equity portfolio. State Street Global Advisors (SSgA), Boston, has had preliminary conversations with clients about Iran divestments. SSgA estimates that if all companies with ties to Iran were removed from Morgan Stanley's EAFE index and replaced with similar performing companies, it would introduce a tracking error of up to 200 basis points, compared to the tracking error on a typical index of between five and 10 basis points.²⁵

Some state legislatures, however, are limiting the scope of divestiture to energy-related stocks, arguing that such action is likely to be most effective in curbing terrorist activities. Narrowing the scope greatly reduces the number of stocks and amount that would have to be sold.²⁶

Iran is a more politically complicated issue than Sudan. Sometimes promoters of "divest Iran" suggest that the effort is aimed at Al Qaeda.²⁷ But Al Qaeda is an enemy without a state and therefore difficult to target. In addition, the U.S. government is not enthusiastic about the effort, because it is working on its own initiative with allies to curtail business transactions tied to nuclear activities and support for terrorism. Treasury and State Department officials have expressed concern that broad-based divestiture could cause a backlash if allies feel that a wide range of companies is under attack.²⁸

Despite the complexities involved with Iran, some states have gone even further and are pursuing "terror-free" investing, which extends the scope of the boycott to all the countries on the U.S. State Department's State Sponsors of Terrorism list, which includes Cuba, Syria, and North Korea. Missouri has been at the forefront of this movement. The State Treasurer claims that at least 500 big foreign companies and multinationals do at least some business in countries identified as sponsoring terrorism.²⁹ The Treasurer's goal is to have all Missouri's investments "terror-free," although the state legislature has not yet passed divestiture legislation for the state pension funds.³⁰ Anti-terrorism bills have been enacted in Arizona, Florida, and Louisiana.

Given the substantial amount of social investing by public pension funds, it is useful to consider the likely impact of such activity on the targets of the social screen and the likely impact on the pension funds themselves.

FIGURE 5. STATES THAT HAVE ENACTED OR ARE CONSIDERING ENACTING ANTI-TERRORISM INVESTMENT LEGISLATION, 2005-2007



Sources: National Conference of State Legislatures (2007); Office of Missouri State Treasurer (2005); State of Arizona (2005), and State of Louisiana (2005 and 2007).

The Economics of Social Investing

The academic literature suggests that social screens are likely to have very little impact on the target company and that the impact on the pension fund depends on the scale of the screen.

Impact on Targeted Company

The SIA report suggests that social investing will have a financial impact — that investors are putting their money to work in ways that will build “a better, more just, and sustainable economy.” The academic literature on the stock market, however, suggests the opposite. And a comprehensive survey on the effect of the South African boycott — the largest and most visible social action — documents virtually no effect, suggesting the real world mirrors the textbook model.

According to standard finance theory, the price of any stock equals the present discounted value of expected future cash flows. Thus, the stock of a particular firm has a lot of close substitutes, which makes the demand curve for a particular stock, in economists’ terms, almost perfectly elastic.³³ That is, even a big change in quantity demanded will lead to only a small change in price. And any significant deviation from the fundamental price would represent a profitable trading opportunity that market participants would quickly exploit and thus correct.³⁴ In other words, boycotting tobacco stocks or international companies doing business in Sudan or Iran may result in a temporary fall in the stock price, but as long as some buyers remain they can swoop in, purchase the stock, and make money. And the buyers are out there. The “Vice Fund,” which was established in September 2002, specializes in only four sectors — alcohol, tobacco, arms, and gambling, and thus stands ready to buy the stocks screened out of standard portfolios.³⁵ Thus, the textbooks suggest that boycotting tobacco companies or international companies doing business in Iran is unlikely to have any impact on the price of their stocks.

A 1999 study took a comprehensive look at how equity prices responded to sanctions and pressures for firms to divest their holdings in South Africa.³⁴ The conclusion that emerges from a series of event studies is that the anti-apartheid shareholder and legislative boycotts had no negative effect on the valu-

ation of banks or corporations with South African operations or on the South African financial markets. This is not to say that the boycott was not important politically, but merely that it did not impact financial markets. The study looks at pressure put on firms from both congressional action and divestiture by pension funds and universities.

The bulk of the congressional action occurred in 1985 and 1986, when the U.S. government passed legislation imposing trade embargoes, currency sanctions, and lending restrictions. Most importantly, the Comprehensive Anti-Apartheid Act of 1986 prohibited new private or public loans to South Africa other than for humanitarian purposes. To test the impact of this prohibition, the study identified ten important legislative events leading up to the 1986 Act and examined their impact on a portfolio of nine banks with South African loans. The results showed few sig-

nificant effects on bank stock prices and where significant they were of the wrong sign.

Pension funds and universities also put

pressure on corporations. Pension fund involvement in the South African issue began when a number of churches threatened to divest from banks doing business in South Africa. In 1977, the first iteration of the “Sullivan principles,” which called for non-segregation of races and equal pay for equal work, was adopted in the hope that by adhering to these principles, companies could continue doing business in South Africa and at the same time promote non-discrimination policies.³⁵ But many felt that the Sullivan principles did not go far enough, so Reverend Sullivan called in 1987 for companies to withdraw completely from South Africa. Many funds began to divest themselves even of companies that had followed these principles.³⁶ The study looked at the effect of 16 pension fund divestments on a portfolio of firms with the highest exposure in South Africa. The results showed no evidence that the pension fund divestment announcements hurt firms with major South African operations.

In short, financial textbooks characterize the demand curves for individual stock as infinitely elastic, so the price of the stock of a targeted company is unlikely to be affected by a boycott so long as additional buyers remain to scoop up the profit opportunity. The fact that an effort as large as the boycott of firms doing business in South Africa had virtually no effect on stock prices suggests that the financial effect of social investing on target firms is roughly zero.

*Injecting politics into pension policy
is problematic.*

Impact on the Pension Fund

But does social investing affect the pension fund adversely? Modern portfolio theory states that investors should diversify their asset holdings over a variety of securities, so that the returns on all financial assets do not move in lockstep.³⁷ The question is how many securities are needed for the portfolio to be efficient? The answer is that an investor needs only 20-30 stocks to construct a fully diversified portfolio.³⁸ The small number of required stocks suggests that eliminating, say, tobacco, which accounts for about 1 percent of the market capitalization of the S&P 500, should leave enough securities to construct something very, very close to the market index. As the number excluded increases, it would become increasingly difficult to duplicate the market.³⁹

In terms of evidence, considerable research has compared the risk-adjusted return of screened portfolios to the return of unscreened portfolios. Most of the studies cover the period since the mid-1980s.

Overall, the results show that the differences in risk-adjusted returns between the screened portfolios and unscreened portfolios are negligible

and in most cases zero.⁴⁰ A few studies have focused on the effects of divestiture of tobacco stocks in the 1990s and show that the risk and returns for the S&P 500 with and without tobacco stocks were almost identical.⁴¹

In addition to comparing the performance of screened portfolios to the S&P 500, several studies have examined the performance of social investment funds relative to the S&P 500. The Domini Social Index includes 400 U.S. companies that pass multiple and broad-based social screens, and the Calvert Social Index is a broad-based index including 659 companies. The majority of these studies show that socially screened funds have no significant effect on risk-adjusted returns.⁴²

In contrast, the evidence from the early days of the South Africa divestiture suggested that screening out stocks meant large losses. For example, in the 1970s, Princeton University reported that the stocks that had been excluded because of South Africa ties outperformed other holdings by 3 percent.⁴³ As time passed and researchers undertook more comprehensive studies, the conclusions shifted. For example, one study examined the performance of a South-Af-

rica free portfolio compared to an unscreened NYSE portfolio for the period 1960-1983 and found that, after adjusting for risk, the portfolio excluding South Africa companies actually performed better than the unscreened portfolio.⁴⁴ The positive results occurred because companies with South Africa ties were large and excluding these companies increased reliance on small-cap stocks, which performed better on a risk-adjusted basis during this period. During the late 1980s, the results were also mixed. On the one hand, a 1998 study analyzed data from the Surveys of State and Local Employees (PENDAT) from the early 1990s and found no significant effect on returns from restrictions on South Africa investments.⁴⁵ On the other hand, the S&P 500 including South Africa stocks performed slightly better than the index without the stocks, and one study of public pension plans found that South Africa restrictions had a negative effect on returns.⁴⁶ Thus, a large divestiture movement could have some negative effect on returns earned by public plans.

State actions may conflict with federal foreign policy.

Another aspect that has received less attention is the administrative costs of social investing. It is possible that social investing is

associated with higher fees and therefore has lower net returns because additional resources are required by fund managers to do the screening. The 2003 SIF Report concluded that socially responsible funds appear as competitive as other funds when it comes to administrative costs. However, others challenge this view by pointing out that some of the large-cap social index funds have above-average fees.⁴⁷ Moreover, in the case of Sudan and Iran, constructing new indices to match existing benchmarks involves substantial costs.

In short, theoretical models of portfolio choice imply that restricting the portfolio to socially responsible investments could have an effect on the rate of return by limiting the ability to diversify. Given the large number of stocks available, however, the cost — using traditional asset pricing models — is likely to be negligible. The bulk of the studies, which compare risk-adjusted returns for socially screened portfolios to those of unrestricted portfolios, supports this claim. Although a "terror-free" effort as large as the South African divestiture may have had some effect,⁴⁸ And administrative costs may be an important issue.

Public Plans Are Not Suited to Social Investing

In the late 1970s, some observers identified the large and rapidly growing funds in state and local pension plans as a mechanism for achieving socially and politically desirable objectives. The initial debate focused on attempts to exclude from pension portfolios companies with specific characteristics, such as those with almost totally nonunion workforces or investments in South Africa. The focus quickly shifted to undertaking pension investments that would foster social goals such as economic development and home ownership.⁴⁹ Advocates generally contended that the broader goals could be achieved without any loss of return.

Early reports, however, suggested that the targeting did involve sacrificing return. For example, a 1983 study of state-administered pension funds showed that many states had purchased publicly or privately insured mortgage-backed pass-through securities to increase homeownership in their state.⁵⁰ Analysis of the risk/return characteristics of these targeted mortgage investments revealed that 10 states either inadvertently or deliberately had sacrificed as much as 200 basis

points to foster homeownership. Similarly, in 1992, Connecticut's state pension fund lost \$25 million attempting to shore up Colt Industries. The firm went bankrupt two years after the fund bought a 47 percent interest in an attempt to protect Connecticut jobs.⁵¹ In Kansas, the state pension fund lost between \$100 and \$200 million on defaulted loans from an in-state investment program that included a chain of video stores, a steel mill, and a failed savings and loan bank.⁵² State and local pension funds were on a naive and dangerous path.⁵³

The losses in the 1980s and early 1990s were a sharp wake-up call to a number of public pension fund managers who appeared to believe that they could accomplish social goals without sacrificing returns. Over the last 20 years, the rhetoric associated with targeted investments has changed markedly. Public pension fund managers, sensitive to the potential for losses, go out of their way to make clear that they are no longer willing to sacrifice returns for social considerations; almost every definition of social investing includes a requirement that the investment produce a "market rate of return."

In the recent debate regarding Sudan and Iran, trustees of public plans have spoken out opposing such initiatives. Administrators at California's large public pension funds — CalPERS and CalSTERS — oppose the California bills requiring divestiture. A CalPERS spokesman said that determining which companies have dealings with Iran would be a struggle: "We don't necessarily have the resources or the expertise."⁵⁴ Similarly, the executive director of Massachusetts' Pension Reserves Investment Management Board, which invests public plan assets, said "You hire us to make you money, and when you restrict our ability to pick stocks, you likely restrict our ability to get returns."⁵⁵ Ohio's legislature initially considered following the Missouri model making investments "terror-free" by filtering out all stocks with links to North Korea, Syria, Sudan or Iran. The pension fund administrators argued that the measure would affect stocks of more than 170 companies and require the funds to sell more than \$9 billion. Administrative costs would exceed \$60 million.⁵⁶

Moreover, legislative mandates for pension fund investing may have implications elsewhere in the state. For example, in the case of Ohio the "terror-

*Divestment can be complicated,
costly, and ineffective.*

free" investing bill would have roped in companies such as Honda, DaimlerChrysler AG, Bridgestone Corporation, Siemens,

and Thyssenkrupp AG, all of which had investments in Ohio.⁵⁷ The pension funds estimated these companies employed more than 45,000 workers. In response, the legislature narrowed the scope of the effort and decided to go after only those companies with more than \$20 million in Iran's energy sector.⁵⁸

Most importantly, three aspects of public pension funds make them particularly ill-suited vehicles for social investing.

First, the decision-makers and the stakeholders are not the same people. The decision-makers are either the fund board or the state legislature. The stakeholders are tomorrow's beneficiaries and/or taxpayers. If social investing produces losses either through higher administrative costs or lower returns, tomorrow's taxpayers will have to ante up or future retirees will receive lower benefits. The welfare of these future actors is not well represented in the decision-making process.

Second, whereas the investment practices of many large public funds are first rate, other boards are much less experienced. The boards of smaller

funds often consist of between five and eleven people including mayors, treasurers, comptrollers, city councilors, union leaders, and citizens. The process is often conducted behind closed doors and subject to little public scrutiny. Moreover, many state and local plans are still run in-house and involve the selection of individual stocks rather than broad-based indices. A front page *New York Times* article reported that political money sometimes affects pension investment decisions. As a result, pension boards may overlook excessive fees or high rates of turnover, and they may approve inappropriate investments.⁵⁹ Introducing divestment requirements into such an environment is problematic.

The final issue is the slippery slope. This round of divestment began with Sudan and involved only a few stocks. It is quickly spreading to Iran, where the issues are even more complicated and the number of companies substantially greater. If "terror-free" investing gains momentum, what is going to stop the spread to, say, Saudi Arabia, original home of 15 of the 19 hijackers involved in the 9/11 terrorist attacks? At some point, the administrative costs of broad-based divestiture will balloon and excluding large numbers of companies will definitely hurt returns.

Conclusion

Everyone is horrified by genocide, and no one wants to support terror. Yet even those who sell socially responsible funds admit that the issue of divestiture is complex. "You have to ask yourself what your goal is with divestment. What's there if the government falls? Is there a government there that will take over and be better? If the companies that pull out provide money, goods, and services, is there an understanding that will make the people poorer in the short run?"⁶⁰ Yes, the regime changed in South Africa, but many South Africans say that it was the cultural boycott — particularly in sports — rather than the divestiture of companies with South-Africa-linked activities that resulted in the peaceful ascendance of Nelson Mandela as president.⁶¹

In addition to the issue of effectiveness, the fundamental question is where foreign policy should be made. Sudan does not raise as many issues in this regard as Iran. The State Department is working closely with foreign governments to get specific companies to stop selected activities, particularly in Iran's energy sector. Additionally, in more than one instance, federal courts have ruled that state legisla-

tion regarding social investment was unconstitutional on grounds that it overlapped with federal regulations.⁶² Statements by officials at both Treasury and the State Department make clear their concern that a broad-based divestiture could disrupt the government's effort.

But even assuming that divestment is an effective mechanism to stop genocide and reduce terror risk and that state legislatures and pension fund boards are the right place to make foreign policy, the issue remains whether pension funds are an appropriate vehicle for implementing that policy. The answer seems unquestionably "no." The decision-makers are not the people who will bear the brunt of any losses; rather they will accrue to future beneficiaries and/or taxpayers. In many instances, the environment surrounding public pension fund investing is politically charged and encouraging public pension fund trustees to take "their eyes off the prize" of the maximum return for any given level of risk is asking for trouble. And finally, boycotting companies doing business with particular countries is a slippery slope — today Sudan and Iran, tomorrow Saudi Arabia.

Endnotes

1. Actually, as early as 2000, many college endowments and public pension funds, including CalPERS, did not participate in the initial public offering of PetroChina, because of its involvement in oil extraction in Sudan. See Fried (2006).
2. Amnesty International (2007) and Hagan and Paloni (2006).
3. U.S. Department of Treasury (2007).
4. The Federal Reserve Flow of Funds reports total assets for state and local pension plans of \$2,701.5 billion in 2005.
5. The majority of funds (64 percent) use 5 or more screens; the remainder are divided between those with a single screen (25 percent) and those with 2-4 screens (11 percent).
6. Multi-employer plans have made a few efforts to stimulate demand for union labor, especially in the construction trades. And some health care companies and hospitals screen for tobacco. But generally very little social investment has taken place. The Social Investing Forum (SIF), however, has reported that nearly 10 percent, or \$137 billion, of screened assets are in corporate defined benefit plans. It was impossible for the author to ferret out where this money was. The only corporation mentioned by SIF was the Federal Home Loan and Mortgage Corporation (Freddie Mac). Since Freddie Mac invests most of its money in home mortgages, it is not clear how it is involved in social screening. In a personal communication, SIF's Joshua Humphreys said that there are other corporations that are not included on the list, but SIF refused to give out any additional names.
7. ERISA requires a fiduciary to act "solely in the interests of the [plan] participants and beneficiaries... for the exclusive purpose" of providing benefits to them. A fiduciary must also act "with the care, skill, prudence, and diligence" of the traditional "prudent man." See Langbein, Stabile, and Wolk (2006).
8. Lanoff (1980).
9. U.S. Department of Labor (1994).
10. Some companies offer their employees one or more mutual fund options that pursue social investing criteria. Such an option does not raise any fiduciary concerns because the decision is left entirely to the participant.
11. The New Jersey legislation requires its pension funds to divest holdings in businesses that have equity stakes in the Sudan. A similar bill in Illinois, enacted in June 2005, provides that a fiduciary should not transact any business with a company doing business with Sudan, although in February 2007 the Federal District Court for the Northern District of Illinois ruled this act unconstitutional. Oregon also passed such a law for its public pension funds, while Louisiana legislation permits, but does not require, divestiture of investments linked to the Sudan.
12. U.S. Department of State (2007a). In 1997, President Clinton issued an executive order barring companies from conducting business in the Sudan; foreign businesses do not fall under that restriction.
13. For example, Texas legislation, signed into law on June 15, 2007, will require both the Teacher Retirement System and the Texas Employees Retirement System to ask affected companies to cease business in Sudan and to divest shares of unresponsive companies. The Hawaiian Employees' Retirement System was required to divest from Sudan-related investments when legislation went into effect July 1st. In Connecticut, legislation enables the Treasurer to divest state funds invested in companies doing business in Sudan or decide against further or future investments. Nineteen other states have pending divestment legislation or are taking other actions towards divestment. For example, the New York State Comptroller adopted a targeted Sudan divestment policy for the New York State Common Retirement Fund.
14. Fried (2006).
15. A KLD employee told us that KLD sells their compliance list to institutional money managers who are interested in social divestment and that it is not in the company's best interest to allow outside organizations to obtain their list in whole or in part. KLD also would not provide information about the American companies on the list. This information was obtained through a personal communication with KLD's Randy O'Neill.

- 16 Fried (2006). In a personal communication, 3M's Jacqueline Berry also confirmed the sale of the Security Film to the United Nations.
- 17 Fried (2006) and a personal communication with Northern Trust's Priya Khetarpal.
- 18 Pichardo (2007).
- 19 The U.S. House Financial Services Committee on May 23, 2007 passed legislation that would protect public pension funds and their money managers from litigation in response to Iranian divestiture.
- 20 King (2007).
- 21 The new law requires the State's Board of Administration to contact companies with business ties to Sudan and with energy ties in Iran, asking them to stop such activities; unresponsive companies would have to be divested 90 days after the communication. See Pensions and Investments (2007a).
- 22 *Pensions and Investments* (2007b).
- 23 The California legislation, which was proposed in January and as of July is still in committee in the state senate, would force two of the nation's largest pension funds — for the state's public employees and teachers, with combined holdings of \$400 billion — to remove their money from any foreign company doing business with Iran. See Abdollah (2007).
- 24 Pichardo (2007).
- 25 See Pichardo (2007); and also confirmed by a personal communication with SSgA's Gary Conway. Also, according to Northern Trust Global Investments, companies doing business in Iran comprise about 25 percent of the MSCI EAFE index, compared to about 15 percent with ties to Sudan.
- 26 When narrowed, the number of companies involved declines from 100-125 to the 19-25 range. In California, for example, CalPERS would have to divest \$8 billion if a bill introduced by Joel Anderson is passed. If narrowed to companies only with energy interests in Iran, the divestiture requirement drops to \$2 billion. See Pichardo (2007).
- 27 LaFranchi (2007).
- 28 See U.S. Department of Treasury (2007); U.S. Department of State (2007b); and McKinley (2007).
- 29 Karmin (2007).
- 30 See Frick (2007).
- 31 For a summary of the literature on testing the extent to which the supply curve is elastic, see Munnell and Sunden (2005).
- 32 The caveat is, of course, that potential buyers must not think the sale (purchase) reflects a negative (positive) assessment of the firm's financial condition or business prospects that could affect future cash flows. If potential purchasers believe that the seller is disposing of the stock because he knows something adverse they do not, they will revise down their assessment of the stock's value, and the transaction will reduce the price of the stock.
- 33 Apparently the Vice Fund has grown at 20 percent annually since its inception, outpacing the S&P's growth of 16 percent. At first blush, these results appear to contradict the conclusion that screening has no impact, but the period under consideration is far too short for these numbers to have meaningful implications. See Auhers (2007).
- 34 Teoh, Welch, and Wazzan (1999).
- 35 During the 1970s, as opposition against the apartheid government increased, social activists charged that companies investing in South Africa indirectly supported the government and its discrimination policies. In an initial effort to resolve the conflict, the Reverend Leon Sullivan in 1977 introduced a set of guidelines for companies doing business in South Africa, the so-called "Sullivan Principles." By 1987, 127 U.S. companies had signed on to the Sullivan principles (Auerbach, 1987).
- 36 For example, CalPERS divested itself of \$9.5 billion worth of shares of companies holding a South African subsidiary. Pressure to divest and a worsening economic and political environment in South Africa led many companies (IBM, Exxon, Ford, GM and Chrysler) to sell their holdings. See Teoh, Welch, and Wazzan (1999).
- 37 An asset can be characterized by its expected return and the risk associated with that return, measured by the variance in returns. The risk of a specific asset can be broken down into two parts: risks that are unique to that stock (firm risk) and risks that stem from market-wide variations such as business cycle variation, inflation, and interest rate fluctuations

(market risk). When assets are combined in a portfolio, the return on the overall portfolio is given by the average return of the assets. And the risk associated with the portfolio is determined by the variance of the individual returns and the degree to which the individual returns vary together (covariance). Thus, by combining assets into a portfolio that have differing risk characteristics, an investor can create an efficient portfolio — a portfolio that is expected to achieve a given level of expected returns while minimizing risk.

38 Assume an investor plans to divide his money among n stocks selected from the entire market portfolio. The portfolio variance is given by:

$$\text{Portfolio variance} = 1/n * \text{average variance} + (1 - 1/n) * \text{average covariance}$$

As the number of securities in the portfolio increases, the contribution to total risk from the individual firm-specific risk decreases and the contribution from how the risks vary in relation to each other (covariance) increases. Thus, as the number of securities increases, the overall portfolio variance approaches the economy-wide risk, represented by the second term in the equation. With 2 stocks in the portfolio, half of the overall variance is due to firm specific risk and half to market risk. By the time a portfolio contains 10 securities, 90 percent of the portfolio's variance should be determined by the market risk. With a 20 stock portfolio, 95 percent of the variance should be determined by the overall market risk. See Brearley and Myers (1988).

39 Rudd (1987) and Grossman and Sharpe (1986) argue that the investor will not be able to exactly duplicate the market portfolio, because the screened portfolio will have relatively greater covariation in returns. Rudd also argued that social investing will introduce size and other biases into the portfolio, which will lead to a deterioration in long-run performance.

40 Guerard (1997); Hamilton, Jo, and Statman (1993); Statman (2000); Bauer, Koedijk, and Otten (2002); Dhrymes (1998), and Bello (2005). A similar result has been found for bond portfolios (D'Antonio, Johnsen and Hutton, 1997).

41 DiBartolomeo (2000). In the late 1980s and early 1990s, tobacco stocks performed slightly better than the S&P 500 but during the second half of the 1990s the tobacco stocks underperformed the S&P 500 on a risk-adjusted basis (Social Investment Forum, 1999;

and Ferrari, 2000). However, the overall effect of divesting tobacco stocks should be small because they only account for about 1 percent of the S&P 500.

42 Kurtz and DiBartolomeo (1996); DiBartolomeo and Kurtz (1999); DiBartolomeo (1996); and Bello (2005). Some critics of these results contend that the comparable returns reflect the fact that the screened funds invest a higher proportion of their assets in small cap stocks. Small caps have out-performed large caps over the period 1995 to 2007 by more than 3 percentage points (10.9 percent versus 7.8 percent). The discrepancy since the trough in the market in 2002 has been even greater (20.0 percent versus 11.0 percent). Bello (2005) contends, however, that the sizes of the companies in the screened and unscreened portfolios are very similar.

43 Malkiel (1991).

44 Grossman and Sharpe (1986).

45 Munnell and Sundén (2001).

46 Romano (1993).

47 Hickey (2000).

48 A recent study (Karolyi, 2007) of terror-free investing concluded that there were no significant differences in risk or return of stock portfolios screened on the basis of their operations in countries designated as state sponsors of terrorism and the S&P 500. This study, however, focused exclusively on U.S. markets, where very few firms do business in terror-linked countries. The author notes that "Broadening the analysis to incorporate a global investment strategy may render different results and conclusions."

49 Two books were instrumental to broadening the social investing debate — Rifkin and Barber (1978) and Litvak (1981).

50 Munnell (1983).

51 Schwimmer (1992); and Langbein, Stabile, and Wolk (2006).

52 White (1991).

53 In their initial forays into economically targeted investments, public pension fund managers generally

did not appear to recognize the "Catch-22" nature of the exercise. For the most part, the goals of increasing in-state housing investment and maximizing returns are inconsistent in the United States' highly developed capital markets. Any housing investment that offers a competitive return at an appropriate level of risk, such as a GNMA, does not need special consideration by public pension plans nor would such consideration increase the long-run supply of mortgage loans. Investments by pension funds that would increase the supply of housing funds must by definition either produce lower returns or involve greater risk. Sophisticated advocates of targeted investments recognized the efficiency of the market for housing finance and argued that pension funds could make a contribution through innovative forms of housing finance. But that was not what was going on in 1983; the in-state mortgages purchased by public pension funds tended to be conventional fixed-rate 30-year mortgages. See Munnell (1983).

54 McKinley (2007) and also confirmed by a personal communication with CalPERS' Brad Pacheco.

55 Mishra (2006).

56 King (2007).

57 Ohio Retirement Study Council (2007).

58 King (2007).

59 Walsh (2004).

60 The comment is from Julie Gorte, director of social research at Calvert Investments (Fried, 2006).

61 Authers (2007).

62 Stern (2007).

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Public Footprints in Private Markets

Sovereign Wealth Funds and the World Economy

Robert M. Kimmitt

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Public Footprints in Private Markets

Sovereign Wealth Funds and the World Economy

Robert M. Kimmitt

IN 1953, eight years before its independence from the United Kingdom, Kuwait established the Kuwait Investment Board to invest its surplus oil revenue. That was perhaps the first-ever “sovereign wealth fund” (SWF), although the term would not exist for another 50 years. SWFs are large pools of capital controlled by a government and invested in private markets abroad. Today, they are growing rapidly in both number and size. Twelve SWFs been established since 2005, and altogether SWFs control roughly \$2.5 trillion—a figure now growing, according to some estimates, by \$1 trillion a year.

These developments should not cause alarm, but they do raise legitimate policy questions. Governments should consider the implications of SWFs’ growing importance with calm and precision. Many concerns, aired frequently in policy debates and prominently in the media, have been exaggerated, in part because of a lack of understanding of SWFs and other vehicles for sovereign investment. A fuller picture of SWFs’ history, purpose, size, growth, and broader systemic implications is needed. Such an understanding, along with a set of clear policy principles for both SWFs and the countries in which they invest, will help preserve openness to foreign investment and promote financial stability worldwide.

ROBERT M. KIMMITT is Deputy Secretary of the U.S. Department of the Treasury.

THE FOUR SOVEREIGNS

TO FRAME this policy discussion, it is useful to differentiate among four kinds of sovereign investment: international reserves, public pension funds, state-owned enterprises, and SWFs. International reserves, as defined by the International Monetary Fund (IMF), are external assets that are controlled by and readily available to finance ministries and central banks for direct financing of international payment imbalances. Countries typically keep reserves on hand to cushion an export shortfall or to intervene to defend the currency in a financial crisis. Reserves are by definition invested in highly liquid and marketable securities, which usually means highly rated industrialized-country government bonds.

Public pension funds are investment vehicles funded with assets set aside to meet the government's future entitlement obligations to its citizens. Public pension funds differ from SWFs in that they are denominated and funded in the local currency, usually with relatively low exposure to foreign assets. However, it is expected that pension funds will increasingly invest abroad, in some cases using national SWFs to manage their assets.

State-owned enterprises (SOEs) are companies over which the state has significant control, through full, majority, or significant minority ownership. SOEs can themselves undertake foreign investment. This category includes a wide variety of entities, including manufacturing and financial firms.

Finally, SWFs are generally defined as government investment vehicles funded by foreign exchange assets and managed separately from official reserves. SWF managers typically have a higher tolerance for risk and seek higher returns than do official reserve managers.

SWFs generally fall into two categories according to the source of the foreign exchange assets. Commodity SWFs are funded by commodity exports that are either owned or taxed by the government. These funds serve different purposes— including fiscal revenue stabilization, intergenerational saving, and balance-of-payments sterilization (that is, keeping foreign exchange inflows from stoking inflation). Given the current extended rise in commodity prices, many funds initially established for the purposes of fiscal stabilization or balance-of-payments sterilization have evolved into intergenerational savings funds.

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Noncommodity swfs are typically established through transfers of assets from official foreign exchange reserves. Large balance-of-payments surpluses have enabled noncommodity exporters to transfer “excess” foreign exchange reserves to standalone investment funds that can be managed for higher returns. Noncommodity funds often arise from an exchange-rate intervention involving a domestic liquidity increase that has to be absorbed by issuing domestic debt to avoid unwanted inflation. Their net return depends on the difference between the yield earned on investments and the yield paid on domestic debt. The assets of this type of swf, accordingly, may be thought of more as borrowed money than traditional wealth.

Given that sovereign investment takes these different forms, why has there been so much focus on swfs alone? First, swfs appear to be set for rapid and perhaps prolonged growth. Second, swfs raise issues that also bear on other types of sovereign investment—financial-market issues, which also relate to international reserves and public pension funds, and investment issues, which also relate to SOEs.

SWFS: THE ISSUES

SWFS HAVE existed in a number of places—not only Kuwait but also Abu Dhabi and Singapore—for over 25 years. What is remarkable today is the increase in their number and size. There are now, by some definitions, as many as 40 different swfs. Estimates of the size of swfs are hindered by the fact that they are often not transparent, but the IMF approximates that swf assets are today somewhere between \$1.9 trillion and \$2.9 trillion. Projections of their future size are also uncertain, as the value of swfs depends heavily on commodity prices and exchange-rate policies. However, a number of private financial institutions have estimated that swf assets will reach \$10–\$15 trillion by 2015.

Whether these are considered large or small figures depends on the metric used. If one wishes to make swfs appear large, one can note that the current market capitalization of the S&P 500 is roughly \$12 trillion. If one wishes to make them appear small, one can note that \$12 trillion is only a fraction of the estimated \$190 trillion in total global financial assets. SWFS can also be compared to other investor

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classes. Once again, if one wishes to make SWFs appear large, one can note that hedge funds manage an estimated \$1.5 trillion. If one wishes to make them appear small, one can note that assets managed by mature-market institutional investors (such as pension funds and endowments) are about \$53 trillion.

Two points, however, are inescapable regardless of the metric. The first is that SWFs are already large enough to be systemically significant. The second is that they are likely to grow larger over time, in both absolute and relative terms, which calls for a discussion of the issues this growth may raise for the international financial system.

The first issue to consider is whether the formation of SWFs perpetuates undesirable underlying macroeconomic and financial policies. Clearly, it is critical that noncommodity funds, made up of excess reserves accumulated through exchange-rate interventions, not use SWFs as a mechanism simply to accumulate more foreign assets in an effort to keep the currency from appreciating. The perpetuation of undesirable underlying policies is less of a concern with commodity funds, since governments are essentially replacing a physical asset in the ground with a financial asset in a bank account to be drawn on by future generations. However, even commodity-exporting countries need to make sure that their SWFs operate within a framework of sound domestic fiscal, monetary, and exchange-rate policies.

Second, since SWFs are an outgrowth of domestic and international economic and financial policies, it makes sense to consider them in terms of their potential impact on financial stability. Here, there is much reason to be reassured. SWFs are in principle long-term investors, which typically do not deviate from their strategic asset allocations in the face of short-term volatility. They are not highly leveraged, and it is difficult to see how they could be forced by regulatory capital requirements or sudden investor withdrawals to liquidate their positions quickly. In this context, SWFs may be considered a force for financial stability—supplying liquidity to the markets, raising asset prices, and lowering borrowing yields in the countries in which they invest. Still, responsible public policy requires a thorough consideration of the potential impact of SWFs on financial markets. SWFs represent large, concentrated, and often opaque positions in financial markets. A sudden shift by SWFs in illiquid markets can cause price volatility. Further,

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since many SWFs disclose little of their investment policies, mere rumors of SWF shifts may cause the private sector to react.

The third and perhaps most critical set of issues relates to SWF investment that involves taking active control of private firms. The most obvious consideration is national security. As with any form of foreign investment, countries on the receiving end of SWF investment need to ensure that national security concerns are addressed, without unnecessarily limiting the benefits of an open economy. Such concerns do not stem only from cases in which an SWF gains a formal controlling share of a company; they can also arise when an investor seeks board seats or outsized voting rights—anything beyond a purely passive investment.

In the United States, balancing open investment with the need to protect national security is done through the Committee on Foreign Investment in the United States. CFIUS is designed to review foreign investments in a manner that preserves national security without creating unnecessary or counterproductive barriers to participation in the U.S. market. The CFIUS process supports open investment by focusing only on those transactions that relate to national security.

Even in the wake of some high-profile controversies—such as the Chinese national oil company CNOOC's attempted purchase of a U.S. oil company or Dubai Ports World's possible takeover of operations at U.S. ports—the vast majority of foreign investments reviewed by CFIUS continue to be processed expeditiously and without controversy within a 30-day investigation period. In 2006, there were approximately 10,000 mergers and acquisitions in the United States. Of these, 1,730 were cross-border transactions, and only 113, or roughly 6.5 percent, came before CFIUS. None of these transactions was blocked.

Congress passed a new CFIUS law in the summer of 2007 that mandates additional scrutiny and higher-level clearances for transactions involving foreign government control. However, this additional scrutiny comes in the context of provisions for greater certainty for investors, more accountability from the U.S. administration, and better communication between CFIUS and Congress. It also reinforces the disciplined approach that allows CFIUS to focus its attention on the very small share of cases that raise genuine national security concerns.

There are also non-national-security issues associated with the potential increase in foreign public ownership of private firms. First, the

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U.S. economy is built on the belief that private firms allocate capital more efficiently than governments. Second, foreign governments could conceivably employ large pools of capital in noncommercially driven ways that are politically sensitive even if they do not have a direct impact on national security. Examples would include investment decisions made to promote a given foreign or social policy. Third, there is the potential for perceived or actual unfair competitive advantages relative to the private sector. For instance, a government could use its intelligence or security services to gather information that is not available to a commercial investor. With a sovereign guarantee, a SWF could also obtain or extend financing (if needed) at interest rates that a commercial investor could not. It is also possible for a SWF to take an indirect approach by channeling foreign exchange through domestic SOEs, which in turn invest abroad.

FIRST, DO NO HARM

HOW SHOULD the United States and other recipient countries of SWF investments respond to their increased importance? First, they should take care to do no harm. They should recognize that SWFs have not caused significant financial-market disruption and that the overwhelming majority of SWF investments do not involve partial or complete control of firms. And even for investments that do involve control, there is little evidence of any ulterior foreign policy motives in practice.

Recipient countries should also maintain their unequivocal support for international investment. President George W. Bush reaffirmed this long-standing U.S. policy in his "Statement on Open Economies" on May 10, 2007, the first such statement in 16 years. The benefits of market-driven free investment flows are many. There are static gains as U.S. businesses are able to expand by tapping international capital. From a macroeconomic perspective, investment inflows help finance the country's current account deficit. There are also important dynamic gains from the resulting business competition. Prices of goods and services decrease, their availability and variety increase, and the productivity and efficiency of domestic businesses rise.

The U.S. economy benefits significantly from inward and outward foreign direct investment. U.S.-headquartered multinational companies

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that invest abroad have contributed strongly to overall productivity growth in the United States and thus to rising U.S. living standards. U.S. multinationals accounted for over half of U.S. productivity growth between 1977 and 2000 and for half of the increase in U.S. productivity growth between 1995 and 2000. During this five-year period, productivity at U.S. multinationals surged, growing six percent annually.

Research also shows that foreign-owned firms in the United States employ 4.5 percent of the work force and account for 5.7 percent of output, 19 percent of U.S. exports, 13 percent of research-and-development spending, and 10 percent of all U.S. investment in plant and equipment. These firms also pay more than 30 percent higher compensation (wages and benefits) on average than do their counterparts in the rest of the U.S. economy. And 30 percent of these jobs are in manufacturing, compared with fewer than 10 percent of all U.S. jobs.

The biggest threat to the benefits of foreign direct investment would be a slide toward investment protectionism. As Treasury Secretary Henry Paulson has noted, protectionism, in both investment and trade, would undermine U.S. growth and job creation. And this is not just a U.S. concern: there is also rising protectionism in Europe and other industrialized countries and in emerging markets. Often this investment protectionism is masked by claims of national security concerns or driven by individual firms that might lose out in a given deal.

PRINCIPLES FOR A POLICY RESPONSE

ONE CLEAR conclusion that arises from this discussion is that the benefits of SWF investments to the recipient countries depend on the extent to which the behavior of SWFs is economically driven. If these investments are economically, rather than politically, driven, recipient countries have a strong interest in providing an open, transparent, and predictable framework for SWF investment.

Clearly, both the countries in which SWFs invest and SWFs themselves have certain responsibilities. Policy principles are needed for both sides. The U.S. government is now intensifying direct bilateral outreach efforts with both countries that have SWFs and countries that receive their investment.

Public Footprints in Private Markets

Countries receiving SWF investment should follow four basic principles. First, avoid protectionism. Countries should not erect counterproductive barriers to investment, regardless of whether the investor holds a controlling interest in national firms. Second, uphold fair and transparent investment frameworks. Investment policies and processes, especially those involving national security considerations, should be public, clearly articulated, predictable, and nondiscriminatory. Third, within those frameworks, respect investor decisions. Having laid out the ground rules, recipient countries should not tell SWFs how to invest their money. Decisions on how to allocate investments across countries and asset classes are for the funds' managers alone, particularly given the potential for losses as well as gains. Finally, treat investors equally. Tax and regulatory policies should not discriminate between foreign and domestic entities.

The principle of reciprocity—that is, reciprocal openness to investment—is not on this list despite the fact that many countries with SWFs are themselves far too closed to foreign investment. This is because it is in the United States' interest to be open to market-driven investments—from both private and sovereign entities—even if other countries are not. Still, that is not to say that reciprocity is not considered at all: the reality is that investment policy decisions are made in a broader political context in which reciprocity, as well as the protection of intellectual and physical property, is taken into account.

SWFs, meanwhile, should follow five policy principles of their own. First, invest commercially, not politically. SWF investment decisions should be based solely on economic grounds, rather than political or foreign policy considerations. SWFs should make this statement a formal part of their basic investment management policies. Second, convey world-class institutional integrity. SWFs should be transparent about their investment policies and have strong risk-management systems, governance structures, and internal controls. Although not highly leveraged and, in principle, long-term investors, SWFs can represent large, concentrated, and opaque positions and thus may cause worries of systemic risk. Third, compete fairly with the private sector. SWFs should be careful not to be seen as having an unfair advantage in competing with the private sector for transactions, including by financing acquisitions at below-market rates. Fourth, promote international

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financial stability. As public-sector entities seeking to benefit from healthy global markets, SWFs have a strong stake in and responsibility for international financial stability. During times of market stress, SWFs should be committed to communicating effectively with the official sector to address financial-market issues. Finally, respect host-country rules. SWFs should comply with and be subject to all applicable regulatory and disclosure requirements of the countries in which they invest.

These principles are all predicated on the fact that SWF asset accumulation is appropriate in the first place. Still, the underlying macroeconomic policies creating the resources for SWFs should be under constant review to see that they, too, remain appropriate—both for the countries with SWFs and the international financial system.

It is also worth addressing the frequently made comparison between the transparency of hedge funds and the transparency of SWFs. Transparency is very important in both cases, but each requires a different approach. Unlike SWFs, hedge funds are private-sector entities. Disclosure is important to foster market discipline, which helps to mitigate systemic risk. The key avenues for hedge-fund transparency are between hedge funds and their investors, between hedge funds and their counterparties and creditors, and among counterparties, creditors, and their regulators. These issues are being addressed through the development of voluntary best practices by private-sector groups on both sides of the Atlantic.

This framework for market discipline to mitigate systemic risk does not apply to SWFs. SWFs are public-sector entities managing public funds, and profit maximization may not be considered the primary objective. Investor discipline depends on citizens and the government, rather than savvy institutional investors. SWFs' counterparties thus may not exercise market discipline, by limiting exposures or tightening financing terms, because they assume a sovereign guarantee will assure full payment. Public disclosure is therefore appropriate for SWFs to mitigate systemic risk.

A STRUCTURAL SHIFT

THE U.S. TREASURY Department has played a leadership role within the U.S. government in seeking better understanding of, and communication with, SWFs. The President's Working Group on Financial

Public Footprints in Private Markets

Markets, which brings together key U.S. financial regulators and other members of the U.S. government under Secretary Paulson's chairmanship, has initiated a review of SWFs. The Treasury Department has also undertaken regular outreach and discussion with SWFs and market participants to better understand trends and monitor sovereign investments and acquisitions, and it has initiated in-depth analysis and regular reporting to Congress.

The Treasury Department believes that the principles outlined above can inform the development of two sets of voluntary multilateral best practices to provide an improved framework for SWFs and the recipients of their investment. The wide variety of experience and investment strategies among SWFs, combined with the wide diversity of regimes for regulating inward investment, underscores the need for broadly discussed and accepted best practices.

First, the Organization for Economic Cooperation and Development could identify best practices for countries that receive foreign government-controlled investment, including from SWFs. Recipient countries have a responsibility to maintain openness, and the OECD has a long history of promoting open investment regimes.

Second, the IMF, assisted by the World Bank, could draft a set of best practices for SWFs, building on existing best practices for the management of foreign exchange reserves. These best practices could cover the overall objectives and principles of SWFs, their institutional arrangements, their risk-management frameworks, and their transparency and accountability—including public disclosure. These would provide guidance to new funds seeking to make sound decisions on how to structure themselves, mitigate any potential systemic risk, and help demonstrate to critics that SWFs will continue to be constructive, responsible participants in the international financial system. Even long-standing SWFs are aware that the increase in the number and size of these funds has, rightly or wrongly, raised reputational issues for them all.

To initiate high-level discussion of the impact of SWFs, Secretary Paulson hosted an outreach dinner at the Treasury Department in October 2007 with the finance ministers of the G-7 (the group of highly industrialized countries); the heads of the IMF, the OECD, and the World Bank; and finance ministers and heads of SWFs from eight

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countries: China, Kuwait, Norway, Russia, Saudi Arabia, Singapore, South Korea, and the United Arab Emirates. There was a shared realization of a common interest in maintaining open investment and promoting financial stability. The following day, the International Monetary and Financial Committee—a ministerial-level committee whose members represent all 185 IMF member countries—tasked the IMF with identifying best practices for SWFs. The OECD, meanwhile, is accelerating its own work on developing best practices for recipient countries' investment regimes.

It is hard to escape the conclusion that the ongoing increase in SWF cross-border investment represents a potential structural shift in the global economy. It is incumbent on economic policymakers in all countries to consider fully the implications of this shift and how to respond. The evidence so far suggests that SWFs are seeking to generate higher investment returns without generating political controversy. Although it is imperative that the U.S. government remain vigilant, so long as SWF activities are consistent with free and fair competition based on agreed best practices, keeping the United States' doors open to investment from SWFs will continue to promote growth and prosperity, both at home and abroad. ☺



**U.S. TREASURY DEPARTMENT
OFFICE OF PUBLIC AFFAIRS**

EMBARGOED FOR 9:30 A.M. October 3, 2007
CONTACT Candice Pratsch, (202) 622-3431

**Testimony of Adam J. Szubin,
Director
(Office of Foreign Assets Control)
U.S. Department of the Treasury**

Before the U.S. Senate Committee on Banking, Housing and Urban Affairs

Chairman Dodd, Ranking Member Shelby and Members of the Committee, thank you for the opportunity to speak to you today about the Treasury Department's role in addressing the situation in Darfur and the Sudanese Government's support for terrorism, as well as its views regarding the various Sudan-related pieces of legislation that are pending in the Congress. I welcome the Committee's interest in these matters, and want to take this opportunity to thank the Committee for its continued support of Treasury and OFAC and its mission over the years, in particular as we have pursued sanctions against governments like Sudan.

We share an acute concern about the devastating suffering in Darfur, and an understanding that economic pressure can play an important role in bringing about a

political resolution to this complex situation. Secretary Paulson has made it clear that we should spare no effort in using all tools at the Treasury Department's disposal to advance this goal. For OFAC, and for myself in particular, imposing smart and effective pressure on Sudan has been a foremost priority.

Treasury Department Actions against Sudan

The Scope of Sanctions

The United States has levied economic sanctions against Sudan since 1997. At that time, the Government of Sudan's support for international terrorism and widespread human rights violations led President Clinton to impose comprehensive trade sanctions against Sudan, and block all property of the Government of Sudan in the United States or within the control of U.S. persons anywhere in the world.

Acting with Congress, President Bush amended these broad sanctions in 2006 to carve out certain areas from our sanctions, notably Southern Sudan and Darfur, provided that the relevant transactions do not involve Sudan's petroleum or petrochemical industries or any property or property interest of the Government of Sudan.

In addition to these comprehensive sanctions, the President recently imposed strict economic sanctions against persons responsible for violence or atrocities in Darfur. Issued in accordance with actions taken by the United Nations Security Council, Executive Order 13400 blocked the property of four individuals connected to the conflict in Darfur. It also authorized the Treasury Department to block the property and interests

in property of persons determined to: constitute a threat to the peace process in, and stability of, Darfur; be responsible for conduct related to the conflict in Darfur that violates international law; be responsible for heinous conduct with respect to human life or limb related to the conflict in Darfur; have supplied, sold, or transferred arms or any related materiel related to military activities to the warring parties in Darfur; or be responsible for offensive military overflights in and over the Darfur region. Treasury's authority applies as well to those determined to have materially assisted or supported, or to have acted for or on behalf of, any of the above.

Recent Actions

A primary objective of these sanctions, of course, has been to alter the behavior of those responsible for the terrible suffering in Darfur, first and foremost the Sudanese Government of President Bashir. This past April, on Holocaust Memorial Day, the President issued a clear warning to the Sudanese Government. Either they would live up to their prior commitments and allow the deployment of a joint United Nations-African Union peacekeeping force, or the United States would impose further economic sanctions on the Sudanese Government and seek a United Nations Security Council Resolution to do likewise.

When President Bashir did not follow through, President Bush did. On May 29, Treasury announced the designation of three additional Sudanese individuals and thirty-one additional Sudanese companies subject to the asset freeze strictures of Executive Orders 13067, 13400, and 13412. We imposed sanctions against three individuals and

one company because of their role in the ongoing violence in Darfur. We designated Ahmad Muhammed Harun, Sudan's State Minister for Humanitarian Affairs, and Awad Ibn Auf, Sudan's head of Military Intelligence and Security, who are among Khartoum's senior leadership and have acted as liaisons between the Sudanese government and the Government-supported Janjaweed militias. We also designated Khalil Ibrahim, leader of the Justice and Equality Movement (JEM), a rebel group that has been responsible for a number of violent incidents, and the Azza Air Transport company, which had been conveying artillery, small arms, and ammunition to Sudanese government forces and Janjaweed militia in Darfur for their activities in Darfur.

Simultaneously, we targeted 30 additional companies owned or controlled by the Government of Sudan, thereby subjecting them to the asset freeze imposed on the Government by Executive Order 13067 and 13412. These targeted companies included five petrochemical companies, Sudan's national telecommunications company, and an entity that has supplied armored vehicles to the Sudanese Government for military operations in Darfur.

In addition to these actions to strengthen our financial measures against Sudan, we have stepped up enforcement of our Sudan sanctions, and have made such enforcement a top priority within OFAC. While I cannot comment on specific open enforcement cases, I can tell you that we are aggressively pursuing a number of violators to expose and penalize those who are violating our sanctions and deter those who might think of doing so.

In this regard, I would like to thank the Chairman and this Committee for its support in passing S. 1612, the International Emergency Economic Powers Enhancement Act, which provides for increased civil penalties for violations of IEEPA – the statute pursuant to which our sanctions against Sudan are imposed. We have sought these increased penalties in no small part because we faced impediments to obtaining meaningful enforcement of our sanctions against Sudan. The passage of this bill will provide a strong tool to make our sanctions effective.

It can be notoriously difficult to measure and attribute the impact of sanctions, when the ultimate objective is a change in regime behavior. It is certainly true that our sanctions were watched very carefully in Khartoum and taken seriously. Immediately after the sanctions were announced, the Sudanese Government took steps to sell off Government assets that we had identified and its Central Bank imposed broad restrictions on the movement of foreign currency. And, most importantly, we believe that the new U.S. sanctions – and the threat of international sanctions along similar lines – played a role in President Bashir's announcement in early June that Sudan would allow the deployment of a joint African Union-United Nations peacekeeping force in Darfur.

In addition to ensuring that our sanctions have the maximum possible effect on the Government of Sudan (GOS), we are also taking steps to protect the Government of Southern Sudan (GOSS) and humanitarian aid efforts in Darfur and elsewhere. We have prepared regulations that will help clarify the scope of sanctions with respect to South

Sudan, Darfur and other exempt areas, and hope that those regulations will spur interest in investment and economic development in the South. And to facilitate the vital assistance activities of our State Department and USAID colleagues and those in the NGO community, we are licensing humanitarian work. Since January, 2006, we have issued approximately 87 licenses and registered approximately 48 NGOs to conduct this critical assistance work.

Pending Legislation Concerning Sudan

We appreciate and share the concerns that animate the various pieces of Sudan-related legislation pending before Congress. Let there be no mistake – these concerns are deeply shared by the Treasury Department and the entire Administration

A Government-Generated List

In imposing economic sanctions or other measures against Sudan – or any other regime – we must always keep in mind the ultimate goals of those sanctions. While the Department shares the Committee's and the Congress' goal of increasing pressure on the Sudanese government to end the violence in Darfur, we have several concerns with the various legislative proposals that have been introduced and discussed in the Congress

Of particular concern are the various proposals that would require either the President or the Secretary of the Treasury to prepare a list of all companies engaged in specified business activities in Sudan. The preparation and publication of such a list raise

a series of significant concerns for the Department, and may not add much value, given that non-governmental organizations have produced such lists for purposes of divestment.

A primary concern with the creation of such a list is the impact it is likely to have on our ability to maintain multilateral pressure on the regime in Khartoum. Because of the United States' broad sanctions against Sudan, no U.S. companies are likely to be included on such a list, as investment by such companies in Sudan is generally prohibited absent a license from OFAC. Consequently, the list would consist of foreign companies whose activities in Sudan are most likely legal in their home countries. Such a list likely will be viewed by our allies as a U.S. Government "blacklist" – not of Sudanese government entities – but of other companies based in their nations, and, therefore, as an unwelcome effort by the United States to expand the scope of our sanctions. As a result, such a list seriously risks alienating the very countries whose assistance we need to maintain and increase international pressure on the Bashir regime. These third countries hold important leverage that may be needed to threaten and ultimately impose additional measures against the Bashir regime, should it fail to follow through on its commitments. The promulgation of what will likely be perceived as a U.S. Government blacklist targeted at the lawful conduct of non-GOS companies based in these allied nations, however, risks shifting the focus of the debate from the Bashir government's compliance to the propriety of U.S. actions, and thus jeopardizes the international coalition that has helped bring about the recent positive developments in Sudan. Particularly in light of the current track of negotiations, including upcoming peace talks in Libya later this month, we strongly believe that requiring the promulgation of such a list is unwise.

In addition, creation of such a list raises a host of practical concerns. Any such list created by the U.S. Government will necessarily be incomplete. It would not identify those companies whose involvement in Sudan is not sufficiently established or is known only through classified information. The resultant list would be limited to publicly available information. Such a list would attempt to duplicate similar lists already compiled by non-governmental organizations based on public information but it would likely be less inclusive in light of the government's inability to rely on certain sources of information.

Further, the agency tasked with creating such a list would face difficult issues in determining what type and amount of evidence would suffice to include a company on the list. And, the inclusion or exclusion of certain companies from the list could subject the agency to legal challenges under the Administrative Procedure Act.

Creation of a list would also impose an ongoing, burdensome requirement on the agency tasked with its creation, especially a list that would need to be updated continually or on a regular basis as called for by some legislative proposals. These demands will necessarily divert resources from other important government functions. Indeed, those on my staff who have the most familiarity with Sudan are currently working to target companies and individuals for additional sanctions.

With relevant lists already available from non-governmental sources, all of the above costs would seem to greatly outweigh what incremental benefit a new government-generated list might provide.

Other Policy Proposals

Many legislative proposals would encourage and affirmatively authorize State and local government action. As noted by my State Department colleague, the Administration opposes proposals to authorize divestment by state and local governments, which impair the ability of the president to act on behalf of the nation as a whole and risk creating a multiplicity of foreign policies.

I understand that the Committee is considering alternative proposals to a government-generated list. We look forward to continuing to work with you and your staffs as you consider the costs and benefits of such proposals, and would look forward to answering the Committee's questions regarding these issues.

Conclusion

We all share the same objective when it comes to Darfur: a negotiated settlement that will bring a stable and lasting peace to Darfur. We remain committed to continuing the constructive dialogue we have had with your staffs on these important issues, as we very much want to ensure that the U.S. Government has all appropriate tools at its disposal to address this situation. Thank you again for the opportunity to testify today about this important issue.

The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence from the South African Boycott*

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Abstract

Governments and vocal institutional shareholders have been exerting pressure on companies they deem to have objectionable operations (such as tobacco or chemical producers). This paper studies the effect of the most important legislative and shareholder boycott to date, the boycott of South Africa's Apartheid regime. We find that corporate involvement with South Africa was so small that the announcement of legislative/shareholder pressure of voluntary divestment from South Africa had little discernible effect either on the valuation of banks and corporations with South African operations or on the South African financial markets. There is weak evidence that institutional shareholdings increased when corporations divested. In sum, despite the public significance of the boycott and the multitude of divesting companies, political pressure had little visible effect on the financial markets.

*The paper benefited from comments from Jonathan Berk, Robert Dammon (the WFA discussant), David Hirshleifer, Donald Siegel, Phillip Stocken, and University of Michigan and WFA seminar participants. We thank David Hoopes, Duke Bristow, and Troy Janes for research assistance, and Toby Moskowitz for data.

IX Summary

This paper has presented a *post mortem* analysis of an unusual historic event. It investigated the effect of the most important legislative and shareholder boycott to-date: the boycott of South Africa's Apartheid regime. Despite heated public debate over divestment, there has been little formal empirical evidence brought on this issue. We find no support for the common perception—and often vehement rhetoric in the financial media—that the anti-Apartheid shareholder and legislative boycotts affected the financial sector adversely: the announcement of legislative or shareholder pressure had *no* discernible effect on the valuation of banks and corporations with South African operations or on the South African financial markets. There is weak evidence that institutional shareholdings increased when corporations divested, i.e., that divesting firms' investor clienteles changed, and that divesting firms with more returning institutional shareholders received a perhaps slightly more positive but insignificant valuation response. One explanation may be that the boycott primarily reallocated shares and operations from "socially responsible" to more indifferent investors and countries. Our findings are consistent with the view that demand curves for stocks are highly elastic and so have little downward slope.

In all, the evidence from both individual and legislative actions, taken together, suggests that the South African boycott had little valuation impact on the financial sector. Despite the prominence and publicity of the boycott and the multitude of divesting companies, the financial markets valuations of targeted companies or even the South Africa financial markets themselves were not easily visibly impacted. The sanctions may have been effective in raising the public moral standards or public awareness of South African repression, but it appears that financial markets managed to avoid the brunt of the sanctions. This may be an important point for future activists who are considering using the tools of the boycott for other causes.

Assistant Secretary of State for African Affairs
Jendayi E. Frazer
Testimony before the Senate Committee on Banking, Housing and Urban Affairs
October 3, 2007

Mr. Chairman, Ranking Member Shelby, members of the Committee, thank you for the opportunity to testify on the Administration's Sudan policy and specifically our efforts to peacefully end the tragic humanitarian situation in Darfur. Sudan is a top priority for the Administration. We appreciate the generous support of Congress as we work to resolve the situation in Darfur which, among many things, has helped us sustain the African Union (AU) peacekeepers in Darfur and most recently, achieve United Nations (UN) Security Council Resolution 1769 authorizing the deployment of 26,000 UN peacekeepers. But, as demonstrated by the tragic events of September 29 with the attack on the AU Mission in Sudan (AMIS) camp in Darfur that resulted in the death of at least 10 AU peacekeepers, there is still a long way to go to achieve peace in Darfur. I look forward to our continued close relationship with Congress as we work together to bring peace to the region.

Critical Juncture on Darfur

Mr. Chairman, we are at a critical point in our efforts in Sudan. The large, robust peacekeeping force for Darfur that we have all worked for over the last few years is finally on the verge of deployment – its first elements are slated to go in before the end of the year. The renewed talks that aim to achieve a lasting political solution in Darfur are expected to begin on October 27 in Libya. This progress, while long in coming, is due in large part to increased international pressure on Sudan, led by the United States. At the UN General Assembly last week, President Bush stated that "America has responded [to the suffering in Darfur] with tough sanctions against those responsible for the violence."

The new sanctions he imposed on May 29 targeted 30 Sudanese Government-owned or-controlled companies and three individuals, including two Government officials and one rebel leader. These new sanctions, and stepped up enforcement of existing sanctions on Sudan, are working. To move forward from here, we are working closely with the UN and AU to implement the agreements, even as we continue to closely monitor the actions of all parties.

We appreciate the efforts of some groups to seek additional ways to increase pressure on Khartoum. We are confident that our May 29th sanctions have and are working. We are at a critical moment and it is important to avoid any action – including legislative measures – that might set back the progress we have made thus far. In considering our position, we also have to bear in mind that the Government of Sudan has accepted UNAMID and the need to negotiate a peace deal. At the moment, the main issue is whether rebel factions will be an obstacle to a peaceful negotiated settlement. We are also concerned that some initiatives to increase economic pressure on Sudan will damage our relationship with our key partners rather than increase pressure in Khartoum, and may further complicate efforts to carry out our substantial assistance programs. A welcome and useful initiative at this juncture would be for Congress and other concerned groups to issue statements calling for the rapid deployment of the UN/AU hybrid force and calling on all parties to participate in the political process.

Situation in Darfur and between North-South

Today, I will review the present situation in Darfur, our efforts to achieve full implementation of the Comprehensive Peace Agreement (CPA) which ended more than 21 years of warfare between North and South Sudan, and what further steps are needed to

realize our goals. Efforts to end the violence in Darfur and implement the CPA must go hand-in-hand, and we must be willing to exercise pressure to achieve success on both fronts. At the same time, we must also be wary of initiatives that advance peace in one part of the country at the expense of another.

Let me first turn to Darfur. The situation on the ground is chaotic. Tribal conflict, survival-motivated violence, Janjaweed attacks, clashes between rebel and government forces, and rebel attacks on AMIS continue. Since the beginning of 2007, nearly 248,000 people have been newly displaced from the fighting. This is in addition to the over two million people currently living in camps or settlements for the displaced, and the over 235,000 refugees in neighboring Chad. On September 29 and 30, the 7,000-strong African Union Mission in Sudan suffered its greatest loss since its initial deployment in 2004. Armed men from rebel factions viciously attacked the African Union base camp in Haskanita, killing 10 peacekeepers, looting supplies and vehicles, and destroying the buildings. The 150 or so primarily Nigerian peacekeepers fought back, repulsing the first wave of attackers, but in the end were overpowered and forced to evacuate in the early morning hours. We honor the service of those peacekeepers that lost their lives and our hearts go out to their families. We express our outrage and call upon all parties to adhere to a ceasefire and cease hostilities immediately. Military action will only weaken the position of the party responsible.

The tragedy of this attack highlights the urgency to deploy the UN's heavy support package (HSP) and the UN/AU Hybrid peacekeeping mission (UNAMID) to Darfur as soon as possible. The United States has been leading this effort. We have been working with the United Nations to recruit the necessary troop contributors, and with a

few exceptions, the UN has received an abundance of offers. We are also expanding seven of the African Union's base camps to hold two additional battalions that will serve as protection for the UN's HSP units. Among other units, the HSP includes engineers from China that will help prepare the infrastructure for larger deployments of peacekeepers early next year. We are also providing training and equipment to African battalions that will deploy as part of the UN mission.

Again, the Sudanese Government has publicly accepted UN Security Council Resolution 1769 and has pledged cooperation with its deployment. We will hold them to this pledge. The key leaders of UNAMID are already on the ground. The UN/AU Joint Special Representative, Rodolphe Adada, and UN/AU Force Commander General Martin Agwai are already in place. We have warned the Government of Sudan that we are watching closely, and that we insist on nothing less than full cooperation, from flight and customs clearances for UN equipment, to the rapid provision of entry visas for deploying personnel.

The heart of the solution in Darfur is an inclusive political agreement, and the United States is sustaining its efforts to achieve that end. There can be no military solution. I was present in Abuja, Nigeria when the Government of Sudan and Minni Minawi, leader of the Sudan Liberation Movement (SLM), signed the Darfur Peace Agreement (DPA) on May 5, 2006. The DPA is a fair agreement which addresses the core grievances of the people of Darfur. Unfortunately, at the eleventh hour, some parties became intransigent and refused to sign. We have all learned from that process.

The United Nations and African Union are providing renewed leadership and their efforts are making headway. New talks are scheduled to begin on October 27 in

Libya. The UN and AU have incorporated the regional countries into the process, and are formulating a mechanism to formally include civil society, tribal leaders, and representatives of the internally displaced persons. The first order of business in Libya should be the strengthening of the ceasefire monitoring mechanism.

As I noted, at the moment, the splintered rebel factions are creating obstacles to a peaceful negotiated settlement. Several of the rebel factions have refused to attend peace conferences, citing untenable conditions, and others are wary of the process. Rebel factions that remain outside of the process are not acting in the interests of the people of Darfur they claim to represent. We are working with our international partners to press all the rebels to attend.

We have reached a sensitive time in our diplomatic engagement to achieve a restarted political process in Libya. The Sudanese government and the rebel factions must both be pressed to attend the talks, and we have been sending messages to that end. We will apply sanctions on any party that obstructs the peace process.

Let me now discuss the Comprehensive Peace Agreement, which is central to our efforts to achieve the peaceful, democratic transformation of Sudan and resolution of the crisis in Darfur. The elections called for at every level in 2009, if implemented freely and fairly, can dramatically change the political landscape in Sudan and Darfur and the direction of Sudan's future. We must ensure that our efforts do not undermine the potential of this agreement.

While much has been accomplished during the nearly three years since its signing, the progress of the CPA has faltered in areas related to flashpoint issues along the North-South border, including Abyei, oil revenue sharing, and redeployment of

forces. The United States is leading international efforts to address these challenges and put CPA implementation back on track. We are sending a message to all parties, including those in Darfur, that the international community will stand fully behind the peace agreements it witnesses. Special Envoy Natsios is on the ground in Southern Sudan pressing this point. We have asked the Intergovernmental Authority on Development (IGAD), to host a high-level meeting through its Partners' Forum to call the parties to the CPA to account for progress on implementation. The recent appointment of Ashraf Jehangir Qazi as UN Special Representative for Sudan will also bring renewed focus to CPA implementation.

The United States has and will continue to lead the world in responding to the situation in Sudan. We have provided over \$4 billion in assistance to Sudan since 2005. While we are successfully increasing pressure on the Government of Sudan, we must also recognize that these efforts and any future efforts may impact the Government of Southern Sudan (GOSS). As part of the CPA, the GOSS receives tens of millions of dollars in oil revenue each month from the central government in Khartoum. This influx of resources is unprecedented in a post-conflict situation, and has allowed the GOSS to participate with the international community in the development and reconstruction of Southern Sudan.

We share the frustration of Congress and the American people who want to see an end to the suffering of the Darfur people. We, together with Congress' ongoing support, will continue to exert all our efforts until the crisis in Darfur is ended, and all the people of Sudan can live in peace.

Thank you, Mr. Chairman. I will be pleased to answer any questions you may have.

Testimony of Acting A/S Elizabeth Dibble, Bureau of Economic, Energy
and Business Affairs

Senate Committee on Banking, Housing and Urban Affairs

October 3, 2007

“Combating Genocide in Darfur: The Role of Dives ent and Other Policy
Tools”

Chairman Dodd, Ranking member Shelby, and members of the committee, thank you for the opportunity to appear before you today to discuss some aspects of possible sanctions measures concerning Sudan. Sanctions seek to change behavior. To be effective, they must be carefully calibrated and coordinated. Naturally, timing and messaging are essential components of this process. The Administration and Congress need to maintain a unified message on Sudan policy to maximize U.S. influence on the peace process. This is particularly true since the Administration and Congress fully share the same objectives in Sudan, in particular our common desire to end the violence in Darfur.

In recent years, the Administration, with the support of the Congress, has imposed extensive sanctions against Sudan. There can be no doubt regarding the determination of the United States to see effective change in Sudan.

But sanctions are only one part of the approach, which also has to rely upon multilateral diplomacy and, eventually, changed behavior by the Khartoum regime itself. We have to ensure that our desire to send a strong message via sanctions does not counteract or even overwhelm progress on those political fronts. As Assistant Secretary Frazer indicated, we have serious concerns about attempts to apply new sanctions on the Government of Sudan (GOS) at this moment. It would send the wrong message to the regime at a time when it is actually being helpful with peace talks and with the AU/UN peace keeping force. It would also send the wrong message to rebel movements, one of which just attacked an African Union peacekeeping base and killed 11 Nigerian peace-keepers. The rebels need to join the peace process rather than targeting international forces.

Legislative proposals can serve as a useful reminder of what might occur if progress does not continue, but we are concerned about the negative impact of an actual new law at this delicate juncture.

Our most recent action on Sudan sanctions, announced by President Bush on May 29, was carefully targeted and came at a time when the GOS was resisting deployment of UN peace-keepers, undermining the political process, and continuing to carry out a bombing campaign in Darfur. The USG designated 30 companies owned or controlled by the Government of Sudan under Executive Orders 13067 and 13412. These included five petrochemical companies and Sudan's national telecommunications company. These designations got the attention of GOS officials without undermining our multinational coalition on Sudan, and as Assistant Secretary Frazer has stated, it was this increased pressure that helped bring us to where we are today.

In addition to the problem of timing, certain aspects of pending Sudan bills raise broader concerns about unintended consequences. We need to take into account the potential impacts on Southern Sudan as well as reactions by key international partners. A/S Frazer has noted the millions of dollars of taxpayer money that we have invested in trying to help develop Southern Sudan; our sanctions regime already is so broad that it inevitably has negative consequences for the South as well as for its intended target in the North. The Government of Southern Sudan recently sent a high-level delegation to DC to explore ways to mitigate the unintended harm our current sanctions appear to have had in the South. New measures may well compound the South's difficulties in attracting U.S. and foreign investors or even interfere with development assistance projects, if they are not carefully calibrated.

Required divestment will be seen by our allies as a U.S. government action targeting their companies and could affect our ability to obtain cooperation on mutual action with respect to Sudan. Some of these key allies will be providing troops and equipment for the AU/UN Hybrid peacekeeping force.

In a broader spillover effect, such Sudan measures could also jeopardize the cooperation of these key partners on other countries of concern such as Iran, North Korea, and Burma. We need to look carefully at each of the Sudan bills and consider all aspects of their likely impacts, including on Southern Sudan and our multinational coalitions. We need a multilateral coalition that includes the Chinese, the Arab world, the Europeans, and the African Union to build peace in Sudan.

We recognize that individuals and particular funds may want to divest certain holdings for a variety of reasons. In fact, we do not take a position on private independent action by individual investors based on private-sector research and analysis. The message sent by millions of individuals voting with their dollars can be powerful; especially if it is not influenced by U.S. government action. However, the Administration is opposed to affirmative federal legislation that explicitly authorizes divestment campaigns at the state and local level. Sanctions policy needs to respond quickly to rapidly evolving events. Having one unified foreign policy gives us the flexibility to do this. State and local divestment efforts risk creating the appearance of a multiplicity of foreign policies, undercutting our policy flexibility and the clarity of the messages we send foreign governments. They also undermine the President's Constitutional responsibilities to conduct foreign affairs for the Nation. Moreover, such provisions could serve as an undesirable model for other countries to adopt their own legislation, encouraging divestment from companies (including American ones) doing business in other particular countries.

The Department knows that this is not the intent of the concerned citizens, groups, and representatives who back Sudan divestment initiatives, but it is a real concern. We share their desire to stop the violence in Darfur and applaud the way so many have come together to keep the focus on change in Sudan.

Other general concerns about divestment include the prospect that encouraging divestment could be challenged by foreign governments as a secondary boycott. It could also invite such secondary boycotts or other similar action against U.S. firms, or against companies engaged in activities, or doing business in countries, that we strongly support. Politicizing our capital markets also carries longer-term risks to our economy, if it deters foreign investors from using our markets. The Administration has consistently opposed, as a matter of policy, legislative provisions that politicize capital markets.

Other provisions of concern which are in some bills remove essential legal protections for workers' retirement security. The Employee Retirement Income Security Act of 1974 (ERISA) requires fiduciaries of private-sector employee benefit plans to act prudently and solely in the interest of the plan's participants and beneficiaries. Bills with "safe harbor" provisions, including for private investment companies, could exempt fiduciaries from

their duties of prudence and loyalty and from prohibitions on self-dealing when divesting the plan from investments or avoiding investing plan assets in blacklisted companies. By removing these essential protections, such a measure could harm workers, retirees and their families, allowing them no recourse for their losses.

The Sudan bills currently under consideration all seek ways to use U.S. economic leverage to have an indirect impact on Sudan's leaders by pressuring foreign companies that do business in Sudan. The primary approach in certain bills would have the USG create a "blacklist." This is the most troubling approach. Another concept in play is a new SEC disclosure process. A third concept is an as yet unarticulated U.S. government contracting certification procedure and a procurement bar on prospective contractors who cannot certify that they either have no specified business activities in Sudan or, if they do, that they meet certain humanitarian criteria. These latter two proposals also pose concerns but we remain open to exploring them further as alternatives.

The Administration has consistently opposed all requirements that the President or Treasury or any other U.S. government entity affirmatively prepare a "blacklist" periodically of companies doing business in Sudan -- such a list would target our allies, impairing multilateral efforts to aid the peace process. The high evidentiary standard that the U.S. government compiler of such a list would need to apply also means that the list would be narrower than ones already developed by NGO's and the private sector.

In summary, sanctions are an important policy tool, but need to be managed with maximum flexibility. Timing is everything, and we believe it imperative to preserve the President's flexibility to decide when and how to calibrate the application of sanctions, so they can work to the maximum advantage. We look forward to our continued dialogue with the Congress to ensure that sanctions are applied at the appropriate time and in ways that do not undermine the multilateral efforts which are essential to achieve our policy objectives for Sudan, including ending the violence in Darfur.

Updated

LEGISLATIVE RESEARCH REPORT

JANUARY 28, 2008



REPORT NUMBER 08.112

DIVESTMENT OF QUALIFYING COMPANIES OPERATING IN SUDAN FROM ALASKA PUBLIC FUNDS

PREPARED FOR REPRESENTATIVE LES GARA

BY DANIEL LESH, LEGISLATIVE ANALYST

You asked about state economic sanctions against the government of Sudan via the divestment of public assets in qualifying companies. Specifically, you asked for a review of relevant U.S. state laws and an analysis of the potential effects of a "targeted divestment" law on the State of Alaska with respect to the Alaska Permanent Fund, the Alaska Retirement Management Board's funds, and other Alaska state funds.

SUMMARY

As of January 28th, 2008, at least 41 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has declared that genocide is taking place. Twenty-one of these states have enacted divestment policies. By our calculation, as of December 31st, 2007, investments within the Alaska Permanent Fund totaling roughly \$22 million, or about 0.06% of the fund's total market value, would be subject to divestment under legislation currently introduced in Alaska (HB 287, SB 227). If this legislation became law, divestment of these assets would be accomplished over an 18-month period and would incur additional administrative costs. The direct impacts of divestment on the state's investment earnings, as well as on targeted companies, are debatable, but in both cases would likely be minimal.

STATUS OF STATE DIVESTMENT LEGISLATION

As of January 28th, 2008, at least 41 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has declared that genocide is taking place.¹ Lawmakers in 16 states have enacted laws that require state funds to divest

¹ Data on state legislation are from LexisNexis and the Sudan Divestment Task Force's report "State of Sudan Divestment" (Attachment A) and chart of "Divestment Statistics" (Attachment B).

holdings in some or all companies operating in Sudan. Five additional states have adopted similar policies through their executive branches. Legislatures in Louisiana and Maryland, respectively, have passed weaker laws that encourage and allow divestment or encourage divestment and prohibit future investments. Lawmakers in another eighteen states are considering measures that address divestment from Sudan. In Table 1, we detail the status of state legislation related to divestment of public assets from Sudan.

The laws and pending legislation listed in Table 1 generally follow one of two models. Of the 41 divestment policies, 26—including that proposed in Alaska—follow a targeted approach that is applicable only to specific types of foreign companies operating in Sudan.² A targeted approach relies on the creation and maintenance of lists of companies that are deemed to be supporting the genocide in Sudan. Most of the targeted companies participate in Sudan's oil industry and pay taxes and royalties that fund the Sudanese government. States that do not follow a targeted divestment approach prohibit investment in any company operating in Sudan, though generally with an exception for humanitarian and various other types of organizations. A number of states (Colorado, Florida, Georgia, Kentucky, Louisiana, and Missouri) have also included other countries, such as Iran, North Korea, and Syria, in their divestment policies.

On December 31st, 2007, President Bush signed the Sudan Accountability and Divestment Act authorizing—but not requiring—state and local governments to disassociate from companies operating in Sudan and prohibiting the granting of new federal contracts to such companies.

As you may know, no domestic companies are affected by state divestment laws, because U.S. companies are prohibited from operating in Sudan by federal executive orders dating from 1997.³

² Targeted divestment is advocated by the Sudan Divestment Task Force (SDTF), the leading advocacy organization on this issue. We include their model legislation as Attachment C and apply its provisions—which are substantially the same as those introduced in Alaska—in this report. According to the SDTF, 15 states have adopted versions of its model legislation on targeted divestment; however, we put Maryland in a different category and Table 1 lists 14 such states.

³ Executive Orders 13067 (1997), 13400 (2006), and 13412 (2006).

Table 1: Status of State Legislation Related to Divestment of Public Funds from Sudan

Cal. Gov. Code § 7513.6 (2007)	
Colo. Rev. Stat. § 24-54.8 (2007)	
Fla. Stat. § 215.473 (2007)	
Act No. 192, Session Law 2007	
Ind. Code. Ann. § 5-10.2-9	
Chapter 10a, Session Law 2007	
Kan. Stat. Ann. § 74-4923 and 74-4960 (2007)	
Minn. Stat. § 11A.243 (2007)	
Executive Branch Policy	
Executive Branch Policy	
Session Law 2007-486	
Chapter 93, Session Law 2007	
Tex. Govt Code Ann. § 806.001 (2007)	
Executive Branch Policy	
	HB 287, SB 227
	SB 0555, HB 4854
	LB 992
	HB 1516
	SB 161
	HB 3058, SB 2146
	HB 729
	HB 2951, SB 3161
	HB 138
	HB 556, SB 87
	AB 124, SB 57
	HB 4096
Public Act No. 95-521, Session Law 2007	
Me. Rev. Stat. Ann. tit. 5, § 1956 (2007)	
Mass. Gen. Laws Ann. ch. 32, § 23 (2006)	
N.J. Stat. Ann. § 52:18A-89.9 (2007)	
ORS § 203.811-817 (2006)	
	SB 9
	HB 256, SB 199
	HB 25
SCR 20 & Executive Branch Policy	
Conn. Gen. Stat. § 3-21e (2007) & Executive Branch Policy	
La. Rev. Stat. Ann. § 11:312 (2007)	
Executive Branch Policy	
Md. Code Ann. § 21-123.1 (2007)	
	HCR 32
	HB 245

NOTES: Pending legislation in some states may not have been captured by our search and this list should not be treated as exhaustive. (a) New York state and New Mexico pension funds have adopted a targeted divestment policy. (b) Vermont's pension fund has enacted a targeted divestment from Sudan. (c) Illinois' 2007 legislation replaced the state's 2005 law, which was found unconstitutional. (d) Arkansas and laws in Connecticut are non-binding, but the states have divested significant assets. (e) Nevada's governor and legislative leaders urged the adoption of a targeted divestment policy, but no action has been taken. (f) Maryland law encourages divestment and prohibits future investments in all companies with operations in Sudan. **SOURCES:** Lexis.com; Sudan Divestment Task Force's "State of Sudan Divestment" report (Attachment A); Sudan Divestment Task Force's "Divestment Statistics" chart (Attachment B).

TARGETED DIVESTMENT OF ALASKA STATE FUNDS

By our calculation, as of December 31st, 2007, the balances of all state invested assets totaled approximately \$70 billion.⁴ Of these investments, a very small portion would be subject to divestment under a targeted approach.⁵ Of the \$39.8 billion in the Alaska Permanent Fund, we calculate that, as of December 31st, 2007, a maximum of about \$22 million (about 0.06%) would require divestment using the Sudan Divestment Task Force's list of targeted companies (see Table 2). We found no targeted holdings in other state funds, including all state assets under the investment authority of the Alaska Retirement Management Board and the Department of Revenue.

Table 2: Alaska Permanent Fund Stock Holdings Subject to Divestment

CHINA PETROLEUM (SINOPEC)	\$ 10,455,130	China
ALSTOM	\$ 9,268,789	France
PETROFAC LTD	\$ 1,331,983	UK
WARTSILA	\$ 867,531	Finland
LUNDIN PETROLEUM AB	\$ 67,705	Sweden
CNPC HONG KONG LIMITED	\$ 25,600	Bermuda
TOTAL	\$ 22,016,736	

NOTES: Holdings subject to divestment determined using the Sudan Divestment Task Force's (SDTF) divestment lists. Some of the stocks listed above may be indirect holdings in actively managed investment funds, which are exempt from divestment under the SDTF targeted divestment model applied in this report.

SOURCES: Stock information current as of December 31, 2007 and available on the Alaska Permanent Fund Corporation's website at <http://www.apfc.org/investments/stocks.cfm?us=show&int=show>.

Under the targeted divestment legislation currently under consideration in Alaska (HB 287, SB 227), divestment of the assets described in Table 2 would occur over an 18-month period following the effective date of the legislation. In the first step of the process, fund directors would be allowed 90 days to compile and adopt a "scrutinized companies list" based on criteria and sources outlined in the legislation. Following adoption of the list, the fund would be required to

⁴ These funds include the Alaska Permanent Fund (\$39.8 billion); funds under the fiduciary responsibilities of the Commissioner of Revenue, which include Alaska Retirement Management Board funds (\$19.5 billion; including the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, National Guard/Naval Militia Retirement System, Alaska Supplemental Annuity Plan, Alaska Deferred Compensation Plan, Alaska Defined Contribution Plan), General Fund and other Non-segregated Investments (GeFONSI; \$5.5 billion), Constitutional Budget Reserve Fund (\$3.1 billion), and other funds (\$1.6 billion; including the Public School Trust Fund, Alaska Children's Trust, Investment Loss Trust Fund, Supplemental Benefits Trust Fund, General Obligation Bond Fund, International Airports Fund, International Airports Construction Fund, Retiree Health Insurance Fund, Power Cost Equalization Endowment Fund, Mine Reclamation Fund, and Alaska Sport Fish Construction Fund); and state funds outside the fiduciary responsibility of the Commissioner of Revenue (\$0.4 billion; including the University of Alaska Trust Fund, Alaska Student Loan Corporation Fund, Exxon Valdez Oil Spill Investment Fund, and Mental Health Trust Reserve Fund). Information on state funds obtained from Pam Green, state comptroller, Alaska Department of Revenue, (907) 465-3751.

⁵ Only the portions of funds with publicly-traded equity in targeted companies would be affected, which for these funds is typically a small proportion of total investments. Furthermore, the targeted approach we apply here includes an exception for indirect holdings in actively managed, commingled investment funds—the most difficult and expensive type of fund to customize.

contact all scrutinized companies in which they have holdings and allow them 90 days to change their offending operations before becoming subject to divestment. Within nine months of the adoption of the "scrutinized companies list," the fund would be required to complete the divestment of 50 percent of holdings in scrutinized companies. Within 15 months, 100 percent of holdings in scrutinized companies would be required to be divested. Funds would not be required to divest indirect, actively managed holdings. This timeframe is within that described by Alaska funds as reasonable.⁶ Lastly, ongoing reporting requirements and the screening of future investments would be required.

The Alaska Permanent Fund and the Alaska Retirement Management Board expressed reservations about the wisdom of divestment, citing increased administrative costs and possible declines in fund performance.⁷ We note, however, that recent divestment research we reviewed, which ultimately argues against divestment, concludes that fund performance changes are usually "negligible, and in most cases zero."⁸

Due to the nature of the global investment marketplace, it is debatable, but unlikely, that the divestment of Alaska public funds from targeted companies would have a direct, negative economic impact on those companies. Clearly, however, divestment laws have drawn considerable press attention and are a prominent factor in the ongoing debate regarding public response to the genocide occurring in Sudan.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

⁶ Personal correspondence with Laura Achee, research and communications liaison, Alaska Permanent Fund Corporation, (907) 796-1522. Ms. Achee stated that most of the assets could be divested in several weeks. However, managers of two accounts that do not allow customization would have to be replaced, a process which generally requires several months. Gary Bader, chief investment officer, Alaska Department of Revenue, (907) 465-4399, described a similar process, including the necessity to review contracts with seven asset account managers hired by the Alaska Retirement Management Board.

⁷ Ms. Achee, research and communications liaison, Alaska Permanent Fund Corporation, expressed concern that new manager searches could yield managers that do not perform as well as current managers. Overall, in her view, divestment "would have a dampening effect on the Permanent Fund to some degree, without any guarantee that the actions would bring about the desired result in the targeted country." Gary Bader, chief investment officer, Alaska Department of Revenue, expressed his belief that Alaska funds would likely perform substantially worse after divestment.

⁸ See page 6 of "Should Public Plans Engage in Social Investing?," a publication of the Center for Retirement Research at Boston College (Attachment D), for a description of empirical research on the impacts of divestment on fund performance.

Attachment A

Sudan Divestment Task Force

"State of Sudan Divestment"

http://www.sudandivestment.org/docs/state_of_sudan_divestment.pdf



SUDAN DIVESTMENT

— TASK FORCE —

A project of the Genocide Intervention Network

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The State of Sudan Divestment:

An Overview of States, Cities, Universities, Companies, and Private Pensions
Currently Working on Sudan Divestment

December 24, 2005 (UPDATED *October 26, 2007*)

A Report by
The Sudan Divestment Task Force

SUDAN DIVESTMENT TASK FORCE

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I. Introduction

This State of Sudan Divestment report provides details on the progress of numerous states, cities, universities, and companies that have active divestment campaigns as well as the status of ex-Sudan investment offerings by asset managers and private pension plans. The report serves as a resource for various individuals and organizations examining the issue of divestment from companies that support the Government of Sudan as it commits genocide in the Darfur region of Sudan. To our knowledge, the current status of Sudan divestment as of August 2007 is as follows (please also see www.sudandivestment.org/home.asp#map):

The states of California, Colorado, Florida, Hawaii, Indiana, Iowa, Kansas, Minnesota, New York, Rhode Island, Texas, and Vermont have all adopted the Sudan Divestment Task Force model of targeted Sudan divestment. While the states of New Jersey, Illinois, Oregon, Maine, Connecticut, Maryland and Arkansas have all approved divestment plans. Finally, over a dozen states have active divestment movements with varying levels of involvement from state officials. Religious and international campaigns have also gathered steam; several religious organizations have divested or restricted future investments, including the Evangelical Covenant Church, National Ministries and Unitarian Universalist Church. Internationally, Canadian universities and provinces have initiated divestment campaigns and over half a dozen European countries have active divestment campaigns. Cities have contributed to the divestment movement as well: San Francisco, CA; Providence, RI; New Haven, CT; Philadelphia, PA; Denver, CO; Los Angeles, CA; Pittsburgh, PA and Miami Beach, FL have passed measures prohibiting certain Sudan investments while the fiduciaries of Buffalo, NY; Newton, MA, and other smaller cities are considering the issue. At the university level, over fifty institutions have enacted restrictions on Sudan investments. There are emerging or active Sudan divestment campaigns at over two dozen other colleges and universities. At the asset manager level, a grassroots campaign targeting Fidelity Investments and Warren Buffet's holding company, Berkshire Hathaway, has been initiated. Berkshire Hathaway holds roughly \$3 billion in PetroChina, one of the primary offending companies in Sudan, making it the largest single shareholder in the company. At the private pension fund level, there is an active divestment campaign for TIAA-CREF, the nation's largest such fund. Finally, the investment community has begun to respond to investors demands for Sudan free investment opportunities. A limited number of ex-Sudan investment vehicles have been developed or are being developed by asset managers such as Northern Trust, Barclays Global Investors, State Street Global Advisors as well as several socially responsible investing firms. Third party research firms have begun to develop list of companies that meet the targeted divestment criteria. A number of Sudan-free mutual

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funds have also been recently introduced.

Below, we provide more detail and contact information on many of the campaigns mentioned above, as well as others not mentioned in this introduction. However, we acknowledge that other individuals and groups may be organizing without our knowledge. If you do have information on other campaigns, please e-mail us at info@sudandivestment.org so we can update this report.

II. State of Divestment: State Legislatures

The State of Sudan Divestment report provides a historical account of the divestiture movements in each state. This document does not address the specifics of each piece of legislation. Despite passing the Sudan Divestment Task Force model of targeted Sudan divestment legislation, each state labeled 'Divested: Task Force Model' will have unique legislation, subject to the amendment process in each respective legislature. These amendments do not compromise the integrity of the legislation. Rather, the amendments often deal with the specifics of implementation and reporting. Details on the nuances of each bill are available by email info@sudandivestment.org.

The overwhelming majority of Sudan divestment legislation is passed as a stand alone item. However, in some cases, bills have included multiple premises. These instances are noted and details are available by contacting us by email, info@sudandivestment.org.

Alabama (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/alabama>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
alabama@sudandivestment.org

Alaska (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

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Website and Articles:

<http://www.sudandivestment.org/alaska>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
alaska@sudandivestment.org

Arizona (Campaign Initiated)

Legislative Status:

In the 2007 legislative session, Senator Paula Aboud and Representative Phil Lopes attempted to pass an amendment requiring divestment from Sudan, but this amendment was stripped in conference committee.

Representative Kyrsten Sinema has agreed to introduce legislation based off of the Sudan Divestment Task Force's targeted divestment model in the 2008 legislative session. The Arizona Education Association has endorsed targeted Sudan divestment.

Website and Articles:

<http://www.sudandivestment.org/arizona>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
arizona@sudandivestment.org

Arkansas (Divested: Other Model)

Legislative Status:

In March 2007, the Arkansas General Assembly passed SCR20 which was sponsored by Senator Sue Madison. The resolution passed both houses of the Assembly and received the signature of Governor Beebe. SCR20 encourages Arkansas State Retirement Systems to identify their investments in companies operating in Sudan and then divest from these companies until the genocide in Darfur has ended.

The Arkansas Teachers Retirement System (ATRS), which oversees \$11 billion in assets,

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voted to adopt a Sudan divestment policy. ATRS has no direct holdings in any of the worst offending companies as identified by the Sudan Divestment Task Force. ATRS has written to their fund managers requesting that they implement Sudan divestment policies. ATRS has acquired both the broader and more restrictive KLD list of companies and voted to adopt Sudan divestment based on the KLD list based off of Sudan Divestment Task Force criteria of targeted Sudan divestment.

The Arkansas State Employees Retirement System, which oversees \$5 billion in assets, has written to their fund managers requesting that they comply with Senate Resolution 20, but have publicly stated that they do not intend to purchase or maintain a list of companies that operate in Sudan.

Bill Text:

<http://www.arkleg.state.ar.us/2007/scripts/ablr/bills/bills.asp?billno=SCR20>

Website and Articles:

<http://www.sudandivestment.org/arkansas>

Contact:

Sudan Divestment Task Force
arkansas@sudandivestment.org

California (Divested: Task Force Model)

Legislative Status:

On September 25, 2006, California Governor Arnold Schwarzenegger was joined by actors George Clooney and Don Cheadle, former Secretary of State George Shultz, executive members of the Sudan Divestment Task Force, and other community leaders at a public signing for AB 2941, adopting a targeted divestment policy for the California Public Employees Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) and indemnifying the boards of both funds.

History:

In August 2005, the California legislature adopted Assembly Concurrent Resolution #11 (ACR11) which urges CalPERS and CalSTRS to encourage their portfolio companies doing business in Sudan "to act responsibly and not take actions that promote or otherwise enable human rights violations in the Sudan."¹

Separately, in a letter dated August 8, 2005, CalPERS Board Members Willie Brown, Jr.

¹ http://www.leginfo.ca.gov/pub/bill/asm/ab_0001-0050/acr_11_bill_20050830_chaptered.html

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and California Treasurer Phil Angelides requested that CalPERS ensure that the pension fund's investments in companies doing business in the Sudan are not contributing to genocide and human suffering in the Darfur region of that country. Specifically, the Treasurer and Member Brown's letter requested that staff provide to the Board a report identifying any companies that have business operations in the Sudan and the exact nature of those business activities. Secondly, they requested that CalPERS take all necessary steps to ensure that companies are not engaged in any business activities that in any way support genocide in Darfur, including directly engaging with each company.²

CalPERS followed up on Angelides' and Browns' request by:

- (1) Building a coalition with four other public pension plans to establish an engagement process with companies doing business in Sudan.
- (2) Building a second coalition of 50 pension funds that engaged the U.S. Department of Commerce, U.S. Department of State, U.S. Department of the Treasury, and the U.S. Securities and Exchange Commission.
- (3) Engaging 46 external investment managers and 1,869 portfolio companies in an effort to identify companies that may be operating in Sudan.
- (4) Identifying, through its coalition with four other public pension plans, five companies in the CalPERS portfolio to directly engage regarding business activities in the Sudan: ABB, Siemens, Alcatel, Total SA, and Royal Dutch Shell.
- (5) Engaging those five companies to determine their relationship to the Sudanese government and the Darfur genocide.³

On December 12, 2005, CalPERS reported the results of its ongoing research and engagement process. Specifically, it noted that of the five initial companies it had investigated, ABB, Alcatel and Siemens all had business relationships with the Sudanese government or government-controlled entities. CalPERS staff reported that the other two companies, Total SA and Royal Dutch Shell, had operations in Sudan but no clear business affiliation with the Sudanese government.⁴

Based on CalPERS' findings, Treasurer Angelides recommended that CalPERS continue to monitor the Sudanese business activities of Total SA and Royal Dutch Shell while proposing that CalPERS "use the power of the funds' \$200 billion investment portfolio to demand that... ABB, Ltd., Alcatel, and Siemens AG cease their business ties with the Sudanese government and all government-controlled entities." The CalPERS Board approved the Treasurer's proposal in a 9 to 2 vote on December 12, 2005.⁵ The CalPERS staff also plans to continue its research and engagement process, reporting back to the CalPERS' Committee on Investments on a regular basis.

Also in December, Treasurer Angelides urged CalSTRS to divest from its PetroChina holdings following the fiasco and cover-up of the Nov. 13 PetroChina chemical spill in China. Angelides noted that the combination of PetroChina's negligent behavior at home and troubling relationship with the government of Sudan indicated that investment in the

² CalPERS Agenda Item 8a: Committee on Investments Meeting; September 19, 2005. <http://www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/200509/item8a-00.pdf>

³ *Id.*

⁴ California State Treasurer News Release. December 12, 2005. http://www.treasurer.ca.gov/news/releases/2005/20051212_sudan.pdf

⁵ *Id.*

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company was too risky for CalSTRS. As is widely known, Angelides pointed out that PetroChina's parent company, the Chinese-government oil company China National Petroleum Corp., holds a 40% stake in the Sudanese-government created Greater Nile Petroleum Operating Company, which provides revenue to the Sudanese government.⁶

CalPERS subsequently sent letters of concern to Siemens, Alcatel, and ABB urging them to halt their business ties to Sudan. The companies' responded in the negative in the middle of February 2006.

CalSTRS researchers investigated divestment from multiple Sudan-related companies, including PetroChina. While letters were sent to these companies, CalSTRS staff research, at the time, determined that South African divestment by CalSTRS did not fulfill the prudent investor rule and that the fund would be vulnerable to liability if it were to divest from Sudan, no matter how few companies were under consideration. CalSTRS Trustee Roger Kozberg noted at the time, "Short of thermonuclear war, this [divestment] is a direction we ought not take."

Assembly Bill 2941, introduced by Assemblymember Paul Koretz, passed out of the Assembly by a bipartisan vote of 72-4 in May 2006 and passed out of the California Senate by a bipartisan vote of 29-7.

Independent Actions taken by the Pension Systems:

As follow-up to the April 2006 meeting of the CalSTRS Board (when they indicated their intent to divest and instructed staff to develop a financially prudent plan), CalSTRS agreed to the following Sudan policy in early June: CalSTRS "will actively engage management of companies with ties to the Sudanese government. If portfolio companies fail to comply with the fund's 20 risk factors [a set of social, moral, and economic risk factors that determines whether CalSTRS will invest in a company], CalSTRS will direct its active managers to find suitable alternate investments that wouldn't impair returns or add risk to the portfolio. CalSTRS' passive portfolios will stop buying shares of companies that violate pension fund policy." The California divestment bill, AB2941, would require CalSTRS to divest from passive holdings.

On May 15, 2006, CalPERS agreed to disinvest from the same nine companies from which the University of California had divested. While CalPERS had no current holdings in the nine companies, the Sacramento Bee noted, "Some CalPERS money managers include Bharat and Oil & Natural Gas as part of a benchmark used to measure their investment performance. Now, they will be specifically precluded from investing in the two Indian companies." This action was taken independently of AB 2941.

Bill Text:

http://www.leginfo.ca.gov/pub/bill/asm/ab_2901-

⁶ California State Treasurer News Release, December 2, 2005.
http://www.treasurer.ca.gov/news/releases/2005/20051202_petrochina.pdf

SUDAN DIVESTMENT TASK FORCE

[2950/ab_2941_bill_20060925_chaptered.html](#)

Website and Articles:

<http://www.sudandivestment.org/california>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
asterling@sudandivestment.org

Colorado (Divested: Task Force Model)

Legislative Status:

On April 19, 2007, Colorado Governor Bill Ritter signed House Bill 1184, Colorado's targeted Sudan divestment bill, into law.

Speaker of the House Andrew Romanoff and Senate President Pro-Tempore Peter Groff sponsored HB 1184, a bill based on the Sudan Divestment Task Force model of targeted divestment.

Additionally, HB 1184 was endorsed by the Public Employees' Retirement Association of Colorado (PERA).

Bill Text:

http://www.leg.state.co.us/Clics/Clics2007A/csl.nsf/fsbillcont3/C67D12670D14F9E787257251007B243B?Open&file=1184_ren.pdf

Website and Articles:

<http://www.sudandivestment.org/colorado>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
Colorado@sudandivestment.org

Connecticut (Divested: Other Model)

Legislative Status:

A non-binding divestment resolution passed the Connecticut legislature and was signed by the governor on May 8, 2006. The non-binding resolution was requested by Treasurer

SUDAN DIVESTMENT TASK FORCE

Denise Nappier, principal fiduciary of the \$24 billion Connecticut Retirement Plans and Trust Funds (CRPTF), to affirm her statutory authority to divest from companies that her office identifies as offending. The legislation goes into extensive detail on what qualities a company may demonstrate to be offending. The legislation also gives significant leeway to Treasurer Nappier to decide what factors are important in determining if a particular company should be targeted. Nappier has emphasized that divestment would occur at the end of an engagement process with companies identified as offending.

Treasurer Nappier announced on May 9, 2007 that she is directing investment managers who invest the funds of the CRPTF to divest from Sinopec. As of April 30, the CRPTF held 12,439,950 shares with a market value of \$11,085,867.72 in Sinopec. In addition, Nappier announced that she is prohibiting direct investment in the following 5 companies: Bharat Heavy Electricals Ltd., Nam Fatt Corp., Oil and Natural Gas Corp. (ONGC), PECD Group and Sudan Telecom (Sudatel). In addition to the above companies, investment in PetroChina has been prohibited since its initial public offering in 2000.

Staff of the Treasurer's office has initiated a dialogue with approximately 25 companies, and it is anticipated that additional companies will be contacted in the near future. According to the Treasurer's office, dialogue is ongoing with eight companies in which CRPTF's holdings are valued at approximately \$100,000,000.

Full Text:

<http://www.state.ct.us/ott/pressreleases/press2006/pr022306legislation.pdf>

Website and Articles:

<http://www.sudandivestment.org/connecticut>

Contact:

Sudan Divestment Task Force
connecticut@sudandivestment.org

Delaware (Campaign Initiated)

In June 2007 the Delaware House of Representatives passed a non-binding resolution calling for targeted Sudan divestment.

Targeted Sudan divestment legislation will be introduced in 2008 by Senator Harris McDowell.

Website and Articles:

<http://www.sudandivestment.org/delaware>

SUDAN DIVESTMENT TASK FORCE

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
delaware@sudandivestment.org

Florida (Divested: Task Force Model)

On June 8, 2007 Governor Charlie Crist signed legislation containing targeted Sudan divestment language.

Senate Bill 2142 was introduced by State Senator Ted Deutch, the bill language had multiple premises aside from Sudan divestment.

Bill Text:

<http://www.flhouse.gov/Sections/Documents/loadDoc.aspx?FileName=s2142er.html&DocumentType=Bill&BillNumber=2142&Session=2007>

Website and Articles:

<http://www.sudandivestment.org/florida>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

Georgia (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/georgia>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
georgia@sudandivestment.org

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Hawaii (Campaign Initiated)

Legislative Status:

On June 18th, 2007 Lieutenant Governor Duke Aiona signed House Bill 34, based on the Sudan Divestment Task Force model of targeted Sudan divestment.

House Bill 34 was introduced by State Representative Roy Takumi.

Bill Text:

HB 34: [http://www.capitol.hawaii.gov/sessioncurrent/Bills/HB34 .htm](http://www.capitol.hawaii.gov/sessioncurrent/Bills/HB34.htm)

Website and Articles:

<http://www.sudandivestment.org/hawaii>

Contact:

Sudan Divestment Task Force
Hawaii@sudandivestment.org

Idaho (Campaign Initiated)

Legislative Status:

In 2007, a targeted Sudan divestment bill was voted down in committee.

In September, 2007, the Public Employee Retirement System of Idaho began offering Sudan Free fund options for beneficiaries investing into defined contribution plans (401(k) plans). This is the first such offering of public fund in the United States.

Acknowledging that a majority of Sudan Related Investments are in defined benefit plans, Idahoans are actively pursuing binding targeted Sudan divestment legislation for the 2008 session.

Website and Articles:

<http://www.sudandivestment.org/idaho>

Contact:

John Sullivan
idahodivestment@hotmail.com

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Illinois (Divested: Other Model)

Legislative Status:

In June 2005, the Illinois state legislature passed into law a blanket Sudan divestment plan that affected the entire Illinois pensions system. The Illinois statute targeted all companies with ties to Sudan, and mandated divestment on all of the states investment vehicles.

In late February 2007, U.S. District Judge Matthew F. Kennelly ruled Illinois' blanket Sudan divestment statute to be unconstitutional. However, instead of striking down divestment per se as unconstitutional, Judge Kennelly defined certain limits to Sudan divestment statutes and ruled that Illinois had crossed those certain limits.

In response, Illinois Senator Jacqueline Collins has filed Senate Bill 1169, legislation intended to amend the law to bring it in line with constitutional requirements outlined by Judge Kennelly. The bill awaits approval from the Governor.

Bill Text:

<http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=094-0079> (original statute)
<http://www.ilga.gov/legislation/95/SB/09500SB1169sam002.htm> (amended legislation)

Website and Articles:

<http://www.sudandivestment.org/illinois>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Indiana (Divested: Task Force Model)

Legislative Status:

On May 3, 2007, Indiana Governor Mitch Daniels signed House Bill 1067, Indiana's targeted Sudan divestment bill, into law. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment, this language does not stand alone.

House Bill 1067 was based on legislation originally introduced by Indiana Representatives Matt Pierce and Cindy Noe and Senators John Broden and Gary Dillon.

Bill Text:

<http://www.in.gov/legislative/bills/2007/HB/HB1484.1.html>

SUDAN DIVESTMENT TASK FORCE

Website and Articles:

<http://www.sudandivestment.org/indiana>

Contact:

Sudan Divestment Task Force
Indiana@sudandivestment.org

Iowa (Divested: Task Force Model)

Legislative Status:

On April 5, 2007 Iowa Governor Chet Culver signed Senate File 361; Iowa's targeted Sudan divestment legislation. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment.

In addition to divesting Iowa's state pension plan from Sudan, the legislation also mandates targeted divestment from Sudan by the University of Iowa, Iowa State University, and the University of Northern Iowa.

State Representative Dawn Pettengill (D-39) had introduced House File 807 and Senator Michael Connolly (D-14) had introduced Senate File 361.

Bill Text:

<http://coolice.legis.state.ia.us/Cool-ICE/default.asp?category=billinfo&service=Billbook&hbill=HF2241&menu=text>

Website and Articles:

<http://www.sudandivestment.org/iowa>

Contact:

Sudan Divestment Task Force
Iowa@sudandivestment.org

Kansas (Divested: Task Force Model)

Legislative Status:

On May 11, 2007, Kansas Governor Kathleen Sebelius signed House Bill 2457, Kansas' targeted Sudan divestment bill, into law. The law is based on the Sudan Divestment Task Force Model of targeted Sudan divestment, the language does not stand alone.

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House Bill 2457 was based on legislation originally introduced by Kansas Senator Donald Betts Jr.

Bill Text:

HB 2457: <http://www.kslegislature.org/legsrv-bills/showBill.do?id=164697>

Website and Articles:

<http://www.sudandivestment.org/kansas>

Contact:

Matthew Vines
Kansas@sudandivestment.org

Kentucky (Campaign Initiated)

In December 2006, the Board of Trustees of the Kentucky State Teacher's Retirement unanimously voted to adopt a non-binding policy of engagement with certain companies operating in Sudan.

A targeted Sudan divestment campaign seeking binding legislation has been initiated.

Website and Articles:

<http://www.sudandivestment.org/kentucky>

Contact:

Katie Savin
College Divestment Coordinator, Sudan Divestment Task Force
info@sudandivestment.org

Maine (Divested: Other Model)

Legislative Status:

In April 2006, Maine adopted a Sudan divestment statute, LD 1758, for all active investments in separately managed accounts held by the Maine State Retirement System (MSRS). Index funds and all commingled funds are excluded from the bill. The law requires divestment, "in accordance with sound investment criteria and consistent with the board's fiduciary obligations." MSRS utilizes information from the Sudan Divestment Task Force, direct correspondence from companies, and other data sources to develop and maintain their own divestment and engagement lists.

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Separately, in January 2006, State Treasurer David Lemoine ordered the sale of all direct holdings in Schlumberger Ltd. stock held by Maine's \$24 million State Held Trusts.

Bill Text:

<http://janus.state.me.us/legis/LawMakerWeb/externalsiteframe.asp?ID=280019872&LD=1758&Type=1&SessionID=6>

Website and Articles:

<http://www.sudandivestment.org/maine>

Contact:

Sudan Divestment Task Force
Maine@sudandivestment.org

Maryland (Divested: Other Model)

Legislative Status:

On April 10, 2007, Maryland Governor Martin O'Malley signed Senate Bill 543, a Sudan divestment bill, into law. The statute urges the Maryland State Retirement and Pension System to divest from any company with operations in Sudan and prohibits future investment in those companies.

Senate Bill 543 was introduced by State Senator Verna Jones.

Bill Text:

<http://mlis.state.md.us/2007RS/billfile/sb0543.htm>

Website and Articles:

<http://www.sudandivestment.org/maryland>

Contact:

Maggie Tiernan
Senior National Field Organizer, Sudan Divestment Task Force
Maryland@sudandivestment.org

Massachusetts (Campaign Initiated)

Legislative Status:

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In early 2007, State Senator Harriette Chandler, Senator Edward Augustus and Representative Jay Kaufman introduced S2255, based off the Sudan Divestment Task Force targeted divestment model.

In June 2007, S2255 passed the Massachusetts State Senate. Subsequently, the Massachusetts House of Representatives passed S2255 in September.

Currently, S2255 awaits the signature of Governor Deval Patrick. The Governor has already publicly endorsed the legislation.

Bill Text:

S2255: <http://www.mass.gov/legis/bills/senate/185/st02/st02255.htm>

Website and Articles:

<http://www.sudandivestment.org/massachusetts>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
Massachusetts@sudandivestment.org

Michigan (Campaign Initiated)

Legislative Status:

State Senator Hansen Clarke has introduced Senate Bill 0555, based off the Sudan Divestment Task Force model of targeted Sudan divestment. Senate Bill 0555 has been referred to the Senate Appropriations committee.

Companion House legislation, House Bill 4854, has been introduced by Representative Alma Wheeler Smith. House Bill 4854 has been referred to the Government Operations Committee.

Website and Articles:

<http://www.sudandivestment.org/michigan>

Bill Text:

SB 0555:
[http://www.legislature.mi.gov/\(S\(1hts0p45adyonk450o141d55\)\)/mileg.aspx?page=getobject&objectname=2007-SB-0555&quervid=18337355](http://www.legislature.mi.gov/(S(1hts0p45adyonk450o141d55))/mileg.aspx?page=getobject&objectname=2007-SB-0555&quervid=18337355)

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HB 4854:

[http://www.legislature.mi.gov/\(S\(gxwbw4bh4gmqw5ahstnl1nn4\)\)/mileg.aspx?page=Bills&tatus&objectname=2007-HB-4854](http://www.legislature.mi.gov/(S(gxwbw4bh4gmqw5ahstnl1nn4))/mileg.aspx?page=Bills&tatus&objectname=2007-HB-4854)

Contact:

Scott Wisor

Senior National Field Organizer, Sudan Divestment Task Force

swisor@sudandivestment.org

Minnesota (Divested: Task Force Model)

Legislative Status:

In May 2007, Governor Tim Pawlenty signed Senate File 1075, based on the Sudan Divestment Task Force model of targeted divestment.

Senate File 1075 was introduced by State Senator Sandra Pappas. Companion legislation, House File 1332, was introduced by State Representative Karen Clark.

Website and Articles:

<http://www.sudandivestment.org/minnesota>

Bill Text:

SF 1075:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S1075.1.html&session=1s85>

HF 1332:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H1332.0.html&session=1s85>

Contact:

Scott Wisor

Senior National Field Organizer, Sudan Divestment Task Force

swisor@sudandivestment.org

Missouri (Campaign Initiated)

Legislative Status:

In late 2005 a state-owned equity portfolio, the Missouri Investment Trust (MIT), put out a request for proposals to manage a \$5 million international portfolio "terror-free."

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Despite the requirement that the entire portfolio, including any commingled or index funds, be terror-free and the portfolio was a mere \$5 million, MIT received four bids, two of which were from leading Wall Street managers. In June 2006, MIT selected a State Street Global Advisors enhanced index fund to handle the \$5 million investment. According to the state treasurer, State Street will subcontract with Conflict Securities Advisory Group to provide the list of identified stocks. Furthermore, the treasurer has stated that, "historical net return analysis shows no negative impact."

In 2007 Missouri House of Representative, Minority Leader Jeff Harris introduced a blanket Sudan divestment amendment which was stripped in conference committee.

A targeted Sudan divestment campaign has been initiated for the 2008 legislative session.

Website and Articles:

<http://www.sudandivestment.org/missouri>

Press Release:

<http://www.treasurer.missouri.gov/pressroom/MITFund.html>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
Missouri@sudandivestment.org

Nebraska (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/nebraska>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
Nebraska@sudandivestment.org

Nevada (Campaign Initiated)

Legislative Status:

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In June 2007 Governor Jim Gibbons joined with Senate Majority Leader William Raggio and Assembly Speaker Barbara Buckley, to encourage the Public Employees Retirement System of Nevada (PERS) to adopt a targeted Sudan divestment policy. PERS has not taken any subsequent action.

Website and Articles:

<http://www.sudandivestment.org/nevada>

Contact:

Nevada@sudandivestment.org

New Hampshire (Campaign Initiated)

Legislative Status:

State Representative Jeff Fontas has agreed to introduce targeted Sudan divestment legislation for the 2008 legislative session.

Website and Articles:

<http://www.sudandivestment.org/newhampshire>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
info@sudandivestment.org

New Jersey (Divested: Other Model)

Legislative Status:

Since adopting a blanket divestment statute in July 2005, the state of New Jersey completed divestment of \$2.16 billion from 17 companies identified as having an equity tie to the government of Sudan. The divestment's completion comes two years before the statute's mandatory deadline.

Website and Articles:

<http://www.sudandivestment.org/newjersey>

Bill Text:

SUDAN DIVESTMENT TASK FORCE

http://www.njleg.state.nj.us/2004/Bills/AL05/162_.PDF

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

New Mexico (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/newmexico>

Contact:

Sudan Divestment Task Force
newmexico@sudandivestment.org

New York (Divested: Task Force Model)

Legislative Status:

On June 11, 2007, New York State Comptroller Thomas P. DiNapoli announced that the New York State Common Retirement Fund, one of the largest pension funds in the country, will develop and implement a policy designed to place pressure on the Sudanese government to end the genocide currently taking place in Darfur. The Comptroller's policy will follow the Sudan Divestment Task Force's targeted Sudan divestment model.

The New York State Teachers' Retirement Fund has yet to make divestment commitments.

Press Release and Policy:

<http://www.osc.state.ny.us/press/releases/june07/061107.htm>

Website and Articles:

<http://www.sudandivestment.org/newyork>

Contact:

SUDAN DIVESTMENT TASK FORCE

Sudan Divestment Task Force
NewYork@sudandivestment.org

North Carolina (Divested: Task Force Model)

Legislative Status:

State Representative Paul Luebke has introduced House Bill 291, targeted Sudan divestment legislation based on the Sudan Divestment Task Force's model in the 2007 legislative session.

In April 2007, House Bill 291 passed the house unanimously.

On July 27th, 2007, House Bill 291 received unanimous approval in the Senate.

On August 31st, 2007, Governor Mike Easley signed House Bill 291.

Additionally, on November 1, 2006 North Carolina Treasurer Richard Moore announced his decision to divest the North Carolina Retirement System (NCRS), the state's pension fund, from nine companies he identified as providing monetary or military support to the Sudanese government. The initial decision affected NCRS's assets in Bharat Heavy Metals, China Petroleum and Chemical Corp., Nam Fatt, Oil & Natural Gas Company, PECD Berhad, PetroChina Company, Sudan Telecom Company, Tatneft OAO and Videocor Industries Limited, assets totaling \$24 million of the pension fund's \$70 billion. The decision affects offending assets held in all of NCRS' applicable asset classes.

Website and Articles:

<http://www.sudandivestment.org/northcarolina>

Bill Text:

HB 291: <http://www.ncga.state.nc.us/Sessions/2007/Bills/House/PDF/H291v2.pdf>

SB 516: <http://www.ncga.state.nc.us/Sessions/2007/Bills/Senate/PDF/S516v1.pdf>

Contact:

Nina McMurry
Assistant Policy Director
NorthCarolina@sudandivestment.org

Ohio (Campaign Initiated)

Legislative Status:

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State Senator Jeff Jacobson has introduced Senate Bill 161, based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Senate Bill 161 has been referred to the Senate Finance Committee.

Media reports suggest that the state retirement systems have voluntarily agreed to divest their Sudan related assets. The Sudan Divestment Task Force is closely monitoring the possible implementation of this agreement.

Additionally, in January 2006, Ohio passed resolutions (SCR 17 and HCR 19) aimed at pressuring the U.S. Congress for increased action in Darfur and requesting that State pensions consider screening and divesting from Sudan-affiliated companies.

When the Ohio Retirement Study Council, who is charged with advising Ohio's pension funds and their \$143 billion in assets, was contacted by the Task Force in July 2006 about HCR 19, the Director of the Council was unaware of the resolution.

Bill Text:

SB 161: http://www.legislature.state.oh.us/bills.cfm?ID=127_SB_161

SCR 17: <http://www.gongwer-oh.com/126/resolutions/scr17.pdf>

Website and Articles:

<http://www.sudandivestment.org/ohio>

Contact:

Sudan Divestment Task Force
ohio@sudandivestment.org

Oklahoma (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/oklahoma>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force

SUDAN DIVESTMENT TASK FORCE

oklahoma@sudandivestment.org

Oregon (Divested: Other Model)

Since passing a divestment statute in Summer 2005, Oregon has divested 83% (\$35 million) of total asset holdings it has in the first four companies it identified in December of 2005: ABB, PetroChina, Sinopec, and Tatneft.

Based on Oregon's divestment statute (Or. Laws Ch. 774), the fiduciary of Oregon's investments, the Oregon Investment Council (OIC), developed the following definition of "offending company" in a December 7th, 2005, meeting:

"Any sole proprietorship, organization, firm, association, corporation, utility, partnership, venture, public franchise, franchisor, franchisee or its wholly owned subsidiary that exists for profit-making purposes or otherwise to secure economic advantage...that is doing business in Sudan: maintaining equipment, facilities, personnel or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan."⁷

Similar to Illinois, Oregon provides the following offending company exemptions:

- (1) Investments in companies that are engaged solely in the provision of goods and services intended to relieve human suffering or to promote welfare, health, education or religious or spiritual activities.
- (2) Investments in United States companies authorized by the federal government to do business in Sudan.
- (3) Investments in companies that are engaged solely in journalistic activities.⁸

In contrast to Illinois' broad definition of an offending company as any entity with an equity or *non-equity* tie to Sudan (e.g. companies that provide goods or services to, obtain goods or services from, or have distribution agreements with offending companies), Oregon's definition of offending companies focuses on businesses with an equity tie to Sudan—factories, facilities, land, property, labor, etc. Oregon's legislation, does, however, direct divestment at most types of funds (stocks, bonds, commingled funds, index funds, etc.) for most of the state's investments; some short term investment funds were excluded from the divestment bill in a compromise with the Oregon Treasurer's Office.⁹

Based on their definition of offending companies, the OIC chose four companies for their initial stage of divestment in December 2005: PetroChina, ABB Lt, Sinopec, and Taftnet (the Stanford Four). It is not clear how or why these four companies were chosen. While the initial round did not include divestment from "indirect" holdings such as index funds containing offending stock, part of the policy that was adopted in December 2005 was a placeholder policy for the future implementation of ex-Sudan index funds. According to John Turner, Chief of Staff for the principle sponsor of Oregon's divestment legislation (Oregon Representatives Peter Buckley), Oregon will implement "indirect" index fund

⁷ OIC draft policy 4.01.15

⁸ Section VII, Oregon SB 1089, Oregon Laws Ch 774. http://www.leg.state.or.us/05orlaws/sess0700_dir/0774ses.pdf

⁹ Personal communication with John Turner, Chief of Staff to Oregon State Representative Peter Buckley; johnturner@gmail.com

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divestment once appropriate index funds become available.¹⁰

In the future, Oregon will continue to work with its external managers to identify and screen its portfolios with an emphasis on the external fund managers taking the lead. Part of Oregon's law requires these managers to "act reasonably" to investigate companies' ties with Sudan, screen investments containing Oregon assets, and report back to the Treasury on any action taken. On or before January 15 of each year, the State Treasurer will report to the Legislative Assembly on actions taken by the State Treasurer and the OIC.¹¹ The State Treasurer will consult with the council in preparing the reports. Presumably, this reporting requirement will allow Oregon's legislature to track divestment progress and raise concerns if asset managers aren't making reasonable progress.

Bill Text:

<http://landru.leg.state.or.us/05reg/measures/hb3400.dir/hb3499.intro.html>

Website and Articles:

<http://www.sudandivestment.org/oregon>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Pennsylvania (Campaign Initiated)

Legislative Status:

State Representative Babette Josephs, chair of the House State Government Committee, has introduced House Bill 1140, based on the Sudan Divestment Task Force model of targeted Sudan divestment.

In July 2007 House Bill 1140 passed the Pennsylvania House of Representatives. The bill has been referred to the State Senate.

HB 1140:

<http://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=PDF&sessYr=2007&sessInd=0&billBody=H&billTyp=B&billNbr=1140&pn=1390>

Website and Articles:

¹⁰ *Id.*

¹¹ Please see the 2007 report for more information. [http://www.sudandivestment.org/docs/Oregon Sudan Divestment 2007 Report from Treasurer.pdf](http://www.sudandivestment.org/docs/Oregon%20Sudan%20Divestment%202007%20Report%20from%20Treasurer.pdf)

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<http://www.sudandivestment.org/pennsylvania>

Contact:

Alexa Malishchak
Senior National Field Organizer, Sudan Divestment Task Force
Pennsylvania@sudandivestment.org

Rhode Island (Divested: Task Force Model)

Legislative Status:

On June 22nd, 2007 Governor Donald L. Carcieri signed Senate Bill 87 and House Bill 5142, both based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Website and Articles:

<http://www.sudandivestment.org/rhodeisland>

Contact:

Scott Warren
Senior National Field Organizer, Sudan Divestment Task Force
RhodeIsland@sudandivestment.org

South Carolina (Legislation Failed)

Legislative Status:

State Senator Joel Laurie had introduced Senate Bill 241, based of the California targeted Sudan divestment statute, however, the bill failed to pass the 2007 legislative session.

The South Carolina Retirement System doesn't currently hold international equity investments and therefore has no investments in companies targeted by the Sudan Divestment Task Force.

Website and Articles:

<http://www.sudandivestment.org/southcarolina>

Contact:

Southcarolina@sudandivestment.org

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Tennessee (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/tennessee>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
Tennessee@sudandivestment.org

Texas (Divested: Task Force Model)

Legislative Status:

On June 15th, 2007 Governor Rick Perry held a public signing for Senate Bill 247, based off the Sudan Divestment Task Force model of targeted Sudan divestment.

Senator Rodney Ellis had introduced Senate Bill 247 and Representative Corbin Van Arsdale had introduced House Bill 667, companion legislation in the House of Representatives.

Website and Articles:

<http://www.sudandivestment.org/texas>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
Texas@sudandivestment.org

Utah (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

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<http://www.sudandivestment.org/utah>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
Utah@sudandivestment.org

Vermont (Divested: Task Force Model)

Legislative Status:

In February 2007, Vermont State Treasurer Jeb Spaulding oversaw the state pension fund's targeted divestment from Sudan. Vermont became the second state to adopt the Task Force's model for targeted divestment and the seventh state overall to divest from Sudan.

Website and Articles:

<http://www.sudandivestment.org/vermont>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
Vermont@sudandivestment.org

Virginia (Campaign Initiated)

Legislative Status:

In early 2007, Virginia Delegates Shannon Valentine and John O'Bannon introduced HB 1828, based off the Sudan Divestment Task Force model of targeted Sudan divestment. State Senators Ken Cuccinelli, Jeannemarie Devolites Davis, and Patricia Ticer filed SB 1331, companion legislation in the Senate.

HB 1828 died in the Subcommittee on Compensation and Retirement for the House Appropriations Committee.

SB 1331 unanimously passed the Senate and passed the House Committee on Appropriations with a substitute. After the substitute failed to pass the Senate, a conference committee was established, but no compromise was reached and SB 1331 died in committee.

In 2008, targeted Sudan divestment legislation will be introduced in the House of Delegates by Delegates Shannon Valentine and John O'Bannon. Companion Senate

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legislation is anticipated.

Website and Articles:

<http://www.sudandivestment.org/virginia>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
Virginia@sudandivestment.org

Washington (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/washington>

Contact:

Nina McMurry
Advocacy Analyst, Sudan Divestment Task Force
Washington@sudandivestment.org

West Virginia (Campaign Initiated)

Legislative Status:

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/westvirginia>

Contact:

Max Croes
Advocacy Associate, Sudan Divestment Task Force
westvirginia@sudandivestment.org

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Wisconsin (Campaign Initiated)

Legislative Status:

State Representative Fred Kessler (D-Milwaukee) has introduced AB 124 and State Senator Sheila Harsdorf (R-River Falls) has introduced SB 57. Both bills are based on the Sudan Divestment Task Force model of targeted divestment.

Assembly Bill 124 has been referred to the committee on financial institutions. Senate Bill 57 has been referred to the committee on Veterans and Military Affairs, Biotechnology and Financial Institutions.

Website and Articles:

<http://www.sudandivestment.org/wisconsin>

Contact:

Scott Warren
Senior National Field Organizer, Sudan Divestment Task Force
Wisconsin@sudandivestment.org

III. State of Divestment: Cities and Municipalities

Atlanta, Georgia (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=257>

Contact:

Daniel Millenson
National Advocacy Director
dmillenson@sudandivestment.org

Buffalo, NY (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

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Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=180>

Contact:

Maggie Tiernan
Senior National Field Organizer, Sudan Divestment Task Force
mtiernan@sudandivestment.org

Cambridge, MA (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=64>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

Denver, CO (Divested: Task Force Model)

The Denver Employees retirement Plan (DERP) adopted the Sudan Divestment Task Force model of targeted Sudan divestment on April 20, 2007.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=192>

Contact:

Scott Wisor
Senior National Field Organizer
swisor@sudandivestment.org

District of Columbia (Campaign Initiated)

The District of Columbia City Council subcommittee on Finance and Revenue passed targeted Sudan divestment bill 17-134. The City Council will vote on the bill for 1st and 2nd readings. Tentative dates for these votes are September 18th and October 2nd respectively. Bill 17-134 has the support of several Council members. In addition, the

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Chief Financial Officer has granted a positive reporting regarding the potential implementation of the legislation.

Bill Text:

www.sudandivestment.org/docs/DC_Bill.pdf

Bill Report:

www.sudandivestment.org/docs/DC_Bill_Report.pdf

Website and Articles:

<http://www.sudandivestment.org/districtofcolumbia>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
dc@sudandivestment.org

Los Angeles County, CA (Non-Binding Policy)

In early 2007, the Los Angeles County Board of Supervisors voted unanimously to request the county's retirement system to divest from businesses that have interests in Sudan, and to utilize support from the Sudan Divestment Task Force in compiling a list of companies.

In response to the Board of Supervisors, the Los Angeles County Employee Retirement Association (LACERA) Board of Investments adopted a policy that would require the fund's managers to move invest in "Sudan-free" options that were deemed of equal financial merit to existing investments.

Website and Articles:

http://sudandivestment.org/campaign_signs.asp?campaignid=188

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
asterling@sudandivestment.org

Los Angeles, CA (Divested: Task Force Model)

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On May 8th, 2007, the Los Angeles City Employee Retirement System (LACERS) Board of Administration approved a policy of Sudan divestment. The policy involves a six month period of engagement followed by divestment if companies prove to be unresponsive. LACERS has targeted ten companies, notably, they have holdings of approximately \$3.4 million in China Petroleum and Chemical Corporation (Sinopec), PetroChina, and Oil and Natural Gas Company (ONGC).

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=62>

Press Release:

<http://www.lacers.org/AboutLACERS/News/2007/PressRelease/2007-05-08-CITY%20RETIREMENT%20SYSTEM%20TO%20DIVEST%20FROM%20SUDAN.pdf>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
asterling@sudandivestment.org

Miami Beach, FL (Divested: Task Force Model)

On July 11, 2007, the Miami Beach City Commission voted unanimously to adopt a resolution introduced by Mayor David Dermer containing targeted Sudan divestment for the city's investments. The resolution is modeled after a similar Florida state law.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=259>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
info@sudandivestment.org

New Haven, CT (Sudan Investments Restricted)

In April 2006, New Haven became the second city in the US to approve a divestment plan, divesting from the 7 companies that Yale University blacklisted in early 2006.

Website and Articles:

SUDAN DIVESTMENT TASK FORCE

<http://www.sudandivestment.org/campaigns.asp?campaignid=63>

Contact:

Lauren Jacobson
Yale University Student
lauren.jacobson@yale.edu

Newton, MA (Divested: Task Force Model)

On November 6, 2006, the Newton Board of Alderman voted 24-0 to adopt a targeted Sudan divestment ordinance for the city's investments. The ordinance has been signed by the Mayor.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=66>

Contact:

Ken Parker
Newton Alderman-at-Large
ken@kenparker.org

New York, NY (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated. Council members Eric Gioia and David Yassky have introduced a non-binding targeted divestment resolution before the New York City Council.

Resolution Text:

<http://webdocs.nycouncil.info/textfiles/Res%200695-2007.htm?CFID=1971078&CFTOKEN=31552339>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=183>

Contact:

newyork@sudandivestment.org

Philadelphia, PA (Divested: Task Force Model)

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On September 27, 2006, the Philadelphia city pension board voted to adopt and implement the Sudan Divestment Task Force model of targeted divestment. The city will remove separately managed (direct) holdings in two offending companies, Petronas and Schlumberger, and will bar future direct investments in 23 additional offending companies. Furthermore, the city will require its commingled fund managers to create sub-funds for the city that are devoid of the targeted offending companies. The fund managers will have four months to remove 50% of the offending assets and nine months to complete the creation of the Sudan-free sub funds. If the money managers fail to comply, the city will remove itself from that manager's fund.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=65>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

Pittsburgh, PA (Divested: Task Force Model)

On March 8, 2007, the Board of Directors of the Comprehensive Municipal Pension Trust Fund of Pittsburgh instructed fund managers to divest from targeted companies doing business in Sudan. Asset managers will immediately divest \$385,000 from Schlumberger and will not make future investments in offending companies. Asset managers are currently screening their commingled holdings for offending companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=163>

Contact:

Pennsylvania@sudandivestment.org

Prospect, KY (Non-Binding Resolution)

In June 2005, the city of Prospect, KY passed a non-binding resolution calling for city investment managers to divest. No action has been reported.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=68>

Contact:

SUDAN DIVESTMENT TASK FORCE

Sudan Divestment Task Force

info@sudandivestment.org

Providence, RI (Divested: Task Force Model)

With a unanimous vote by the city council on April 20, 2006, Providence, Rhode Island became the first U.S. city to divest from Sudan, utilizing the Sudan Divestment Task Force model of targeted Sudan divestment. According to a recent Yale Daily News story, "The only investment that will be immediately affected by the city's move is an \$800,000 share in Alcatel SA, a French telecommunications company."

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=60>

Contact:

Scott Warren

Senior National Field Organizer, Sudan Divestment Task Force

swarren@sudandivestment.org

San Francisco, CA (Divested: Task Force Model)

On November 14th 2006, the San Francisco Employee Retirement System (roughly \$15 billion in assets) adopted a Sudan divestment policy similar to the recommended model of the Sudan Divestment Task Force. The system will adopt a list of worst offending companies, engage them in an expedited timeframe, and divest holdings in those companies unwilling to take substantive action. As it now stands, the policy deviates from the Task Force's model by only applying to actively managed, separate accounts (rather than all separately managed accounts). However, the system's Board (composed of 7 trustees) specifically asked for a cost analysis of divestment from passive separately managed accounts (index funds), which will be presented to the Board in January. The Board will then decide whether to include passively managed holdings in the divestment plan at that time. Additionally, the system will continue to engage with all companies linked to Sudan, and will actively engage their commingled fund managers on the issue.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=61>

Contact:

Jason Miller

National Policy Advisor, Sudan Divestment Task Force

jmiller@sudandivestment.org

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Worcester, MA (Divested: Task Force Model)

Worcester's targeted Sudan divestment policy was introduced by Councilor-at-Large, Michael Perotto. The policy was endorsed by all 11 members of the city council.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=274>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

IV. State of Divestment: International and Religious

Aegis Trust

Aegis Trust, in partnership with the Save Darfur Coalition, is working to seed and development Darfur advocacy movements in ten foreign countries, each with a focus on divestment (and related advocacy work, including company engagement and sanctions). Aegis Trust has identified ten target countries to begin campaigns: Australia, Brazil, Belgium, Canada, France, Germany, Italy, India, Japan, Malaysia, Portugal, Sweden, South Africa, and the UK.

Website and Articles

www.darfurdivestment.org

Contact:

Shoshana Bloom
International Divestment Coordinator, Aegis Trust
Shoshana.Bloom@aegistrust.org

American Jewish World Service (Sudan Investments Restricted)

American Jewish World Service resolved to divest its holdings from companies doing business in Sudan and is urging cities and states to pass targeted divestment legislation.

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Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=216>
http://action.ajws.org/ajws_centerhome/divest.html

Contact:

American Jewish World Service
ajws@ajws.org

Australia (Campaign Initiated)

In partnership with Aegis Trust the Darfur Australia Network has initiated a targeted Sudan divestment campaign.

Website and articles:

http://www.darfurdivestment.org/Australia_Home/

Contact:

Scott Wisor
Senior National Field Organizer
swisor@sudandivestment.org

Boston Foundation (Sudan Investments Restricted)

The Boston Foundation, one of the oldest and largest community foundations in the nation with assets of over \$830 million, has devised a new strategy for targeted divestment of indirect holdings from Sudan. The strategy, called "short-selling," achieves divestment without disrupting the investment program of the Foundation.

"The strategy devised by the Boston Foundation is a true 'silver bullet,'" said Eric Reeves, professor at Smith College and noted expert on Sudan. "This removes the last impediment for large-scale investors because it makes it possible to offset pooled investments in Sudanese oil development and the companies doing business in this and other commercial sectors that support a genocidal regime."

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=218>
<http://www.tbf.org/>

Contact:

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Boston Foundation
info@tbf.org

Canada (Campaign Initiated)

A coalition of Canadian college students has launched a number of targeted university divestment campaigns. Queen's University has become the first Canadian university to divest from Sudan.

The Standing Committee on Foreign Affairs and International Development has passed a motion to discuss targeted Sudan divestment. The resolution was introduced by MP Alexa McDonough. Targeted Sudan divestment has been endorsed by several other members of parliament.

In the fall of 2007 divestment campaigns will be launched at the national and provincial levels. This comes in addition to the ongoing university divestment efforts.

Website and Articles:

http://www.standcanada.org/index.php/take_action/divestment_campaign

Contact:

Ira Goldstein
STAND Canada
3ig5@qlink.queensu.ca

European Parliament

Earlier this month a resolution was approved by European Parliament regarding the deteriorating humanitarian crisis in Darfur. The resolution made the following assessment of the Sudanese oil industry, "power and wealth, now expanded thanks to oil revenues, is very much concentrated in the centre, to the disadvantage of those in the periphery." The resolution calls on "EU Member States to encourage divestment of European companies and funds from Sudan." This resolution confirms the internationalization of the divestment movement and adds momentum to burgeoning divestment campaigns underway in over half a dozen European countries.

Website:

<http://www.europarl.europa.eu/search/motion/perform.do?query=darfur&language=EN>

Contact:

info@sudandivestment.org

SUDAN DIVESTMENT TASK FORCE

Evangelical Covenant Church (Sudan Investments Restricted)

At the June 2007 Annual Meeting of The Evangelical Covenant Church, a resolution was adopted directing the Covenant's institutions with investments operating in the Republic of Sudan to divest of all stocks, securities or other obligations (including endowment and retirement programs) from those companies as determined inappropriate by the Sudan Divestment Task Force. Sale of offending securities will occur during the next annual audit, and member churches and individuals of the ECC will be encouraged to conduct a social audit of personal holdings and investments with information provided on the ECC website directing how this may be accomplished.

Resolution Text:

<http://www.covchurch.org/resolutions/2007-divestment-sudan>

Websites and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignID=267>

Contact:

info@sudandivestment.org

Germany (Campaign Initiated)

A campaign has been initiated by Rettet Darfur, an advocacy organization that is a partnership between Fair Planet and the Society for Threatened Peoples.

Websites and Articles:

<http://www.darfurdivestment.org/Germany/>

Contact:

Jenny Collier
Jenny.Collier@fairplanet.net

India (Campaign Initiated)

A campaign has been initiated in India to pressure the Indian government to increase pressure on the government in Khartoum as well as to pressure Indian companies to take substantial action to alter their business operations in Sudan.

Contact:

SUDAN DIVESTMENT TASK FORCE

Nick Robinson
Nickrobinson5@gmail.com

Ireland (Campaign Initiated)

A campaign was initiated in September 2006 to investigate any investments Ireland's National Pension Reserve Fund (NPRF) may have in companies of concern. A subsequent report, *Irish Investment in Genocide*, detailed holdings of over €460million in firms who warrant various degrees of engagement and divestment, including two of the worst offenders, PetroChina and ONGC.

After consultations with legislators in both the Dáil and the Seanad, a meeting with the Minister of State for Foreign Affairs, Conor Lenihan TD was obtained on the 9th of November. The Minister pledged to speak with the NPRF about the investments, but noted that any action would have to take place within the framework of the UN's Principles for Responsible Investment, to which the NPRF is a founding signatory. The Principles require signatories to bring their investments within the orbit of various ethical norms, and they mandate engagement and bloc-voting as a way of influencing positive changes in corporate policy.

Ireland had signed up to the UN Principles when they were launched by Secretary-General Kofi Annan in April 2006, but no tangible steps had yet been taken – as of November 2006 – to ensure that the NPRF fully lived up to its commitments. At the urging of the Task Force, the Minister met with the controllers of the fund, and a subsequent press release stated the fund's intention to “fully” implement the UN Principles on Responsible Investment. Subsequent entreaties from the Task Force to the NPRF secured a commitment to make Sudan-related investments a “priority” when a review of investments is carried out in the next few months.

While targeted divestment is not within the mandated options currently being considered by the NPRF, they have pledged to engage fully and publicly with companies – pending the outcome of an upcoming review – which they find are having a deleterious effect with regard to Darfur. The Task Force will be continuing to urge targeted divestment – through the media to ensure that commitments that have been made thus far are adhered to.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=162>

Contact:

Sean Coleman
Ireland Campaign Manager, Sudan Divestment Task Force
scoleman@sudandivestment.org

SUDAN DIVESTMENT TASK FORCE

Jewish Council for Public Affairs (JCPA)

The Jewish Council for Public Affairs passed a resolution calling on communities to support the campaign for targeted divestment from Sudan as led by the Sudan Divestment Task Force.

Resolution text:

<http://www.e-guana.net/organizations/org/DivestmentFromSudan-final-1.doc>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignID=248>

Contact:

Jewish Council for Public Affairs
contactus@thejcpa.org

National Association for the Advancement of Colored People (NAACP)

The NAACP has joined in partnership with the Sudan Divestment Task Force and the Save Darfur Coalition to raise awareness of the situation in Darfur and to assist the divestment movement.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignID=250>

Press Release:

<http://www.naacp.org/get-involved/activism/alerts/110aa-2007-6-29/>

Contact:

Crispian Kirk
NAACP
Criskirk01@gmail.com

SUDAN DIVESTMENT TASK FORCE

National Council of Jewish Women (Sudan Investments Restricted)

On March 18, 2007, the delegate body of the National Council of Jewish Women (NCJW) voted in favor of divesting from Sudan. The same vote also granted the NCJW's endorsement to the national targeted Sudan divestment operation. The NCJW will take actions to encourage their partners and communities to divest from Sudan.

Website:

<http://www.nciw.org>

<http://www.sudandivestment.org/campaigns.asp?campaignID=245>

Press Release:

<http://www.nciw.org/html/News/PressReleases/070323/>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
info@sudandivestment.org

National Ministries, USA (Sudan Investments Restricted)

On June 23, 2006, the Finance Committee of the Board of National Ministries voted unanimously to divest holdings from companies with direct business interests in Sudan. The Task Force is currently following up with National Ministries to acquire further information.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=154>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Presbyterian Church, USA (Ongoing Engagement)

The Mission Responsibility Through Investment Committee (MRTI) of the Presbyterian Church has been examining the issue of Sudan divestment and will submit a written report on that subject to the General Assembly in September 2007. No investments in

SUDAN DIVESTMENT TASK FORCE

"Highest Offender" companies currently exist and no purchases are anticipated. For the few "Category Two" companies in which PCUSA holds stock, engagement will be undertaken.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=151>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
info@sudandivestment.org

Providers' Council (Sudan Investments Restricted)

On April 4, 2007, the Board of Directors of the Providers' Council voted unanimously to divest the organization of any and all material investments in companies who have business ties to the Sudanese government.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=237>

<http://www.providers.org>

Press Release:

<http://www.providers.org/mediaresources/pressreleases/sudanrelease.doc>

Full Resolution Text:

<http://www.providers.org/mediaresources/pressreleases/darfurresolution.doc>

Contact:

Bill Yelenak
Providers' Circle
byelenak@providers.org

Save Darfur Coalition

In 2007 the Save Darfur Coalition launched a campaign to urge various mutual fund families, such as Fidelity Investments, to divest from worst offending companies operating in Sudan, as identified by the Sudan Divestment Task Force.

SUDAN DIVESTMENT TASK FORCE

Website and Articles:

<http://www.divestfordarfur.org>

<http://www.sudandivestment.org/campaigns.asp?campaignID=247>

Contact:

Zahara Heckscher
Save Darfur Coalition
zahara@savedarfur.org

South Africa (Campaign Initiated)

A divestment campaign has been initiated by Shikaya, an independent NGO in South Africa.

Website:

http://www.darfurdivestment.org/South_Africa_Home/

Contact:

Dylan Wray
Dylan@shikaya.org

Sudan

Sudan's US embassy issued a press release in mid-April denouncing the US divestment movement. This represents the first official response of the Sudanese government to the burgeoning movement and comes several weeks after US State Department officials also referenced the divestment movement.

In a conference call to Sudan's Ambassador to the US, religious community members from Indiana expressed their strong interest in a variety of Darfur-related issues. Despite a wide-range of topics, the Sudanese Ambassador continually returned back to the topic of divestment. Indiana activists communicated to the Ambassador that they intend to pursue Indiana divestment unless the government of Sudan changes its behavior in Darfur. The Ambassador expressed strong objections to such action.

In a letter to the editor of the Washington Times, a former Ambassador to the US for Sudan wrote against divestment, claiming it would only derail the peace process (read the letter: <http://washingtontimes.com/commentary/20061021-104509-5050r.htm>).

Website and Articles:

SUDAN DIVESTMENT TASK FORCE

<http://www.sudandivestment.org/campaigns.asp?campaignid=47>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Union for Reform Judaism (Sudan Investments Restricted)

On March 22, 2007, the Reform Pension Board voted to direct its investment managers to divest any and all investments in companies identified by the Sudan Divestment Task Force as soon as possible and not to exceed three months.

The Executive Committee of the Union for Reform Judaism's Board of Trustees has also voted to support the targeted divestment campaign as an organizational tenet.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=244>

<http://urj.org/index.cfm>

Resolution Text:

http://urj.org/Articles/index.cfm?id=13761&page_id=42922&page_id=1625

Contact:

Allison Grossman
Union for Reform Judaism
agrossman@rac.org

Unitarian Universalist Association (Sudan Investments Restricted)

The Unitarian Universalist Association (UUA) has publicly stated its support of the divestment movement. The organization followed its their public support by divesting the association's direct holdings in offending companies operating in Sudan. The UUA subsequently moved \$11 million in funds from a mutual fund with Sudanese investments. Furthermore, they have urged the 2,700 individual participants of their retirement plan to move their investments to Sudan-free alternatives.

Website and Articles:

SUDAN DIVESTMENT TASK FORCE

<http://www.sudandivestment.org/campaigns.asp?campaignID=252>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
info@sudandivestment.org

United Kingdom (Campaign Initiated)

Sudan Divestment UK has been launched with support from the Sudan Divestment Task Force, Aegis Trust, and Waging Peace. A national campaign has been initiated and campaigns have been initiated at four universities. For a more complete report on divestment in the United Kingdom, please visit the Sudan Divestment UK's website.

UK divestment was bolstered on April 27th, 2007, when front benchers from both the Conservative Party and Liberal Democratic Party publicly expressed support for targeted Sudan divestment.

Website and Articles:

<http://www.sudandivestment.co.uk/>

Contact:

Hamish Falconer
Sudan Divestment UK
hfalconer@sudandivestment.org.uk

United Jewish Communities (Divested: Task Force Model)

In June 2007, the United Jewish Communities passed a resolution directing UJC to divest of direct investment in Sudan.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignID=255>

Contact:

Adam Sterling
Director, Sudan Divestment Task Force
info@sudandivestment.org

Other International Campaigns

SUDAN DIVESTMENT TASK FORCE

The Task Force has been independently contacted by several other prominent international pension boards and members of foreign governments interested in pursuing targeted Sudan divestment. Given the confidential nature of many of these conversations, SDTF will not publish information on these campaigns until they become public.

Contact:

info@sudandivestment.org

V. State of Divestment: Universities

American University (Sudan Investments Restricted)

In mid-September 2006, American University Board of Trustees adopted a policy to divest direct holdings in companies doing business in the oil and gas sector in Sudan, and to communicate its decision to its commingled investment managers and advisors.

University Memorandum:

<http://www.american.edu/trustees/statements/09222006.html>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=37>

Contact

Michael Haack

CASJ Working Group on Sudan Divestment

mike.haack@gmail.com

Amherst (Sudan Investments Restricted)

In January 2006, the Amherst College Board of Trustees voted to disinvest direct holdings in 21 (an additional company was subsequently added) companies and write the college's commingled fund managers informing them of Amherst's position.

Policy:

Those companies are listed below and were selected based on the criterion of:

1. Multinational companies that have direct business ties to the Sudanese government; or
2. Multinational companies whose business activities are in direct support of these companies and the activities of the government of the Sudan.

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(1) ABB Ltd., (2) Oil & Natural Gas Co. Ltd. (ONGC Videsh Ltd), (3) Alcatel S.A., (4) Royal Dutch Shell Plc, (5) Alstom S.A., (6) Schlumberger Ltd., (7) China National Offshore Oil Corp., (8) Siemens AG, (9) China National Petroleum Corp. (PetroChina), (10) Sumatec Resources (IR OilRigs International Ltd), (11) China Petroleum and Chemical Corp. (Sinopec), (12) Tatneft, (13) Harbin Power Equipment Co. Lt, (14) Telefonaktiebolaget LM , (15) Ericsson (Ericsson LM Telephone Co), (16) Lundin International SA, (17) Videocon Industries Ltd., (18) Nam Fatt Co. Bhd, (19) Weir Group PLC (Weir Pumps Ltd.), (20) Oil & Natural Gas Co. Ltd. (Arakis Energy), (21) Ranhill Bhd

According to an Amherst press release, in voting for the resolution, trustee Joseph Stiglitz '64, a Nobel Prize-winning economist and a member of the faculty at Columbia University School of Business, noted that investment in the companies on Amherst's list wasn't creating jobs for the people in the region. "In this case, I see little or no benefit to investment; but I do see enormous costs," he said.

Amherst College President Anthony W. Marx, who lived and worked in South Africa after graduating from college and whose subsequent scholarly research has focused in part on political change in that nation, noted that divestment has the potential to help build pressure that can contribute to powerful political change. "The Amherst Board has been thoughtful and exacting in outlining its plans for using our influence consistent with the college's principles, and in demonstrating how an institution can act in accordance with such principles," Marx said. "We have tried to set clear criteria for the companies on our list, and we will be clear about communicating those criteria to the public. Further, we hope to do what so many other colleges and universities have not: to communicate to our fund managers our concerns and expectations, and to inspire them to examine their own investments in this region."

Resolutions:

<http://www.amherst.edu/magazine/darfur/>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=12>

Contact:

Amos Irwin
Amherst Student
aeirwin@amherst.edu

**Andover Newton Theological School (Sudan Investments
Restricted)**

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On December 13, 2006, the Board of Trustees of Andover Newton Theological School unanimously voted to divest from Sudan using the Task Force's targeted model of divestment.

Press Release:

<http://www.ants.edu/about/news/2006/121306sudan.htm>

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignid=178>

Contact:

info@sudandivestment.org

Bennington College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=223>

Contact:

divest@standnow.org

Boston College (Campaign Initiated)

Boston College has not comprehensively restricted Sudanese investments. The College, hired Institutional Shareholder Services to determine companies that should be considered for divestment. ISS determined that only five companies warranted divestment; Sinopec, Nam Fatt, India's Oil and Natural Gas Corporation, PetroChina, and Tatneft. BC holds no investments in any of these companies. As such, they have restricted future investment in the aforementioned five companies.

The campaign to divest BC continues. BC students have determined that the ISS list is far from comprehensive and the University instead needs to adopt the Sudan Divestment Task Force's *Company Report* as a template for engagement and divestment.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=173>

Contact:

SUDAN DIVESTMENT TASK FORCE

Stephanie Andrews
Boston College Student
andrewsx@bc.edu

Boston University (Sudan Investments Restricted)

According to statements by Boston University, the University has prohibited future direct investments in 20 multinational companies (i) identified as having direct business ties to the Sudanese government, or (ii) whose business activities are in direct support of these companies and the activities of the government.

Policy:

The companies included in the Boston University's policy are as follows:

(1) ABB, (2) Ltd. Alcatel SA, (3) Alstom S.A., (4) China National Offshore Oil Corp., (5) PetroChina, (6) Sinopec, (7) Sinopec, (8) Harbin Power Equipment Co. Ltd, (9) Lundin International SA, (10) Nam Fatt Co. Bhd, (11) Oil & Natural Gas Co. Ltd. (Arakis Energy), (12) ONGC Videsh Ltd, (13) Royal Dutch Shell Plc, (14) Schlumberger Ltd., (15) Siemens AG, (16) Sumatec Resources, (17) Tatneft, (18) Telefonaktiebolaget LM Ericsson, (19) Videocon Industries Ltd., (20) Weir Group PLC (Weir Pumps Ltd.)

Press Release:

<http://www.bu.edu/phpbin/news-c.../news/?dept=4&id=39205&template=4>

President's statement:

<http://www.bu.edu/president/announce/letters/2006/5-10/>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=43>

Contact:

Anne I. Chen
aichen@bu.edu

Bowdoin (Non-Binding Resolution)

In November 2006, the Bowdoin College Board of Trustees approved a divestment policy in regards to its direct investments in certain companies operating in Sudan.

University Recommendation:

SUDAN DIVESTMENT TASK FORCE

<http://www.bowdoin.edu/global-issues/darfur/archives/006155.shtml>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=20>

Contact:

divest@standnow.org

Brandeis (Sudan Investments Restricted)

In April 2006, Brandeis approved a divestment policy in regards to its direct investments in certain companies operating in Sudan. Offending companies are currently being determined.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=15>

Contact:

Daniel Millenson
National Advocacy Director, Sudan Divestment Task Force
dmillenson@sudandivestment.org

Brown University (Sudan Investments Restricted)

In March 2006, Brown approved a divestment policy in regards to direct holdings in fourteen companies operation in Sudan and informed the University's commingled managers about the decision. Brown was found to have investments in Schlumberger and those assets were sold. Research on other potentially offending companies is ongoing.

Policy:

The companies included in Brown's policy are as follows:

(1) ABB Ltd., (2) Alcatel, (3) PetroChina, (4) Siemens, (5) Sinopec, (6) Tatneft, (7) Lundin Petroleum, (8) Nam Fatt, (9) Oil & Natural Gas Corporation, (10) PECD, (11) Schlumberger, (12) Alstom, (13) Harbin Power Equipment Co., and (14) Bharat Heavy Electricals.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=14>

SUDAN DIVESTMENT TASK FORCE

Contact:

Scott Warren
Senior National Field Organizer, Sudan Divestment Task Force
swarren@sudandivestment.org

Butler University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=226>

Contact:

divest@standnow.org

California State University, Chico (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=221>

Contact:

divest@standnow.org

Carleton College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=198>

Contact:

divest@standnow.org

Carnegie Mellon University (Campaign Initiated)

SUDAN DIVESTMENT TASK FORCE

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=195>

Contact:

Scott Warren
Senior National Field Organizer, Sudan Divestment Task Force
swarren@sudandivestment.org

Case Western Reserve University (Sudan Investments Restricted)

Case Western Reserve University has adopted a policy prohibiting direct investment in 'Highest Offending Companies,' as identified by the Sudan Divestment Task Force.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=262>

Contact:

divest@standnow.org

Choate Rosemary Hall (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=238>

Contact:

divest@standnow.org

Colby College (Sudan Investments Restricted)

On October 21, 2006, the Colby College Board of Trustees voted to divest from Sudan and to avoid, in the future, direct investments in any companies that could financially support the Sudanese government.

Resolution text:

SUDAN DIVESTMENT TASK FORCE

http://www.colby.edu/administration_cs/president/burma-sudan.cfm

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=191>

Contact:

divest@standnow.org

Colorado State University (Sudan Investments Restricted)

On August 16th, 2007, Colorado State University announced the adoption of a targeted Sudan divestment policy. The University has prohibited future investments in offending companies and implemented a policy of engagement. This policy includes notifying the managers of two funds with questionable holdings of a desire to divest those holdings.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=270>

Contact:

divest@standnow.org

Columbia University (Sudan Investments Restricted)

In April 2006, Columbia approved a divestment policy in regards to direct holdings in eighteen companies, since revised to 26 companies, operating in Sudan and informed the University's commingled managers about the decision. Research on other potentially offending companies is ongoing.

Policy:

The companies included in Columbia's policy are as follows:

(1) Alcatel, (2) Alstom, (3) Bharat Heavy Electricals, (4) Bollere, (5) Electricity Generating Company (EGCO) PLC, (6) Ericsson, (7) Harbin Power Equipment, (8) ICSA, (9) Indian Oil Corporation, (10) Lundin Petroleum International, (11) Mobile Telecommunications Co., (12) Muhibbah Engineering (M) Berhad, (13) Nam Fatt, (14) ONGC, (15) PECD Berhad, (16) PetroChina, (17) Petrofac, (18) Reliance Industries, (19) Rolls-Royce Group PLC, (20) Schlumberger, (21) Sinopec, (22) Sudatel, (23) Sumatec, (24) Tatneft, (25) Videocon Industries, (26) White Nile Petroleum

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Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=16>

Contact:

divest@standnow.org

Connecticut College (Sudan Investments Restricted)

On May 17, 2007, Connecticut College announced their decision to prohibit future direct investments in targeted companies. This is an addendum to their portfolio which is free of direct investments in offending companies. The College has opted to continue exploring the potential divestment of their indirect assets.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=174>

Contact:

Lauren Welch
lawel@conncoll.edu

Cornell University (Sudan Investments Restricted)

Based on an August 2006 policy, Cornell will bar investments for its direct accounts in oil companies operating in Sudan and will write letters to its commingled fund managers. The university will not be releasing a list of banned companies, and it is unclear whether the school's separately-managed accounts contain any exposure to the offending companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=152>

Contact:

divest@standnow.org

Dartmouth College (Sudan Investments Restricted)

In November 2005, Dartmouth adopted a policy to divest direct holdings in six companies operating in Sudan, and is currently examining other possible targets.

SUDAN DIVESTMENT TASK FORCE

Policy:

The companies currently included in Dartmouth's policy are as follows:

(1) ABB Ltd., (2) Greater Nile Petroleum Operating Company Ltd., (3) PetroChina Company Ltd., (4) Sudanese White Nile Petroleum Company, (5) Petroliam Nasional Bhd (Petronas), and (6) Sinopec Corp

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=11>

Contact:

Allegra Lubrano
Dartmouth College Advisory Committee on Investments
allegra.lubrano@VALLEY.NET

Davidson College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=25>

Contact:

Justin Eusebio
Davidson Student
[Jueusebio@davidson.edu](mailto:Jueusebio@ davidson.edu)

Denison University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=225>

Contact:

divest@standnow.org

SUDAN DIVESTMENT TASK FORCE

Drew University (Sudan Investments Restricted)

In November 2006, the Board of Trustees of Drew University adopted a binding, targeted Sudan divestment policy that applies to public and private equity, corporate bonds, and Sudanese government bonds. However, divestment in commingled funds is required only when other investment funds are available that offer substantially the same investment characteristics.

According to University officials, "a list of so-called 'targeted companies' will be determined by a reputable and nonbiased third-party research firm. The list would be subject to the review, amendment, and approval of the board's investment committee and updated annually."

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=159>

Contact:

divest@standnow.org

Duke University (Sudan Investments Restricted)

The university has sold all of its direct holdings in certain companies doing business in Sudan. However, a divestment policy regarding future investments and commingled assets has not been established. Students are currently asking the university to develop a policy that will reflect these two areas.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=189>

Contact:

divest@standnow.org

Elms College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=204>

Contact:

SUDAN DIVESTMENT TASK FORCE

divest@standnow.org

Emory University (Sudan Investments Restricted)

The university's financial arm has divested about \$17 million from companies that have been accused of enabling warfare in Darfur, including \$2,217,000 from PetroChina, Sinopec and ABB.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=229>

Contact:

divest@standnow.org

Franklin and Marshall College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=222>

Contact:

divest@standnow.org

Georgetown University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=167>

Contact:

Hailey Flynn
Georgetown University Student
hailey.flynn@gmail.com

Goucher College (Campaign Initiated)

SUDAN DIVESTMENT TASK FORCE

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=213>

Contact:

divest@standnow.org

Hamline University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=201>

Contact:

divest@standnow.org

Hampton University (Sudan Investments Restricted)

On April 9, 2007, Hampton University announced it had completed divestment from Sudan and companies that conduct business in Sudan.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=239>

Contact:

divest@standnow.org

Harding University (Campaign Initiated)

Harding does not currently have any direct or commingled holdings in offending companies, and students are pushing the administration to release an official policy prohibiting future investments in offending companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=214>

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Contact:

Ariana Homan Cruz
Harding Student
arianahomancruz@yahoo.com

Harvard University (Sudan Investments Restricted)

In April 2005, the Company reportedly divested \$4.4 million from its direct holdings in PetroChina after Harvard's Advisory Committee on Shareholder Responsibility (ACSR) wrote a recommendation specific to that company.

In March, 2006, after pressure from students, media, and politicians, Harvard Corporation reportedly agreed to sell their direct holdings in Sinopec Corporation, estimated to be worth \$8.3 million at the time.

In January 2007, A Harvard Crimson article revealed that Harvard University continues to indirectly invest in PetroChina and Sinopec, despite previous decisions to divest. In response, the Harvard Darfur Action Group has decided to re-launch a Sudan divestment campaign, urging the University to adopt the Task Force's comprehensive targeted divestment model.

As of July 2007, Harvard University still holds at least \$26 million of indirect investments in companies qualifyir 3 as "Highest Offenders." As such, students are still working to achieve a revised policy and the campaign continues.

Website and Articles:

<http://www.harvarddivest.com>

<http://www.sudandivestment.org/campaigns.asp?campaignid=167>

Contact:

Trevor Bakker
Harvard University Student
tjbakker@fas.harvard.edu

Joanna Naples-Mitchell
Harvard University Student
joannanm@fas.harvard.edu

Hendrix College (Sudan Investments Restricted)

The Hendrix Board of Trustees voted to investigate and divest the college of any investments in companies that support the government of Sudan in committing genocide

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against the people of Darfur.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignid=187>

Contact:

divest@standnow.org

Howard University (Sudan Investments Restricted)

On January 27th, 2007, the Howard Board of Trustees voted to divest Howard's holdings from all companies doing business in Sudan. The Board of Trustees included in the divestment resolution a policy restricting Howard and its fund managers from making future investments in companies operating in Sudan.

Press Release:

<http://howard.hostica.com/newsroom/releases/20070329THEHOWARDBOARDOFTRUSTEESTO%20OFFTIESWITHCOMPANIESDOINGBUSINESSINSUDAN.pdf>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=200>

Contact:

divest@standnow.org

Indiana University (Campaign Initiated)

The Indiana University Board of Trustees opposed a student-led divestment campaign, but the University Treasurer provided an official statement that the university had no investments in any of the companies in the Task Force's *Sudan Company Report*. The students intend to return issue of university divestment while pushing for divestment from commingled funds.

Students are also currently working with a professor interested in encouraging faculty members to transfer their retirement funds out of Fidelity.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=59>

Contact:

SUDAN DIVESTMENT TASK FORCE

Rebecca Burns
Indiana University student
rejburns@indiana.edu
(781) 962-8816

Johns Hopkins University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=199>

Contact:

divest@standnow.org

Johnson County Community College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=263>

Contact:

divest@standnow.org

Lake Forest College (Campaign Initiated)

Lake Forest does not currently have any direct or commingled holdings in offending companies, and students will push the administration to release an official policy prohibiting future investments in offending companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=203>

Contact:

Julie Maskulka
Lake Forest student
maskujl@lakeforest.edu

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Marquette University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=150>

Contact:

Neal Styka
Marquette University student
mudivestsudan@gmail.com

Massachusetts Institute of Technology (Sudan Investments Restricted)

On May 14, 2007, the MIT Corporation's Executive Committee agreed to divest MIT's holdings from portfolios that "would violate MIT's investment principles."

On September 21st, 2007, MIT confirmed that its investment portfolios are clear of the top twenty worst offending companies as listed by the Sudan Divestment Task Force.

Website and Articles:

<http://mitdarfur.org/>

<http://www.sudandivestment.org/campaigns.asp?campaignid=18>

Press Release:

<http://web.mit.edu/newsoffice/2007/sudan-statement.html>

Contact:

info@sudandivestment.org

Middlebury College (Sudan Investments Restricted)

Middlebury College has committed to divest direct holdings in offending companies and has formed a committee to carry out this task. The college has also committed to informing all of its asset managers about the college's decision.

Website and Articles:

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<http://www.sudandivestment.org/campaigns.asp?campaignid=41>

Contact:

Nathan Blumenshine
Middlebury College student
nblumens@middlebury.edu

Missouri State University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=224>

Contact:

divest@standnow.org

Muhlenburg College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=254>

Contact:

info@sudandivestment.org

Nazareth College (Sudan Investments Restricted)

At a May meeting, the Board of Trustees of Nazareth College, in Rochester, voted to restrict direct investments in any companies on the *Sudan Company Report*. The College also distinguished that they own no direct investments in companies on the report. Additionally, they have requested that the managers of their indirect assets identify their holdings in offending companies and 'consider divestment.'

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=251>

SUDAN DIVESTMENT TASK FORCE

Contact:

info@sudandivestment.org

New York University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=207>

Contact:

divest@standnow.org

Northland College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=227>

Contact:

divest@standnow.org

Northeastern University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.nustand.org/>

<http://www.sudandivestment.org/campaigns.asp?campaignid=45>

Contact:

Trevor Braun
Northeastern Student
trevorbraun@gmail.com

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Northwestern University (Sudan Investments Restricted)

In October 2005, Northwestern instructed the firms that invest money on behalf of the university to sell any holdings those firms had in four companies that had been identified as supporting the government regime in Sudan.

There is an on-going targeted Sudan divestment campaign.

Policy:

The four companies included in the Northwestern policy are as follows:

(1) ABB, (2) Tatneft, (3) Sinopec Corporation, and (4) PetroChina

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=36>

Contact:

Susannah Cunningham
NU Darfur Action Coalition
s-cunningham@northwestern.edu

Oberlin College (Sudan Investments Restricted)

In June 2006, Oberlin College passed a non-binding resolution, which has been implemented. The resolution encouraged investment managers to divest from companies that meet targeted divestment criteria.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=32>

Contact:

Penina Eilberg-Schwartz
Oberlin College Student
Penina.Eilberg-Schwartz@oberlin.edu

Ohio State University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

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<http://www.sudandivestment.org/campaigns.asp?campaignid=211>

Contact:

divest@standnow.org

Oklahoma University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=44>

Contact:

Bailey Cato
Senior National Field Organizer, Sudan Divestment Task Force
bcato@sudandivestment.org

Princeton (Engagement)

In April 2006, Princeton began correspondence with five potentially offending companies. Research into other companies to engage is also ongoing. The university has left open the option of divestment for those companies who are unresponsive.

Policy:

The five companies included in Princeton's policy are as follows:

(1) PetroChina, (2) Sinopec, (3) Tatneft, (4) ABB Ltd., and (5) Bharat Heavy Electronics

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=22>

Contact:

Cass Cliatt
Media Relations Manager
ccliatt@princeton.edu

Queen's University (Sudan Investments Restricted)

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In March 2007, Queen's University became the first Canadian university to divest from oil companies who provide revenue to the Sudanese government.

Website and Articles:

<http://standcanada.org/>

<http://www.sudandivestment.org/campaigns.asp?campaignid=236>

Contact:

Ira Goldstein
STAND Canada
igoldstein@standcanada.org

Reconstructionist Rabbinical College (Sudan Investments Restricted)

In Early 2006, the Reconstructionist Rabbinical College divested \$20 million from its endowment fund representing companies that do business with the Sudanese government. The companies affected by the policy are unknown.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=33>

Contact:

divest@standnow.org

Regis University (Sudan Investments Restricted)

On March 6, 2007, the Regis University Investment Oversight Subcommittee met and unanimously agreed to the divestiture of all equities that have been identified (list from October 2006) as adversely affecting the Darfur region. Only one investment was found, that being the 87 shares of PetroChina with a total market value of less than \$10,000. That holding in PetroChina was liquidated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=217>

Contact:

divest@standnow.org

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Rensselaer Polytechnic Institute (Sudan Investments Restricted)

In August of 2007, the RPI Board of Trustees voted to adopt a Sudan divestment policy. They have agreed to adhere to a 'targeted Sudan divestment policy' which is in accordance with the research of the Sudan Divestment Task Force.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=272>

Contact:

divest@standnow.org

Roosevelt University (Sudan Investments Restricted)

On June 19, the Board of Trustees of Roosevelt University announced that they would prohibit any future investment in companies doing business in Sudan.

The University also announced that the Investment Committee would investigate current holdings in mutual funds with ties to the genocide in Darfur.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=273>

Contact:

divest@standnow.org

Samford University (Sudan Investments Restricted)

In Summer 2005, Samford, a private Baptist college, divested direct holdings in PetroChina. A school spokesman said the holding represented less than one-tenth of 1 percent of Samford's \$264 million endowment.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=17>

Contact:

divest@standnow.org

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Seton Hall (Sudan Investments Restricted)

According to a September 2006 article in the *New Jersey Star Ledger*, Seton Hall University "has banned its money managers from putting any of the school's money in the area."

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=161>

Contact:

divest@standnow.org

Simmons College (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=28>

Contact:

Ana Vasquez
Simmons STAND
ana.vasquez@simmons.edu

Skidmore Collage (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=219>

Contact:

divest@standnow.org

Smith College (Sudan Investments Restricted)

In May 2006, Smith College adopted a policy to begin engaging offending companies, although a public list was not released, with the threat of divestment while also

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investigating whether any other companies fit the resolution's criteria. College officials have identified two companies (representing approximately \$2 million in assets) held directly in its endowment and they are currently finalizing a list of companies and a plan for implementation.

On May 7th, 2007, Smith College concluded the process of engagement and decided to divest its resources. Following a year of research and engagement, Smith College has decided to divest \$1.18 million worth of investments from Schlumberger Ltd., the French energy company.

Furthermore, the University has developed a "Do Not Acquire" list that bans future investment in 26 other companies. A full list of these companies may be found in the Smith College press release, which is included below.

Policy:

The Smith College policy utilizes the following criteria to identify possible targets for divestment:

- 1) Any company owned by the government of the Sudan. OR
- 2) Any company enabling the government of the Sudan to continue its illegal activities, either directly (through its sale of goods or services) or indirectly (through significant royalties, fees, and tax revenues accruing to the government). This would include: operation of manufacturing and other business facilities, extractive related industries and acquisition of mining or drilling rights, provision of utilities and other services.

Exceptions to these criteria:

- 1) Companies engaged solely in journalistic activities. OR
- 2) Companies engaged solely in producing or providing goods and services of a retail or humanitarian nature.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=42>

Press Release:

<http://www.smith.edu/newsoffice/releases/CIR.html>

Contact:

divest@standnow.org

Stanford (Sudan Investments Restricted)

In June 2005, Stanford University divested its direct holdings in four companies with

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links to Sudan, and informed its commingled fund managers of the decision.

Policy:

The four companies included in the Stanford policy are as follows:

(1) ABB, (2) Tatneft, (3) Sinopec Corporation, and (4) PetroChina

While the "Stanford 4" has become precedent for several other states and institutions, it's important to note that the four offending companies were selected as *representative* of the types of companies to divest from and were never meant, by the Stanford student group that carried out the company research, to serve as binding precedent.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=10>

Contact:

Ben Elberger
Stanford University Alumni
elberger@stanford.edu

Stetson University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=228>

Contact:

divest@standnow.org

Swarthmore College (Sudan Investments Restricted)

Swarthmore has a policy against investments in offending companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=169>

Contact:

Erin Heaney

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Swarthmore College Student
ehaney1@swarthmore.edu

Trinity College (Sudan Investments Restricted)

In May 2006, Trinity College adopted a resolution calling for targeted divestment from Sudan. Since adopting the resolution Trinity College has divested from direct holdings in Schlumberger, banned future direct investment in other offending companies, and have communicated their policy to their commingled asset managers.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=29>

Contact:

Alex Henry
Trinity College Student
Alexander.Henry@trincoll.edu

Trinity University (Sudan Investments Restricted)

In October 2007, Trinity University passed a policy of targeted Sudan divestment. The school administration elaborated by stating, "such investments in the country allow the Sudanese government to finance the genocide in Darfur."

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=276>

Contact:

divest@standnow.org

Tufts University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=184>

Contact:

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Sabina Carlson
Tufts College Student
Sabina.carlson@gmail.com

University of Arkansas (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=179>

Contact:

Mervin Jebaraj
University of Arkansas Student
stand@uark.edu

University of Arizona (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=261>

Contact:

divest@standnow.org

University of California (Sudan Investments Restricted)

In March 2006, the University of California system divested all separately managed account holdings (2/3 of the university's public equity investments are in separately managed accounts) in 9 offending companies and wrote letters to 4 additional companies. The university's commingled fund managers were informed about the university's position.

Policy:

The companies included in the University of California's policy are as follows.

Divestment

(1) PetroChina, (2) Oil & Natural gas Co., (3) Enbridge Energy Services Corporation, (4) Bharat Heavy Electricals, (5) Sudatel, (6) Nam Fatt, (7) PECD Berhard, (8) VideoCon, (9) Tatneft

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Further Engagement

(1) Schlumberger, (2) Finmeccanica, (3) Harbin Power Equipment Co., (4) Lundin Petroleum

Decision Text:

<http://www.universityofcalifornia.edu/regents/regmeet/mar06/ff.pdf>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=6>

Contact:

divest@standnow.org

University of Chicago (Campaign Initiated)

In February 2007, the University of Chicago administration decided against divestment from Sudan.

However, the campaign to divest continues. The continued push for divestment is led by the University of Chicago Coalition for Immediate Divestment (UCCID) and the University of Chicago STAND chapter.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=35>

<http://www.uchicagostand.org/>

Contact:

Aliza Levine
University of Chicago Student
UChicagoSTAND@gmail.com

University of Colorado (Sudan Investments Restricted)

In December 2006, the University of Colorado board of regents voted unanimously to give the university treasurer's office authority to divest from offending companies operating in Sudan. The university's current holdings have offending investments through two mutual funds, Vanguard International Value and Vanguard International Growth. The university will engage with their asset managers to request the availability of Sudan-free investments. The university has also agreed to disinvest from offending

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companies in future direct investments. The Treasurer's office is using Sudan Divestment Task Force research on offending companies, and has agreed to update the list of offending companies in accordance with Task Force recommendations.

Additionally, the University of Colorado Foundation, a private nonprofit corporation supporting the university, is using the same list as the Regents to divest its private holdings from Sudan.

Website and Articles:

<http://www.sudaninvestments.org/campaigns.asp?campaignid=176>

Contact:

Scott Wisor
Senior National Field Organizer, Sudan Divestment Task Force
swisor@sudaninvestments.org

University of Connecticut (Sudan Investments Restricted)

On March 8th, 2007, the Investment Committee of the University of Connecticut Foundation Board of Directors voted to adopt a policy of targeted divestment. The University of Connecticut Foundation oversees assets of \$366 million.

Website and Articles:

<http://www.sudaninvestments.org/campaigns.asp?campaignid=190>

Contact:

divest@standnow.org

University of Denver (Sudan Investments Restricted)

On April 14th, the University, with the backing of Chancellor Coombe, has agreed to sell all direct holdings and work with asset managers to consider Sudan free investment accounts.

Website and Articles:

<http://www.sudaninvestments.org/campaigns.asp?campaignid=243>

Contact:

Hannah Long
University of Denver Student

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hlong@du.edu

University of Illinois (Sudan Investments Restricted)

On May 17th, 2007, the University of Illinois Board of Trustees voted to divest funds from Sudan. The Board approved a divestment of \$2.3 million dollars from four companies. This unanimous decision is binding and must be enacted by June 30.

The UI divestment is not targeted nor is it comprehensive; the four companies the University chose to divest from are Deutsche Post, Hyundai Motors, Siemens A.G. and Total. Deutsche Post and Hyundai Motors are not on the *Sudan Company Report*, while Total is listed under 'On-Going Engagement' status. Lastly, Siemens A.G. has already agreed to withdraw from Sudanese operations. University of Illinois students are still working to achieve a more comprehensive divestment, utilizing the *Sudan Company Report*.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=34>

Contact:

divest@standnow.org

University of Kansas (Campaign Initiated)

In June 2006, the University of Kansas screened its investments for 26 Sudan-related companies and found no direct exposure within the school's separately managed accounts. It was decided to not take action in barring future direct investments in those companies.

The university will write letters to 13 investment managers who handle the endowment's separate and commingled accounts in regards to the university's concerns over 26 companies operating in Sudan, and to rigorously monitor the university's exposure to those companies.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=31>

Contact:

Mark Skoglund
University of Kansas Student
mark.skoglund@gmail.com

SUDAN DIVESTMENT TASK FORCE

University of Maryland (Sudan Investments Restricted)

In June 2006, the University of Maryland Foundation adopted a resolution recommending that the Foundation divest actively managed holdings in offending companies (currently at 16 companies) from all separately managed accounts. The Foundation does not have passive investments and currently has no separately managed holdings in these companies. The resolution also recommended that the Foundation communicate its decision to its endowment investment managers.

In October 2006, the Foundation voted to sell its \$16.2 million interest in a commingled fund that was found to have exposure to offending companies in Sudan.

The companies included in the University of Maryland's policy are as follows:

(1) Oil and Natural Gas Company, (2) PetroChina, (3) Sinopec Corporation, (4) Petronas/Petronas Capital Limited, (5) Schlumberger, (6) Reliance Industries, (7) Al-Thani Investment, (8) Lundin Petroleum, (9) AO Tatneft, (10) PECD Berhad, (11) Muhibbah Engineering Berhad, (12) Nam Fatt, (13) Kejuruteraan Samudra Timur Berhad, (14) Sudatel, (15) Bharat Heavy Electricals, (16) Harbin Power Equipment

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=23>

Contact:

Laura Brewer
University of Maryland Student
lbrewer@umd.edu

University of Massachusetts (Sudan Investments Restricted)

On April 30th, 2007, the investment Committee of the University of Massachusetts Foundation announced a decision to divest from companies on the *Sudan Divestment Task Force's Company Report*. Furthermore, the Committee has restricted any new investments in the listed companies.

The University of Massachusetts is divesting \$530,000 or 0.18% of its endowment.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=193>

Contact:

divest@standnow.org

SUDAN DIVESTMENT TASK FORCE

University of Minnesota (Sudan Investments Restricted)

UM's Senate Committee for Social Concerns adopted a resolution, with assistance from the Office of Asset Management, which condemns support for companies working for or assisting the government of Sudan. This resolution is supported by President Bruininks. As such, the University has contacted its financial managers and informed them to refrain from investing in the companies on the *Sudan Company Report*. At the time of passage, the University had no direct holdings in scrutinized companies.

Resolution Text:

<http://www1.umn.edu/usenate/resolutions/sudanres.html>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=177>

Contact:

divest@standnow.org

University of Missouri, Columbia (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=220>

Contact:

divest@standnow.org

University of North Carolina at Chapel Hill (Campaign Initiated)

UNC-Chapel Hill officials have looked into their investments and found no direct holdings in targeted companies. The campaign is working on getting officials to write to asset managers.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=196>

SUDAN DIVESTMENT TASK FORCE

Contact:

divest@standnow.org

University of North Carolina at Greensboro (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=202>

Contact:

divest@standnow.org

University of Notre Dame (Sudan Investments Restricted)

University investment officials have clarified that the University independently took actions to preclude targeted companies which operate in Sudan.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=278>

Contact:

divest@standnow.org

University of Pennsylvania (Sudan Investments Restricted)

In June 2006, the University of Pennsylvania adopted a policy barring investments in seven companies (the same companies as Yale University). The University currently has no direct holdings in the seven companies. University of Pennsylvania will also hold discussions with its commingled managers.

Policy:

The companies included in the University of Pennsylvania's policy are as follows:

(1) Bentini, (2) Higleig, (3) Hi-Tech Petroleum, (4) Nam Fatt, (5) Oil & Natural Gas Corporation, (6) PetroChina and (7) Sinopec

SUDAN DIVESTMENT TASK FORCE

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=39>

Contact:

Brad Rubin
University of Pennsylvania Student
bradlesr@sas.upenn.edu

University of Pittsburgh (Campaign Initiated)

Meetings with the University of Pittsburgh have indicated that the university has no direct holdings in companies on the "Highest Offenders" list. The university will not release a formal statement regarding its investment policy. Students are campaigning to pressure the university to do so.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=171>

Contact:

Anna Siegel and Lissa Geiger
University of Pittsburgh Students
pittdivestnow@gmail.com

University of Rochester (Sudan Investments Restricted)

In October 2006, the University of Rochester voted to prohibit future direct investment in 28 companies with possible ties to Sudan. The university had no exposure at the time.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=168>

Contact:

divest@standnow.org

University of Southern California (Sudan Investments Restricted)

In April 2006, the University of Southern California adopted a policy to prevent future direct investment in four companies operation in Sudan (the same companies as

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Stanford).

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=30>

Contact:

Stephen Gordon
University of Southern California Student
thestephengordon@gmail.com

University of Vermont (Sudan Investments Restricted)

In May 2006, the University of Vermont adopted a policy to divest from the top twenty worst offending companies in Sudan (as identified by the Sudan Divestment Task Force). The university will divest completely from all direct investments, and letters will be sent to commingled asset managers.

On May 19th, 2007, the Board of Trustees reaffirmed its policy of restricting Sudan related investments.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=38>

Contact:

Alexandra Bambery
University of Vermont Student
abambery@uvm.edu

University of Virginia (Sudan Investments Restricted)

In November 2006, the University of Virginia Investment Management Company (UVIMCO) approved a resolution to prohibit future direct investments in five offending Sudan-related companies. Additionally, UVIMCO staff members have agreed to speak with the university's commingled managers about their policy regarding Sudan and UVIMCO plans to review a more comprehensive list of companies for divestiture at their next board meeting.

Policy:

The companies included in the University of Virginia's policy are as follows:

(1) Nam Fatt, (2) Oil and Natural Gas Company of India, (3) Petrochina, (4) Sinopec, and

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(5) Taftnet

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=40>

Contact:

Laura Harris
University of Virginia Student
lh5d@cms.mail.virginia.edu

University of Washington (Sudan Investments Restricted)

In June 2006, the Board of Regents of the University voted unanimously to implement a targeted divestment model based on that of the Sudan Divestment Task Force, banning investments in about 30 companies on a list provided by Institutional Shareholder Services (ISS), chosen using criteria provided by the Sudan Divestment Task Force. The list from ISS will be updated monthly, and the students will continue to work with the administration to oversee the implementation of the divestment plan. As voted on, the divestment plan applies only to funds in separately managed accounts, which account for the bulk of UW's investments.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=27>

<http://chronicle.com/news/article/546/washington-regents-vote-to-divest-from-companies-in-sudan>

Contact:

Ben Weintraub
University of Washington Student
benwei@u.washington.edu

University of Wisconsin System (Sudan Investments Restricted)

In August 2006, the University of Wisconsin System passed a resolution to take action on the University's possible exposure to Sudan-related investments. According to an Associated Press story and discussions with University officials, 20 companies, identified in an initial screen by Institutional Shareholder Services (ISS), were found in two of the system's institutional commingled funds. Subsequently, the University wrote letters to its commingled managers urging them to adopt a Sudan-free policy or to create separate

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Sudan-free accounts for the University's investments. Of the 20 companies identified by ISS, only four (PetroChina, Sinopec Corp., Siemens AG, and Bharat Electricals Ltd.) were identified by other institutions as offending companies. At this time, the University did not have exposure to any of the companies in its separately managed accounts.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=153>

Contact:

divest@standnow.org

Vanderbilt University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=241>

Contact:

divest@standnow.org

Vassar College (Sudan Investments Restricted)

In October 2006, the Vassar College Board of Trustees voted to ban future direct investments in 22 Sudan companies. The college also communicated its decision to its commingled fund managers.

Resolution:

<http://collegerelations.vassar.edu/2006/2309/>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=170>

Contact:

Brooke Widman
Vassar College Student
brwidman@vassar.edu

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Villanova University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=240>

Contact:

Scott Williams
scott.williams@villanova.edu

Wake Forest University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=212>

Contact:

divest@standnow.org

Wellesley College (Sudan Investments Restricted)

Wellesley College has guaranteed a restriction on all direct investments with companies listed in the *Sudan Company Report*.

The College has also decided upon a policy of engagement regarding any indirect investments in targeted companies. Wellesley's international investment managers will research the tangible links between their investments and Sudan. These managers will periodically report back with their findings.

Press Release:

<http://www.wellesley.edu/PublicAffairs/Releases/2007/032807.html>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=26>

Contact:

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Maggie Tiernan
Senior National Field Organizer, Sudan Divestment Task Force
mtiernan@sudandivestment.org

West Virginia University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=209>

Contact:

divest@standnow.org

Western Washington University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=253>

Contact:

divest@standnow.org

Wheaton College (Sudan Investments Restricted)

On May 19th, 2007, during Wheaton's commencement ceremony, President Ronald Crutcher announced that the Board of Trustees had voted to divest from Sudan. At the urging of students, the University divested \$11 million from a fund that had \$60,000 invested in companies in the Sudan Company Report.

University Statement:

<http://www.wheatoncollege.edu/news/pr20070522a.html>

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=175>

Contact:

SUDAN DIVESTMENT TASK FORCE

Jonathan Walsh
Wheaton College Professor
jwalsh@wheatonma.edu

Williams College (Sudan Investments Restricted)

In June 2006, Williams College adopted a policy to bar future direct investments in 26 companies. The College will also write all external fund managers, including those handling commingled mandates, to express Williams' desire that they avoid investment in these companies.

Policy:

The 26 companies included in Williams' policy are as follows:

(1) Alcatel S.A., (2) Alstom S.A., (3) BAE Systems, (4) Bharat Heavy Electricals Ltd (BHEL), (5) China National Offshore Oil Corp, (6) China National Petroleum Corp. (PetroChina), (7) China Petroleum and Chemical Corp (Sinopec), (8) DIT Power Kilo-X Ltd, (9) Finmeccanica, (10) Harbin Power Equipment Co Ltd, (11) Lundin International SA, (12) Mobil Telecommunications Co (MTC), (13) Nam Fatt Co. Bhd, (14) Oil & Natural Gas Co. Ltd., (15) PECD Bhd, (16) Ranhill Bhd, (17) Royal Dutch Shell Plc, (18) Schlumberger Ltd, (19) Siemens AG, (20) Sudan Telecom (Sudatel), (21) Sumatec Resources (IR), (22) Tatneft, (23) Telefonaktiebolaget LM Ericsson (Ericsson LM Telephone Co), (24) Videocon Industries Ltd, (25) Weir Group PLC (Weir Pumps Ltd), (26) ABB Ltd.

SDTF knows that some of these companies no longer have operations in Sudan, including BAE, China National Offshore Oil Corp, and possibly DIT Power.

President's Letter:

http://www.williams.edu/admin/president/letters/060606_Sudan_Divestment.php

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=148>

Contact:

divest@standnow.org

Wilmington College, DE (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

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<http://www.sudandivestment.org/campaigns.asp?campaignid=264>

Contact:

divest@standnow.org

Winona State University (Campaign Initiated)

A targeted Sudan divestment campaign has been initiated.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignid=210>

Contact:

divest@standnow.org

Yale University (Sudan Investments Restricted)

In February 2006, Yale prohibited direct holdings in 7 companies, three private firms and four publicly-traded firms, and informed all contracted fund managers about the decision. University President Levin did note that the University currently holds stock in one of the seven companies, a "relatively minor" investment that may be worth several million dollars.

Policy:

The three private firms included in Yale's policy are as follows:

(1) Bentini, (2) Hagleig, and (3) Hi-Tech Petroleum

The four publicly-traded firms included in Yale's policy are as follows:

(1) Nam Fatt, (2) Oil & Natural Gas Corporation, (3) PetroChina, and (4) Sinopec

Website and Articles:

<http://acir.yale.edu/sudan.html>

<http://www.sudandivestment.org/campaigns.asp?campaignid=13>

Contact:

SUDAN DIVESTMENT TASK FORCE

Lauren Jacobson
Yale University Student
Lauren.jacobson@yale.edu

VI. State of Divestment: Private Pension Plans, Companies, and Asset Managers

Barclays Global Investors

Barclays Global Investors (BGI) has announced the official creation of both Sudan-free index funds and customized ex-Sudan investment solutions for investors. BGI announced ongoing exploration of ex-Sudan fixed income options as well. Currently, the BGI funds exclude a wide range of companies operating Sudan (as per the Illinois divestment statute) and not the targeted range as developed by the Sudan Divestment Task Force (as per the California, Iowa, Vermont, Colorado, Indiana, Kansas and Minnesota divestment statutes). Conversations with Barclays are ongoing to develop an ex-Sudan product that meets the Task Force's targeted criteria.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=49>

Press Release:

http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20060302005314&newsLang=en

Contact:

info@sudandivestment.org

Berkshire Hathaway (Campaign Initiated)

The holding company for Warren Buffett, Berkshire Hathaway, made major investments in PetroChina in 2003. Notably, PetroChina, through its parent company China National Petroleum Company (CNPC), is one of the principle offending companies surrounding the Darfur genocide. With just under \$3 billion invested in PetroChina as of April 13, 2007, Berkshire Hathaway ranks only behind CNPC as the company's largest shareholder.

In late 2006, the Sudan Divestment Task Force asked major shareholders of PetroChina, including Berkshire Hathaway, to engage the company regarding its connections to the ongoing genocide in the Darfur region of Sudan.

In February 2007, in response to the combination of this request and inquiries from media

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and shareholders, Berkshire Hathaway released a statement opposed to shareholder action vis-à-vis PetroChina. (www.berkshirehathaway.com/sudan.pdf)

In order to clarify some inaccuracies in Berkshire Hathaway's statement and to clarify the specific request of the Sudan Divestment Task Force, the Sudan Divestment Task Force immediately released a response to Berkshire Hathaway.

Shortly thereafter, the Task Force released a more comprehensive report on the links between PetroChina, CNPC, and the Darfur genocide, available here.

In May 2007, Berkshire Hathaway reiterated its position on PetroChina at the company's annual shareholder's meeting. Berkshire claimed that the PetroChina is subsidiary of CNPC and therefore has no influence on CNPC's actions.

In June 2007, The Sudan Divestment Task Force created an addendum to the initial, comprehensive report.

In October 2007, Warren Buffett announced that Berkshire Hathaway had sold all of its holdings in PetroChina. Mr. Buffett attributed this sale, which was accompanied with extensive activist pressure, to profit margins.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=54>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

The Bullmoose Growth Fund

Offered by Roosevelt Investment Group: <http://www.rooseveltinvestments.com>

This fund was created to be free of terrorist-sponsoring countries, of which Sudan is one. The \$10 million-asset fund, which relies on Conflict Securities Advisory Group to screen out companies doing business in terror-sponsor countries, earned 12.8 percent on its investments last year, compared to about 6 percent for the benchmark Standard & Poor's 500 index. So far it is the only mutual fund designed to be "terror-free," according to Adam Sheer, the fund's portfolio manager.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=52>

Contact:

SUDAN DIVESTMENT TASK FORCE

Adam Sheer
Portfolio Manager
asheer@rooseveltinvestments.com

Calvert Group

Besides ensuring its own mutual funds are free of companies identified as worst offenders by the Sudan Divestment Task Force, Calvert has also reviewed the Sudan Divestment Task Force analytical criteria and will continue work with the Sudan Divestment Task Force to examine the activities of specific companies to help determine whether they should be targets for engagement and possible divestiture. At the same time, Calvert will combine this analytical support with advocacy outreach.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=185>

Contact:

<http://www.calvert.com/sudan/>

Citizens Funds

(<http://www.citizensfunds.com/common/032206.htm>)

Citizens Advisers, the investment manager to Citizens Funds, announced in late March that it has called on companies within its portfolios to divest of business activities in Sudan.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=53>

Press Release:

<http://www.citizensfunds.com/common/032206.htm>

Contact:

info@sudandivestment.org

Claymore Securities

(<http://www.claymore.com>)

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Claymore Securities, Inc released an Index Exchange-Traded Fund (ETF) screened by KLD on June 25, 2007. The new KLD-Certified Sudan Free Large-Cap Social FTF screens domestic companies with operations linked to Sudan from the Russell 1000 index. A traditional, socially responsible investing screen has also been applied.

The new KLD-Certified Claymore Sudan Free Large-Cap Social ETF is useful for those seeking a "blanket" approach, rather than a targeted one, for screening Sudan-linked companies from their portfolios. However, the original Russell 1000 index does not contain any companies that the Sudan Divestment Task Force considers potential candidates for divestment. Due to 1997 US trade sanctions, the vast majority of US companies are barred from operating in Sudan. Those that do operate in Sudan have received affirmative exemptions from the US Treasury Department for operations related to industries such as humanitarian aid, medical equipment, and agriculture. Because these sectors do not provide significant support to the Khartoum regime and do benefit the general civilian population of Sudan, the Sudan Divestment Task Force does not recommend divestment from companies involved in them.

Website and Articles:

<http://www.claymore.com>

<http://sudandivestment.org/campaigns.asp?campaignID=182>

Contact:

info@sudandivestment.org

Clean Yield Group

Clean Yield Group has adopted a policy to avoid investments identified as worst offenders by the Sudan Divestment Task Force.

<http://www.cleanyield.com/index.htm>

Website and Articles:

<http://www.cleanyield.com/index.htm>

<http://sudandivestment.org/campaigns.asp?campaignID=215>

Contact:

Richard Hausman
Clean Yield Group
(800) 809-6439
rick@cleanyield.com

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Domini Social Investments

Domini Social Investments has adopted a policy to avoid investing in companies that do business in Sudan in the following cases:

1. **The company's activities directly benefit the government of Sudan.** This includes companies that pay oil and mining royalties to the Sudanese government, as well as those that build roads, develop infrastructure in government strongholds, or provide assistance to government agencies.
2. **The company offers substantial indirect benefits to the government of Sudan, or, in our view, is otherwise complicit in human rights abuses in Sudan.** This includes companies that have substantial operations or customers in government stronghold areas of Sudan and therefore help to provide a stable economic environment that supports the government in its oppressive policies.

Domini's methodology for evaluating companies' operations in Sudan involves the consideration of various third party information sources, notably the Sudan Divestment Task Force, as well as its own internal research resources. Where possible, Domini will also contact the companies directly to confirm information

http://www.domini.com/GlobInvStd/Darfur-Cri/InvestmentPolicy.doc_cvt.htm

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=231>

Press Release:

http://www.domini.com/GlobInvStd/Darfur-Cri/InvestmentPolicy.doc_cvt.htm

Contact:

info@sudandivestment.org

Fidelity Investments

Fidelity Investments, primarily through its U.S. managed Contrafund and other internationally managed mutual funds, has been one of the largest private investors in PetroChina and Sinopec. A grassroots campaign of Fidelity investors and activists is calling on Fidelity to divest its PetroChina and Sinopec holdings.

In May 2007, Fidelity released its quarterly SEC filing which unveiled the sale of 91% of its PetroChina ADRs, held through the New York Stock Exchange. However, Fidelity still owns over \$500 million worth of PetroChina H shares, held through the Hong Kong

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Stock Exchange.

Website and Articles:

<http://www.sudandivestment.org/campaigns.asp?campaignID=181>

<http://www.fidelityoutofsudan.com>

Contact:

Eric Cohen
info@FidelityOutofSudan.com

Northern Trust

On December 6, 2005, Northern Trust announced the creation of seven index funds that screen out Sudan-related holdings as a response to Illinois' divestment statute. The company will be using the independent research firms of KLD and ISS to identify companies doing business in Sudan. Northern Trust will also use an independent research firm to ensure that forbidden securities are not included in separate accounts managed for the Illinois pension funds.

In a company press release, Northern Trust stated, "Utilizing its proprietary quantitative investment process and extensive experience in customized benchmarks, Northern Trust will construct portfolios that will minimize the tracking variance caused by the elimination of the divested stocks in 'Sudan-free' versions of the following indexes:

- Standard & Poor's 500 Index
- Standard & Poor's Growth Index
- Standard & Poor's Midcap 400 Index
- Dow Jones Wilshire 5000 Index
- Dow Jones Wilshire 4500 Index
- MSCI EAFE (Europe Australasia and Far East) Index
- Lehman Aggregate Bond Index"

While the new index funds were designed specifically for the Illinois pension funds, they can be customized for other investors, according to Lyle Logan, Senior Vice President and Managing Director of Institutional Sales and Client Servicing. Additionally, this family of seven index funds could be expanded to fit client requirements, according to Steven Schoenfeld, Senior Vice President and Global Chief Investment Strategist

Website and Articles:

<http://www.northerntrust.com>

<http://sudandivestment.org/campaigns.asp?campaignID=48>

SUDAN DIVESTMENT TASK FORCE

Contact:

info@sudandivestment.org

NorthStar Asset Management

NorthStar Asset Management, Inc. is a Boston-based socially responsible investment company working with individual clients. If an offending company on the Sudan Divestment Task Force *Sudan Company Report* exists in a client portfolio, NorthStar will challenge the company's contribution to the Darfur genocide through shareholder advocacy. If advocacy proves meaningless, NorthStar will divest from the offending company. NorthStar will not seek future investment in offending companies.

<http://www.northstarasset.com/>

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=232>

Contact:

info@sudandivestment.org

Prentiss Smith and Company, Inc.

Prentiss Smith and Company, a socially responsible asset manager for individuals, will apply the Sudan Divestment Task Force's criteria to all current holdings and all future investments. As such, they will make no future investments in any companies listed on the *Sudan Company report*.

<http://www.prentiss-smith.com/>

<http://sudandivestment.org/campaigns.asp?campaignID=246>

Contact:

info@sudandivestment.org

State Street Global Advisors

State Street Global Advisors (SSGA) created separately managed indexed accounts for the Teacher's Retirement System of the State of Illinois in order for the pension fund to be compliant with Illinois' Sudan divestment legislation.

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More generally, SSGA is purportedly handling multiple demands for Sudan-free investment opportunities from its investors by creating customized, separately-managed accounts.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=50>

Contact:

info@sudandivestment.org

TIAA-CREF (Campaign Initiated)

A targeted Sudan divestment campaign for TIAA-CREF, the nation's largest private pension fund, is ongoing.

TIAA-CREF has begun engagement of identified offending companies and has hired a full-time staff person in the pension fund's corporate governance unit to deal with Sudan-related issues.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=51>

Contact:

info@sudandivestment.org

Trillium Asset Management

Trillium Asset Management, a socially responsible investment firm based out of Boston, will avoid future investments in companies that meet the Sudan Divestment Task Force's criteria for offending companies. For offending companies that are currently in the Trillium portfolio, the firm will first attempt to engage the companies, and if the engagement does not produce a desired behavioral change, Trillium will remove the security from its portfolio.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=158>

Contact:

Shelley Alpern

Manager of Social Research & Advocacy, Trillium Asset Management

SUDAN DIVESTMENT TASK FORCE

salpern@trilliuminvest.com

Walden Asset Management

Walden Asset Management, a socially responsive investment firm that primarily manages separate accounts, will exclude companies that meet SDTF targeted divestment criteria, based upon client requests and absent any meaningful ability to influence the companies via shareholder advocacy.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=157>

Contact:

Heidi Soumerai
Director of Social Research, Walden Asset Management
(617) 726-7233
hsoumerai@bostontrust.com

VII. State of Divestment: Third-Party Research Firms

Institutional Shareholder Services (ISS)

Institutional Shareholder Services (ISS) offers a list of companies with ties to Sudan based on a "blanket" divestment model. ISS charges a fee for access to this service.

Additionally, SDTF is working with ISS to develop a list of companies that meet targeted Sudan divestment criteria.

Website and Articles:

<http://www.issproxy.com>

<http://sudandivestment.org/campaigns.asp?campaignID=55>

Contact:

Mark Tulay
Institutional Shareholder Services
(301) 556-0226
Mark.Tulay@issproxy.com

Invested Interests

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The Sudan Divestment Task Force and Invested Interests have created the first online tool allowing individuals to screen their mutual funds for investments in companies supporting the Sudanese government. The Sudan Screening Tool (www.sudandivestment.org/screener.asp) provides visitors with a report detailing the names, dollar value and percent of total assets invested in offending companies. Sudan divestment data has previously been available only to large institutions. The Sudan Screening Tool allows for any mutual fund investor, approximately 57 million U.S. households, to actively participate in Sudan divestment.

Additionally, Invested Interests offers consulting services for compliance with targeted Sudan divestment legislation.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=58>

Contact:

Brandon Small
Invested Interests
(800) 613-7875
www.investedinterests.com

The Institute for Christian Worldview Research (ICWR)

ICWR primarily serves the institutional and retail Christian marketplace, but its research is available to all who are interested in the issues examined by the company. The staff at ICWR conducts in-depth proprietary research on the activities of public companies, both domestic and foreign, and maintains a database of well over 2000 companies. ICWR's information covers 57 areas of corporate activity. ICWR's human rights research, in particular, focuses on companies that operate in Sudan, in other state sponsors of terror and in countries identified as oppressive regimes.

ICWR provides customized screening services that guide the client in the portfolio selection process. ICWR works with both plan sponsors and money managers to provide exclusion lists, consulting on screening parameters and advice on establishing investment policy statements. Summary company reports provide an overview of Sudan-related corporate activity. Full company reports provide expanded details and confirming documentation relating to Sudan activity. Additionally, ICWR provides ongoing supplemental support services to the client.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=234>

Contact:

SUDAN DIVESTMENT TASK FORCE

Nancy Currid
Director of Research, ICWR
800-930-6949 x707
nancy.currid@icwr.com

IW Financial

In May 2006, IW Financial announced that it will provide state treasurers with free access to research on companies doing business in Sudan. IW Financial is offering the data and — if requested — guidance on prospective implementation models to help further states' development of new laws or adherence to existing laws that require reporting, shareholder initiatives or blanket or targeted divestment from companies with operations in that country.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=57>

Press Release:

<http://www.socialfunds.com/news/release.cgi/5668.html>

Contact:

Craig Muska
Director of Business Development, IW Financial
(503) 892-8740
craigmuska@iwfinancial.com

KLD Research & Analytics Inc.

KLD Research & Analytics, Inc. launched its Sudan Targeted Divestment Compliance product on July 26, 2007. The product is compatible with the Sudan Divestment Task Force model and endorsed by SDTF.

KLD consults with SDTF on legislative criteria and investigation into certain companies. However, KLD independently researches all company information involved in constructing this product.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=56>

Contact:

SUDAN DIVESTMENT TASK FORCE

Randy O'Neil
KLD Research & Analytics Inc.
(617) 426-5270 ex. 204
roneil@kld.com

Sudan Divestment Task Force

The Sudan Divestment Task Force offers free lists and research on companies that meet targeted divestment criteria. Research utilizes all publicly available information (including company letters to fiduciaries, news articles, company websites, direct company inquiry, and foreign policy expert consultation) to determine whether companies operating in Sudan meet SDTF criteria. Companies which possibly meet SDTF criteria are tracked daily through a variety of sources and searches. SDTF also carries out a daily monitoring of new company operations in Sudan and determines whether any of those operations meet our criteria. All SDTF company data is available upon request.

The Sudan Divestment Task Force and Invested Interests have created the first online tool allowing individuals to screen their mutual funds for investments in companies supporting the Sudanese government. The Sudan Screening Tool (www.sudandivestment.org/screener.asp) provides visitors with a report detailing the names, dollar value and percent of total assets invested in offending companies. Sudan divestment data has previously been available only to large institutions. The Sudan Screening Tool allows for any mutual fund investor, approximately 57 million U.S. households, to actively participate in Sudan divestment.

SDTF has also teamed up with the Calvert Group, one of the largest providers of socially-responsible mutual funds, to augment SDTF research and company engagement efforts. Calvert has already reviewed SDTF's analytical criteria and will now work with SDTF to examine the activities of specific companies to help determine which should be targets for engagement and possible divestiture. At the same time, Calvert will combine this analytical support with advocacy outreach. Calvert has now certified its own mutual funds free of the companies identified by SDTF as offending companies.

Website and Articles:

<http://sudandivestment.org/campaigns.asp?campaignID=156>

Contact:

Sudan Divestment Task Force
info@sudandivestment.org

Attachment B

Sudan Divestment Task Force

"Divestment Statistics"

<http://www.sudandivestment.org/statistics.asp>



- HOME
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Divestment Statistics

Figures for States, Universities, Cities, International & Religious Organizations and Countries.

Last updated on January 25, 2008

First Name:

Last Name:

E-mail:

ZIP:



Actor Don Cheadle joined hundreds of students at the University of California in support of targeted Sudan divestment. In March, 2006, the University restricted holdings in nine "offending" companies.

Contact us at:

Info@SudanDivestment.Org

[Click here to donate to the Sudan Divestment Task Force](#)

Pro Bono Legal Counsel from Cooley Godward Kronish LLP

Analytical support from Calvert

In partnership with

22 States have adopted divestment policies from Sudan. Fifteen of these states have passed the Sudan Divestment Task Force model of targeted Sudan divestment: **California, Colorado, Florida, Hawaii, Indiana, Iowa, Kansas, Massachusetts, Minnesota, New Mexico, New York, North Carolina, Rhode Island, Texas, and Vermont.** Seven of these states have developed state specific methods of Sudan divestment: **Arkansas, Connecticut, Illinois, Maine, Maryland, New Jersey and Oregon.**

23 additional States have initiated Sudan divestment campaigns. Eleven of these states have targeted Sudan divestment legislation currently introduced: **Alaska, Michigan, Nebraska, New Hampshire, Ohio, Pennsylvania, Tennessee, Utah, Virginia, West Virginia and Wisconsin.** TWELVE of these states have campaigns awaiting introduction of legislation or are pursuing Sudan divestment by other means: **Alabama, Arizona, Delaware, Georgia, Idaho, Kentucky, Louisiana, Missouri, Nevada, Oklahoma, South Carolina and Wyoming.**

The United States Government has approved the **Sudan Accountability and Divestment Act** which authorizes and encourages state and local divestment, prohibits federal contracts with problematic companies that operate in Sudan's oil, power, mineral and military sectors and provides legal protections to asset managers that choose to divest from Sudan.

58 Universities have adopted divestment policies from Sudan. From the first University, **Harvard**, to the most recent, including **Case Western Reserve University, Denison University, Trinity University, Roosevelt University, and Rensselaer Polytechnic Institute** in a display of grassroots power, students, faculty and administrators have united to ensure that their schools make conscionable, genocide-free investments.

47 Universities have initiated campaigns to pursue Sudan divestment policies.

12 Cities have adopted divestment policies from Sudan: **Baltimore, MD; Cleveland, OH; Denver, CO; Los Angeles, CA; Miami Beach, FL; New Haven, CT; Newton, MA; Philadelphia, PA; Pittsburgh, PA; Providence, RI; San Francisco, CA; and Worcester, MA.**

9 international and Religious Organizations have adopted divestment policies from Sudan: **American Jewish World Service, Boston Foundation, National Council of Jewish Women, National Ministries, Massachusetts Council of Human Service Providers, Presbyterian Church USA, Union for Reform Judaism, Unitarian Universalist Association and United Jewish Communities.**

15 Countries have initiated targeted Sudan divestment campaigns. International divestment campaigns currently include **Australia, Belgium, Canada, Germany, Japan, Norway, Netherlands, New Zealand, Ireland, Italy, Sweden, Switzerland, South Africa, the US, and the UK.**

Sudan Divestment UK

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STAND

Companies **La Mancha Resources, CHC Helicopter, ABB, Siemens, Rolls Royce, ICSA of India, Weatherford International, Weir Group and Schlumberger**—have **CEASED** operations in Sudan (or formalized and publicized a plan to do so), or significantly **CHANGED** their behavior in the country since the proliferation of the Sudan divestment movement. Several of the companies have directly and/or publicly cited the Sudan divestment movement as a cause of their actions, while others have mentioned "humanitarian," "political," and even "moral" concerns related to Sudan.



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Attachment C

Sudan Divestment Task Force

"Targeted Sudan Divestment: Model Legislation"

http://www.sudandivestment.org/docs/task_force_targeted_divestment_model.pdf



SUDAN DIVESTMENT

— T A S K F O R C E —

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Targeted Sudan Divestment: Model Legislation

The Divestment Policy of
The Sudan Divestment Task Force

December 8, 2006 (**UPDATED January 22, 2008**)

SUDAN DIVESTMENT TASK FORCE

In this document, sections that are highlighted in red are intended to be filled in by each institution, council, or legislature adopting targeted divestment.

AN ACT relating to: provisions for how the [pension fund systems or other affected entities of the state] shall address certain investments relating to Sudan.

The people of the [State of x, represented in the State Senate and Assembly], do enact as follows:

Section 1: Legislative Findings

(a) On July 23, 2004, the United States Congress declared that "the atrocities unfolding in Darfur, Sudan, are genocide."

(b) On September 9, 2004, Secretary of State Colin L. Powell told the U.S. Senate Foreign Relations Committee that "genocide has occurred and may still be occurring in Darfur" and "the Government of Sudan and the Janjaweed bear responsibility."

(c) On September 21, 2004, addressing the United Nations General Assembly, President George W. Bush affirmed the Secretary of State's finding and stated, "[A]t this hour, the world is witnessing terrible suffering and horrible crimes in the Darfur region of Sudan, crimes my government has concluded are genocide."

(d) On December 7, 2004, the U.S. Congress noted that the genocidal policy in Darfur has led to reports of "systematic rape of thousands of women and girls, the abduction of women and children, and the destruction of hundreds of ethnically African villages, including the poisoning of their wells and the plunder of their crops and cattle upon which the people of such villages sustain themselves."

(e) Also on December 7, 2004, Congress found that "the Government of Sudan has restricted access by humanitarian and human rights workers to the Darfur area through

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intimidation by military and security forces, and through bureaucratic and administrative obstruction, in an attempt to inflict the most devastating harm on those individuals displaced from their villages and homes without any means of sustenance or shelter.”

(f) On September 25, 2006, Congress reaffirmed that “the genocide unfolding in the Darfur region of Sudan is characterized by acts of terrorism and atrocities directed against civilians, including mass murder, rape, and sexual violence committed by the Janjaweed and associated militias with the complicity and support of the National Congress Party-led faction of the Government of Sudan.”

(g) On September 26, 2006, the U.S. House of Representatives stated that “an estimated 300,000 to 400,000 people have been killed by the Government of Sudan and its Janjaweed allies since the [Darfur] crisis began in 2003, more than 2,000,000 people have been displaced from their homes, and more than 250,000 people from Darfur remain in refugee camps in Chad.”

(h) The Darfur crisis represents the first time the United States Government has labeled ongoing atrocities a genocide.

(i) The Federal Government has imposed sanctions against the Government of Sudan since 1997. These sanctions are monitored through the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC).

(j) According to a former chair of the U.S. Securities and Exchange Commission, “the fact that a foreign company is doing material business with a country, government, or entity on OFAC’s sanctions list is, in the SEC staff’s view, substantially likely to be significant to a reasonable investor’s decision about whether to invest in that company.”

(k) Since 1993, the U.S. Secretary of State has determined that Sudan is a country the government of which has repeatedly provided support for acts of international terrorism,

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thereby restricting United States assistance, defense exports and sales, and financial and other transactions with the Government of Sudan.

(l) A 2006 U.S. House of Representatives report states that "a company's association with sponsors of terrorism and human rights abuses, no matter how large or small, can have a materially adverse result on a public company's operations, financial condition, earnings, and stock prices, all of which can negatively affect the value of an investment."

(m) In response to the financial risk posed by investments in companies doing business with a terrorist-sponsoring state, the Securities and Exchange Commission established its Office of Global Security Risk to provide for enhanced disclosure of material information regarding such companies.

(n) The current Sudan divestment movement encompasses nearly 100 universities, cities, states, and private pension plans.

(o) On December 31st, 2007, President George W. Bush signed the Sudan Accountability and Divestment Act (S.2271). The legislation passed the Senate and House unanimously. The law authorizes state and local governments to adopt targeted Sudan divestment policies and prohibits federal contracts with problematic companies that operate in the Sudan's oil, power, mineral and military sectors.

(p) Companies facing such widespread divestment present further material risk to remaining investors.

(q) It is a fundamental responsibility of the [State of X] to decide where, how, and by whom financial resources in its control should be invested, taking into account numerous pertinent factors.

(r) It is the prerogative and desire of the [State of X], in respect to investment resources in its control and to the extent reasonable, with due consideration for, among other things,

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return on investment, on behalf of itself and its investment beneficiaries, not to participate in an ownership or capital-providing capacity with entities that provide significant practical support for genocide, including certain non-United States companies presently doing business in Sudan.

(s) It is the judgment of the [State Legislature] that this Act should remain in effect only insofar as it continues to be consistent with, and does not unduly interfere with, the foreign policy of the United States as determined by the Federal Government.

(t) It is the judgment of this [State Legislature] that mandatory divestment of public funds from certain companies is a measure that should be employed sparingly and judiciously. A Congressional and Presidential declaration of genocide satisfies this high threshold.

Section 2: Definitions

As used in this Act, the following definitions shall apply:

(a) "Active Business Operations" means all Business Operations that are not Inactive Business Operations.

(b) "Business Operations" means engaging in commerce in any form in Sudan, including by acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

(c) "Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly-owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of such entities or business associations, that exists for profit-making purposes.

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- (d) "Complicit" means taking actions during any preceding twenty (20) month period which have directly supported or promoted the genocidal campaign in Darfur, including, but not limited to, preventing Darfur's victimized population from communicating with each other, encouraging Sudanese citizens to speak out against an internationally approved security force for Darfur, actively working to deny, cover up, or alter the record on human rights abuses in Darfur, or other similar actions.
- (e) "Direct Holdings" in a Company means all securities of that Company held directly by the Public Fund or in an account or fund in which the Public Fund owns all shares or interests.
- (f) "Government of Sudan" means the government in Khartoum, Sudan, which is led by the National Congress Party (formerly known as the National Islamic Front) or any successor government formed on or after October 13, 2006 (including the coalition National Unity Government agreed upon in the Comprehensive Peace Agreement for Sudan) and does not include the regional government of southern Sudan.
- (g) "Inactive Business Operations" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for such purpose.
- (h) "Indirect Holdings" in a Company means all securities of that Company held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the Public Fund, in which the Public Fund owns shares or interests together with other investors not subject to the provisions of this Act.
- (i) "Marginalized Populations Of Sudan" include, but are not limited to, the portion of the population in the Darfur region that has been genocidally victimized; the portion of the population of southern Sudan victimized by Sudan's North-South civil war; the Beja, Rashidiya, and other similarly underserved groups of eastern Sudan; the Nubian and other similarly underserved groups in Sudan's Abyei, Southern Blue Nile, and Nuba

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Mountain regions; and the Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

(j) "Military Equipment" means weapons, arms, military supplies, and equipment that readily may be used for military purposes, including, but not limited to, radar systems or military-grade transport vehicles; or supplies or services sold or provided directly or indirectly to any force actively participating in armed conflict in Sudan.

(k) "Mineral Extraction Activities" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides (ore), including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc, as well as facilitating such activities, including by providing supplies or services in support of such activities.

(l) "Oil-Related Activities" include, but are not limited to, owning rights to oil blocks; exporting, extracting, producing, refining, processing, exploring for, transporting, selling, or trading of oil; constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure; and facilitating such activities, including by providing supplies or services in support of such activities, provided that the mere retail sale of gasoline and related consumer products shall not be considered Oil-Related Activities.

(m) "Power Production Activities" means any Business Operation that involves a project commissioned by the National Electricity Corporation (NEC) of Sudan or other similar Government of Sudan entity whose purpose is to facilitate power generation and delivery, including, but not limited to, establishing power-generating plants or hydroelectric dams, selling or installing components for the project, providing service contracts related to the installation or maintenance of the project, as well as facilitating such activities, including by providing supplies or services in support of such activities.

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(n) "Public Fund" means [the state's pension fund systems and other affected assets] or the [trustees and other appropriate designates] in charge of [the state's pension fund systems and other assets targeted by this bill].

[Important Drafting Note: It is critical in this definition to specify precisely which of the many funds/assets managed by the state will be targeted (or, more generally, which TYPES of funds/assets are to be targeted) and then specify exactly who the appropriate manager of such funds/assets are. It may be the case that not all funds/assets under management by a trustee are appropriate for targeting and this needs to be specified here in the definition of Public Fund.]

(o) "Scrutinized" Company means any Company that meets the criteria in paragraph (1), paragraph (2), or paragraph (3) below:

(1) The Company has Business Operations that involve contracts with and/or provision of supplies or services to (A) the Government of Sudan, (B) Companies in which the Government of Sudan has any direct or indirect equity share, (C) Government of Sudan-commissioned consortiums or projects, or (D) Companies involved in Government of Sudan-commissioned consortiums or projects; and

(i) More than ten percent (10%) of the Company's revenues or assets linked to Sudan involve Oil-Related Activities or Mineral Extraction Activities; less than seventy-five percent (75%) of the Company's revenues or assets linked to Sudan involve contracts with and/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 the Company has failed to take Substantial Action; or

(ii) More than ten percent (10%) of the Company's revenues or assets linked to Sudan involve Power Production Activities; less than seventy-five percent (75%) of the Company's Power Production Activities include

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projects whose intent is to provide power or electricity to the Marginalized Populations Of Sudan; and the Company has failed to take Substantial Action.

(2) The Company is Complicit in the Darfur genocide.

(3) The Company supplies Military Equipment within Sudan, unless it clearly shows that the Military Equipment cannot be used to facilitate offensive military actions in Sudan or the Company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict, for example, through post-sale tracking of such equipment by the Company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

Notwithstanding anything herein to the contrary, a Social Development Company which is not Complicit in the Darfur genocide shall not be considered a Scrutinized Company.

(p) "Social Development Company" means a Company whose primary purpose in Sudan is to provide humanitarian goods or services, including medicine or medical equipment, agricultural supplies or infrastructure, educational opportunities, journalism-related activities, information or information materials, spiritual-related activities, services of a purely clerical or reporting nature, food, clothing, or general consumer goods that are unrelated to Oil-Related Activities, Mineral Extraction Activities, or Power Production Activities.

(q) "Substantial Action" means 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

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southern Sudan, or a non-profit entity and evaluated and certified by an independent third party to be substantial in 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 genocidally victimized population in Darfur.

Section 3: Identification of Companies

(a) Within 90 days following passage of this Act, the Public Fund shall make its best efforts to identify all Scrutinized Companies in which the Public Fund has Direct or Indirect Holdings or could possibly have such holdings in the future. Such efforts shall include, as appropriate:

(1) Reviewing and relying, as appropriate in the Public Fund's judgment, on publicly available information regarding Companies with Business Operations in Sudan, including information provided by non-profit organizations, research firms, international organizations, and government entities; and/or

(2) Contacting asset managers contracted by the Public Fund that invest in Companies with Business Operations in Sudan; and/or

(3) Contacting other institutional investors that have divested from and/or engaged with Companies that have Business Operations in Sudan.

(b) By the first meeting of the Public Fund following the 90-day period described in subsection (a), the Public Fund shall assemble all Scrutinized Companies identified into a "Scrutinized Companies List."

(c) The Public Fund shall update the Scrutinized Companies List on a quarterly basis based on evolving information from, among other sources, those listed in subsection (a).

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Section 4: Required Actions

The Public Fund shall adhere to the following procedure for Companies on the Scrutinized Companies List:

(a) Engagement

(1) The Public Fund shall immediately determine the Companies on the Scrutinized Companies List in which the Public Fund owns Direct or Indirect Holdings.

(2) For each Company on the Scrutinized Companies List with only Inactive Business Operations, the Public Fund shall send a written notice informing the Company of this Act and encouraging it to continue to refrain from initiating Active Business Operations in Sudan until it is able to avoid Scrutinized Business Operations. The Public Fund shall continue such correspondence on a semi-annual basis.

(3) For each Company on the Scrutinized Companies List with Active Business Operations, the Public Fund shall send a written notice informing the Company of its Scrutinized Company status and that it may become subject to divestment or prohibition by the Public Fund. The notice shall offer the Company the opportunity to clarify its Sudan-related activities and shall encourage the Company, within 90 days, to either cease its Scrutinized Business Operations or convert such operations to Inactive Business Operations in order to avoid qualifying for divestment or prohibition by the Public Fund.

(4) If, within 90 days following the Public Fund's first engagement with a Company pursuant to paragraph (3), that Company ceases Scrutinized Business Operations, the Company shall be removed from the Scrutinized Companies List and the provisions of this Section shall cease to apply to it unless it resumes

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Scrutinized Business Operations. If, within 90 days following the Public Fund's first engagement, the Company converts its Scrutinized Active Business Operations to Inactive Business Operations, the Company shall be subject to all provisions relating thereto.

(b) Divestment

(1) If, after 90 days following the Public Fund's first engagement with a Company identified in paragraph (a)(1) pursuant to subsection (a)(3), the Company continues to have Scrutinized Active Business Operations, and only while such Company continues to have Scrutinized Active Business Operations, the Public Fund shall sell, redeem, divest, or withdraw all publicly-traded securities of the Company, except as provided below, according to the following schedule:

(i) At least 50% of such assets shall be removed from the Public Fund's assets under management by 9 months after the Company's most recent appearance on the Scrutinized Companies List.

(ii) 100% of such assets shall be removed from the Public Fund's assets under management within 15 months after the Company's most recent appearance on the Scrutinized Companies List.

(2) If a Company that ceased Scrutinized Active Business Operations following engagement pursuant to subsection (a)(3) resumes such operations, paragraph (1) shall immediately apply, and the Public Fund shall send a written notice to the Company. The Company shall also be immediately reintroduced onto the Scrutinized Companies List.

(c) Prohibition

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At no time shall the Public Fund acquire securities of Companies on the Scrutinized Companies List that have Active Business Operations, except as provided below.

(d) Exemption

No Company which the United States Government affirmatively declares to be excluded from its present or any future federal sanctions regime relating to Sudan shall be subject to divestment or investment prohibition pursuant to subsections (b) and (c).

(e) Excluded Securities

Notwithstanding anything herein to the contrary, subsections (b) and (c) shall not apply to Indirect Holdings in actively managed investment funds. The Public Fund shall, however, submit letters to the managers of such investment funds containing Companies with Scrutinized Active Business Operations requesting that they consider removing such Companies from the fund or create a similar actively managed fund with Indirect Holdings devoid of such Companies. If the manager creates a similar fund, the Public Fund shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards. For the purposes of this Section, "private equity" funds shall be deemed to be actively managed investment funds.

Section 5: Reporting

(a) Within 30 days of the passage of this Act, the Public Fund shall file a written report to the United States Attorney General detailing the requirements contained in this Act.

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(b) The Public Fund shall file a publicly-available report to the [State Legislature and Attorney General] that includes the Scrutinized Companies List within 30 days after the list is created.

(c) Annually thereafter, the Public Fund shall file a publicly-available report to the [State Legislature and Attorney General] and send copies of that report to the United States Attorney General and the United States Presidential Envoy to Sudan (or an appropriate designee or successor) that includes:

(1) A summary of correspondence with Companies engaged by the Public Fund under Sections 4(a)(2) and (a)(3);

(2) All investments sold, redeemed, divested, or withdrawn in compliance with Section 4(b);

(3) All prohibited investments under Section 4(c); and

(4) Any progress made under Section 4(e).

Section 6: Provisions for Expiration of Act

This Act shall expire upon the occurrence of any of the following:

(a) The Congress or President of the United States declares that the Darfur genocide has been halted for at least 12 months; or

(b) The United States revokes all sanctions imposed against the Government of Sudan; or

(c) The Congress or President of the United States declares that the Government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of

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humanitarian assistance, and allow for the safe and voluntary return of refugees and internally displaced persons; or

(d) The Congress or President of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this Act interferes with the conduct of United States foreign policy.

Section 7: Other Legal Obligations

With respect to actions taken in compliance with this Act, including all good faith determinations regarding Companies as required by this Act, the Public Fund shall be exempt from any conflicting statutory or common law obligations, including any such obligations in respect to choice of asset managers, investment funds, or investments for the Public Fund's securities portfolios.

Section 8: Reinvestment in Certain Companies with Scrutinized Active Business Operations

Notwithstanding anything herein to the contrary, the Public Fund shall be permitted to cease divesting from certain Scrutinized Companies pursuant to Section 4(b) and/or reinvest in certain Scrutinized Companies from which it divested pursuant to Section 4(b) if clear and convincing evidence shows that the value for all assets under management by the Public Fund becomes equal to or less than 99.50% (50 basis points) of the hypothetical value of all assets under management by the Public Fund assuming no divestment for any company had occurred under Section 4(b). Cessation of divestment, reinvestment, and/or any subsequent ongoing investment authorized by this section shall be strictly limited to the minimum steps necessary to avoid the contingency set forth in the preceding sentence. For any cessation of divestment, reinvestment, and/or subsequent ongoing investment authorized by this section, the Public Fund shall provide a written report to the [State Legislature and Attorney General] in advance of initial reinvestment, updated semi-annually thereafter as applicable, setting forth the reasons and justification,

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supported by clear and convincing evidence, for its decisions to cease divestment, reinvest, and/or remain invested in Companies with Scrutinized Active Business Operations. This section has no application to reinvestment in Companies on the ground that they have ceased to have Scrutinized Active Business Operations.

Section 9: Enforcement

The Attorney General is charged with enforcing the provisions of this Act and, through any lawful designee, may bring such actions in court as are necessary to do so.

Section 10: Severability

If any one or more provision, section, subsection, sentence, clause, phrase, or word of this legislation or the application thereof to any person or circumstance is found to be invalid, illegal, unenforceable or unconstitutional, the same is hereby declared to be severable and the balance of this legislation shall remain effective and functional notwithstanding such invalidity, illegality, unenforceability or unconstitutionality. The [State Legislature] hereby declares that it would have passed this legislation, and each provision, section, subsection, sentence, clause, phrase or word thereof, irrespective of the fact that any one or more provision, section, subsection, sentence, clause, phrase, or word be declared invalid, illegal, unenforceable or unconstitutional, including, but not limited to, each of the engagement, divestment, and prohibition provisions of this legislation.

Attachment D

"Should Public Plans Engage in Social Investing?"

Alicia Munnell, Center for Retirement Research at Boston College, August 2007

SHOULD PUBLIC PLANS ENGAGE IN SOCIAL INVESTING?

BY ALICIA H. MUNNELL*

Introduction

Social investing is a movement that advocates incorporating social and environmental considerations, as well as financial factors, when making investment decisions. The most recent incarnation of this movement is the initiative by state legislatures to force public pension funds to sell their holdings of companies doing business in Sudan. The effort to divest Sudan-linked stocks began in 2004 after the U.S. government characterized the killing and displacement in Darfur province as genocide.¹ Riding on the coattails of the success of the Sudan effort, state legislatures have now targeted Iran, with a goal of "terror-free" investing. The emotional appeal of such actions is powerful. Over 2 million civilians have been displaced and more than 200,000 slaughtered in Darfur since 2003.² And Iran refuses to back away from its pursuit of nuclear weapons.³ But strong arguments also exist against using public pension plans to accomplish foreign policy goals.

This *brief* explores the current world of social investing, the recent efforts regarding the Sudan and Iran, the likely impact of social investing on the target firms, and the reasons why such activity may be inappropriate for public pension plans.

What Is Social Investing? How Much? Who's Doing It?

Social investing takes three primary forms: 1) screening (either excluding "bad" companies or including "good" companies); 2) shareholder advocacy; and 3) community investing. The Social Investment Forum (SIF), a trade group of social investors, reports that at the end of 2005, in terms of assets under management, screening is by far the most prevalent approach (see Figure 1). Significantly less is involved in shareholder advocacy, and community investing activity is tiny.

FIGURE 1. SOCIAL INVESTING IN THE UNITED STATES BY TYPE OF STRATEGY, 2005



Source: Social Investment Forum (2006).

* Alicia H. Munnell is the Director of the Center for Retirement Research at Boston College (CRR) and the Peter F. Drucker Professor of Management Sciences at Boston College's Carroll School of Management. Jerilyn Libby served as the major research assistant on this project; Dan Muldoon also provided able assistance. John Langbein and Alan Marcus provided valuable comments.

TABLE 1. ASSETS IN SOCIALLY SCREENED PORTFOLIOS, 1999-2005 (BILLIONS)

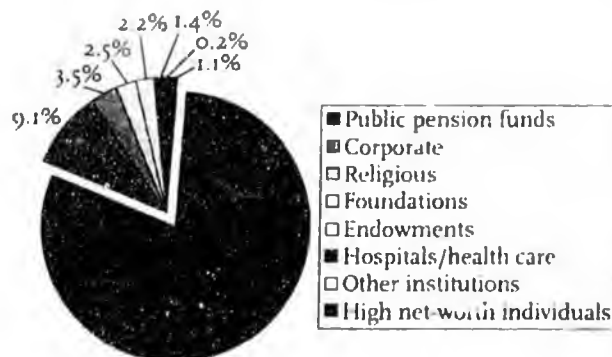
Year	Mutual funds	Separate accounts	Total
1995	\$12	\$150	\$162
1997	96	433	529
1999	154	1,343	1,497
2001	140	1,870	2,010
2003	151	1,992	2,143
2005	179	1,506	1,685

Source: Center for Retirement Research at Boston College (2006).

The Social Investment Forum reports that as of the end of 2005, mutual funds with social screens held \$179 billion and that socially screened "separate accounts," which are managed for individuals and institutional clients, held \$1,506 billion (see Table 1). The SIF calculates that these totals amount to 9.4 percent of all public and private assets under management.

The bulk of the money in separate accounts (80 percent) is the assets of public pension funds (see Figure 2). And screening is pervasive among public funds. The SIF numbers suggest that, in 2005, \$1.2 trillion of public pension fund assets were screened by some criteria. These screened assets accounted for 45 percent of total state and local pension holdings in that year.³

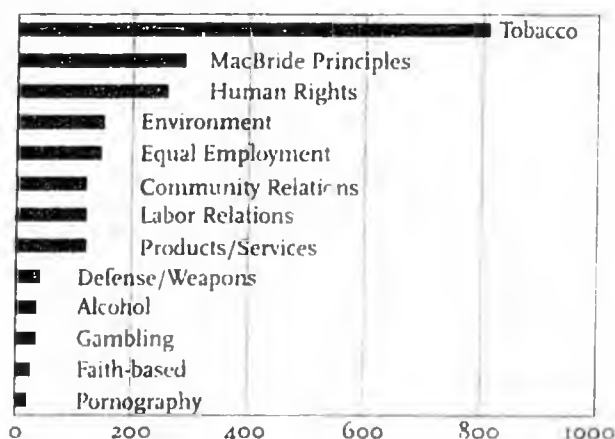
FIGURE 2. SOCIALLY SCREENED INVESTOR ASSETS, 2005



Source: Social Investment Forum (2006).

The screens vary by the nature of the customer. As of 2005, by far the most popular approach for mutual funds was a negative screen for tobacco; alcohol came in second; gambling third.⁵ But the pattern for institutional separate accounts, which is dominated by public plans, is quite different. For these accounts, the MacBride Principles (relating to fair hiring in Northern Ireland), Human Rights, the Environment, and Equal Employment Opportunity ranked among the top social concerns (see Figure 3).

FIGURE 3. SOCIAL SCREENING BY INSTITUTIONAL INVESTORS, 2005 (BILLIONS)



Source: Social Investment Forum (2006).

Note that almost none of the screened money is held in private sector defined benefit pension funds.⁶ These private plans are covered by the Employee Retirement Income Security Act (ERISA), and right from the beginning the Department of Labor has stringently enforced ERISA's duties of loyalty and prudence.⁷ In 1980, the chief administrator of the Department of Labor's pension section published an influential article that warned that the exclusion of investment options would be very hard to defend under ERISA's prudence and loyalty tests.⁸ And a 1994 Interpretive Bulletin reminded fiduciaries that they are prohibited from subordinating the interests of participants and beneficiaries ... to unrelated objectives.⁹ Thus, ERISA fiduciary law has effectively constrained social investing in private sector defined benefit plans.¹⁰ Social investing is a public pension fund phenomenon.

Recent Developments – Sudan and Now Iran

During 2005, and therefore not reflected in Figure 3, state legislatures in Arizona, Illinois, Louisiana, New Jersey, and Oregon passed legislation related to companies with operations in Sudan.¹¹ Since then some states have branched out to include Iran. And Missouri has taken the lead in initiating an entirely “terror-free” investment policy. American companies have been barred for some time from doing business in either Sudan or with states considered sponsors of terrorism according to the U.S. State Department (Cuba, Iran, North Korea, Sudan and Syria).¹² But in a world of global investing, U.S. investors can have a link to Sudan or “terror states” through foreign stock holdings. Such foreign holdings would be most affected by the recent state legislation.

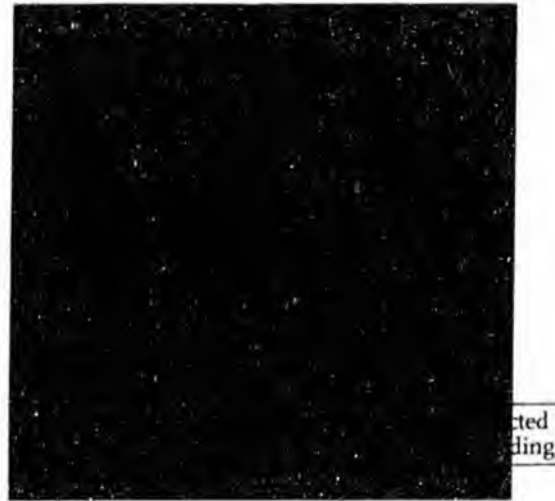
Sudan

As of August 2007, eighteen states have passed laws regarding divestment of state pension and other funds from Sudan (see Figure 4).¹³ Divesting is not easy, however. State and local pension funds tend to invest in global indices, so the exercise involves identifying the companies with links to Sudan and then constructing a Sudan-free index that mimics established benchmarks.

Generally, the states have asked their money managers to figure out which stocks have a Sudan link. Money managers, in turn, have left it to the social investing firms, such as KLD Research and Analytics, Institutional Shareholders Services, and the Conflict Securities Advisory Group to identify companies involved in Sudan. KLD originally said that 124 companies were on its Sudan list, including eight American companies.¹⁴ The social investing firms refuse to make the names public, however, since that is how they earn their money.¹⁵ And apparently, the lists are not definitive. Some companies appeared on the original KLD list even though they were not actually doing business in Sudan. And for at least one, 3M, its involvement was the result of a U.N. purchase of Scotchshield Ultra Safety and Security Film to protect embassy and mission windows from explosions, a transaction that was authorized by the federal government.¹⁶

The Sudan Divestment Task Force (2007) publishes a more tightly targeted list, recommending the divestment of only 28 companies. These are compa-

FIGURE 4. STATES THAT HAVE ENACTED OR ARE CONSIDERING SUDAN DIVESTMENT LEGISLATION, 2007



Sources: National Conference of State Legislatures (2007); Office of Missouri State Treasurer (2005); Sudan Divestment Task Force (2007); State of Arizona (2005), State of Arkansas (2007); and State of Louisiana (2005 and 2007).

nies that 1) do business with the Sudanese government; 2) provide little benefit to the disadvantaged of Sudan; and 3) have not developed policies to prevent their business activities from inadvertently contributing to the government's genocide capability.

Fund managers take the Sudan-link list and attempt to construct “Sudan Free” funds that mimic popular benchmarks. This step is also a challenge. According to the chief investment strategist at Northern Trust, whose fund tracks the Morgan Stanley Capital International Europe Australasia Far East index (MSCI EAFE) index, constructing a “Sudan-free” index will require divesting 25 companies or 9 percent of assets.¹⁷

Despite the challenges involved, public funds have moved \$2.2 billion away from Sudan-linked companies between 2005 and 2007.¹⁸

Iran

More recently, “terror-free” investment has been picking up steam. The primary targets are companies doing business in Iran.¹⁹ As noted above, U.S. companies have long been barred from operating in Iran, but more than 200 multinationals have investments there, from Royal Dutch Shell and France's telecommunications-equipment company Alcatel to Sweden's electronics company Ericsson.²⁰

On June 8, 2007, Florida's governor signed a Sudan and Iran Divestiture bill into law. Florida follows other states with regard to Sudan, but is the first to enact divestiture legislation for companies doing business with Iran.²¹ Louisiana, which had passed "terror-free investing" legislation in 2005, permits — but does not require — divestment. Arizona, which also passed legislation in 2005, only requires the public retirement system to disclose investments in terror-linked companies. In Illinois, the state Senate passed an Iran divestment bill on June 14, 2007 which would compel the state's five retirement systems to divest Iran-connected companies in energy and other natural resources.²² California, Georgia, Kansas, Michigan, Missouri, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, and Texas are also considering adopting Iran-free investing (see Figure 5).²³

If some of the bills are passed in their broadest form, institutions may be forced to sell \$18 billion

FIGURE 5. STATES THAT HAVE ENACTED OR ARE CONSIDERING IRAN DIVESTMENT LEGISLATION, 2007



Sources: National Conference of State Legislatures (2007); Office of Missouri State Treasurer (2005); State of Arizona (2005), and State of Louisiana (2005 and 2007).

in investments.²⁴ Selling all Iran-related securities would add substantial risk to an indexed international equity portfolio. State Street Global Advisors (SSgA), Boston, has had preliminary conversations with clients about Iran divestments. SSgA estimates that if all companies with ties to Iran were removed from Morgan Stanley's EAFE index and replaced with similar performing companies, it would introduce a tracking error of up to 200 basis points, compared to the tracking error on a typical index of between five and 10 basis points.²⁵

Some state legislatures, however, are limiting the scope of divestiture to energy-related stocks, arguing that such action is likely to be most effective in curbing terrorist activities. Narrowing the scope greatly reduces the number of stocks and amount that would have to be sold.²⁶

Iran is a more politically complicated issue than Sudan. Sometimes promoters of "divest Iran" suggest that the effort is aimed at Al Qaeda.²⁷ But Al Qaeda is an enemy without a state and therefore difficult to target. In addition, the U.S. government is not enthusiastic about the effort, because it is working on its own initiative with allies to curtail business transactions tied to nuclear activities and support for terrorism. Treasury and State Department officials have expressed concern that broad-based divestiture could cause a backlash if allies feel that a wide range of companies is under attack.²⁸

Despite the complexities involved with Iran, some states have gone even further and are pursuing "terror-free" investing, which extends the scope of the boycott to all the countries on the U.S. State Department's State Sponsors of Terrorism list, which includes Cuba, Syria, and North Korea. Missouri has been at the forefront of this movement. The State Treasurer claims that at least 500 big foreign companies and multinationals do at least some business in countries identified as sponsoring terrorism.²⁹ The Treasurer's goal is to have all Missouri's investments "terror-free," although the state legislature has not yet passed divestiture legislation for the state pension funds.³⁰ Anti-terrorism bills have been enacted in Arizona, Florida, and Louisiana.

Given the substantial amount of social investing by public pension funds, it is useful to consider the likely impact of such activity on the targets of the social screen and the likely impact on the pension funds themselves.

The Economics of Social Investing

The academic literature suggests that social screens are likely to have very little impact on the target company and that the impact on the pension fund depends on the scale of the screen.

Impact on Targeted Company

The SIF Report suggests that social investing will have a financial impact — that investors are putting their money to work in ways that will build “a better, more just, and sustainable economy.” The academic literature on the stock market, however, suggests the opposite. And a comprehensive survey on the effect of the South African boycott — the largest and most visible social action — documents virtually no effect, suggesting the real world mirrors the textbook model.

According to standard finance theory, the price of any stock equals the present discounted value of expected future cash flows. Thus, the stock of a particular firm has a lot of close substitutes, which makes the demand curve for a particular stock, in economists’ terms, almost perfectly elastic.³¹ That is, even a big change in quantity demanded will lead to only a small change in price. And any significant deviation from the fundamental price would represent a profitable trading opportunity that market participants would quickly exploit and thus correct.³² In other words, boycotting tobacco stocks or international companies doing business in Sudan or Iran may result in a temporary fall in the stock price, but as long as some buyers remain they can swoop in, purchase the stock, and make money. And the buyers are out there. The “Vice Fund,” which was established in September 2002, specializes in only four sectors — alcohol, tobacco, arms, and gambling, and thus stands ready to buy the stocks screened out of standard portfolios.³³ Thus, the textbooks suggest that boycotting tobacco companies or international companies doing business in Iran is unlikely to have any impact on the price of their stocks.

A 1999 study took a comprehensive look at how equity prices responded to sanctions and pressures for firms to divest their holdings in South Africa.³⁴ The conclusion that emerges from a series of event studies is that the anti-apartheid shareholder and legislative boycotts had no negative effect on the valu-

ation of banks or corporations with South African operations or on the South African financial markets. This is not to say that the boycott was not important politically, but merely that it did not impact financial markets. The study looks at pressure put on firms from both congressional action and divestiture by pension funds and universities.

The bulk of the congressional action occurred in 1985 and 1986, when the U.S. government passed legislation imposing trade embargoes, currency sanctions, and lending restrictions. Most importantly, the Comprehensive Anti-Apartheid Act of 1986 prohibited new private or public loans to South Africa other than for humanitarian purposes. To test the impact of this prohibition, the study identified ten important legislative events leading up to the 1986 Act and examined their impact on a portfolio of nine banks with South African loans. The results showed few sig-

nificant effects on bank stock prices and where significant they were of the wrong sign.

Pension funds and universities also put

pressure on corporations. Pension fund involvement in the South African issue began when a number of churches threatened to divest from banks doing business in South Africa. In 1977, the first iteration of the “Sullivan principles,” which called for non-segregation of races and equal pay for equal work, was adopted in the hope that by adhering to these principles, companies could continue doing business in South Africa and at the same time promote non-discrimination policies.³⁵ But many felt that the Sullivan principles did not go far enough, so Reverend Sullivan called in 1987 for companies to withdraw completely from South Africa. Many funds began to divest themselves even of companies that had followed these principles.³⁶ The study looked at the effect of 16 pension fund divestments on a portfolio of firms with the highest exposure in South Africa. The results showed no evidence that the pension fund divestment announcements hurt firms with major South African operations.

In short, financial textbooks characterize the demand curves for individual stock as infinitely elastic, so the price of the stock of a targeted company is unlikely to be affected by a boycott so long as additional buyers remain to scoop up the profit opportunity. The fact that an effort as large as the boycott of firms doing business in South Africa had virtually no effect on stock prices suggests that the financial effect of social investing on target firms is roughly zero.

Injecting politics into pension policy is problematic.

Impact on the Pension Fund

But does social investing affect the pension fund adversely? Modern portfolio theory states that investors should diversify their asset holdings over a variety of securities, so that the returns on all financial assets do not move in lockstep.³⁷ The question is how many securities are needed for the portfolio to be efficient? The answer is that an investor needs only 20-30 stocks to construct a fully diversified portfolio.³⁸ The small number of required stocks suggests that eliminating, say, tobacco, which accounts for about 1 percent of the market capitalization of the S&P 500, should leave enough securities to construct something very, very close to the market index. As the number excluded increases, it would become increasingly difficult to duplicate the market.³⁹

In terms of evidence, considerable research has compared the risk-adjusted return of screened portfolios to the return of unscreened portfolios. Most of the studies cover the period since the mid-1980s. Overall, the results show that the differences in risk-adjusted returns between the screened portfolios and unscreened portfolios are negligible and in most cases zero.⁴⁰ A few studies have focused on the effects of divestiture of tobacco stocks in the 1990s and show that the risk and returns for the S&P 500 with and without tobacco stocks were almost identical.⁴¹

In addition to comparing the performance of screened portfolios to the S&P 500, several studies have examined the performance of social investment funds relative to the S&P 500. The Domini Social Index includes 400 U.S. companies that pass multiple and broad-based social screens, and the Calvert Social Index is a broad-based index including 659 companies. The majority of these studies show that socially screened funds have no significant effect on risk-adjusted returns.⁴²

In contrast, the evidence from the early days of the South Africa divestiture suggested that screening out stocks meant large losses. For example, in the 1970s, Princeton University reported that the stocks that had been excluded because of South Africa ties outperformed other holdings by 3 percent.⁴³ As time passed and researchers undertook more comprehensive studies, the conclusions shifted. For example, one study examined the performance of a South-Af-

rica free portfolio compared to an unscreened NYSE portfolio for the period 1960-1983 and found that, after adjusting for risk, the portfolio excluding South Africa companies actually performed better than the unscreened portfolio.⁴⁴ The positive results occurred because companies with South Africa ties were large and excluding these companies increased reliance on small-cap stocks, which performed better on a risk-adjusted basis during this period. During the late 1980s, the results were also mixed. On the one hand, a 1998 study analyzed data from the Surveys of State and Local Employees (PENDAT) from the early 1990s and found no significant effect on returns from restrictions on South Africa investments.⁴⁵ On the other hand, the S&P 500 including South Africa stocks performed slightly better than the index without the stocks, and one study of public pension plans found that South Africa restrictions had a negative effect on returns.⁴⁶ Thus, a large divestiture movement could have some negative effect on returns earned by public plans.

State actions may conflict with federal foreign policy.

Another aspect that has received less attention is the administrative costs of social investing. It is possible that social invest-

ment funds associated with higher fees and therefore has lower net returns because additional resources are required by fund managers to do the screening. The 2003 SIF Report concluded that socially responsible funds appear as competitive as other funds when it comes to administrative costs. However, others challenge this view by pointing out that some of the large-cap social index funds have above-average fees.⁴⁷ Moreover, in the case of Sudan and Iran, constructing new indices to match existing benchmarks involves substantial costs.

In short, theoretical models of portfolio choice imply that restricting the portfolio to socially responsible investments could have an effect on the rate of return by limiting the ability to diversify. Given the large number of stocks available, however, the cost — using traditional asset pricing models — is likely to be negligible. The bulk of the studies, which compare risk-adjusted returns for socially screened portfolios to those of unrestricted portfolios, supports this claim. Although a “terror-free” effort as large as the South African divestiture may have had some effect.⁴⁸ And administrative costs may be an important issue.

Public Plans Are Not Suited to Social Investing

In the late 1970s, some observers identified the large and rapidly growing funds in state and local pension plans as a mechanism for achieving socially and politically desirable objectives. The initial debate focused on attempts to exclude from pension portfolios companies with specific characteristics, such as those with almost totally nonunion workforces or investments in South Africa. The focus quickly shifted to undertaking pension investments that would foster social goals such as economic development and home ownership.⁴⁹ Advocates generally contended that the broader goals could be achieved without any loss of return.

Early reports, however, suggested that the targeting did involve sacrificing return. For example, a 1983 study of state-administered pension funds showed that many states had purchased publicly or privately insured mortgage-backed pass-through securities to increase homeownership in their state.⁵⁰ Analysis of the risk/return characteristics of these targeted mortgage investments revealed that 10 states either inadvertently or deliberately had sacrificed as much as 200 basis points to foster homeownership. Similarly, in 1992, Connecticut's state pension fund lost \$25 million attempting to shore up Colt Industries. The firm went bankrupt two years after the fund bought a 47 percent interest in an attempt to protect Connecticut jobs.⁵¹ In Kansas, the state pension fund lost between \$100 and \$200 million on defaulted loans from an in-state investment program that included a chain of video stores, a steel mill, and a failed savings and loan bank.⁵² State and local pension funds were on a naïve and dangerous path.⁵³

The losses in the 1980s and early 1990s were a sharp wake-up call to a number of public pension fund managers who appeared to believe that they could accomplish social goals without sacrificing returns. Over the last 20 years, the rhetoric associated with targeted investments has changed markedly. Public pension fund managers, sensitive to the potential for losses, go out of their way to make clear that they are no longer willing to sacrifice returns for social considerations; almost every definition of social investing includes a requirement that the investment produce a "market rate of return."

In the recent debate regarding Sudan and Iran, trustees of public plans have spoken out opposing such initiatives. Administrators at California's large public pension funds — CalPERS and CalSTERS — oppose the California bills requiring divestiture. A CalPERS spokesman said that determining which companies have dealings with Iran would be a struggle: "We don't necessarily have the resources or the expertise."⁵⁴ Similarly, the executive director of Massachusetts' Pension Reserves Investment Management Board, which invests public plan assets, said "You hire us to make you money, and when you restrict our ability to pick stocks, you likely restrict our ability to get returns."⁵⁵ Ohio's legislature initially considered following the Missouri model making investments "terror-free" by filtering out all stocks with links to North Korea, Syria, Sudan or Iran. The pension fund administrators argued that the measure would affect stocks of more than 170 companies and require the funds to sell more than \$9 billion. Administrative costs would exceed \$60 million.⁵⁶

Moreover, legislative mandates for pension fund investing may have implications elsewhere in the state. For example, in the case of Ohio the "terror-

free" investing bill would have roped in companies such as Honda, DaimlerChrysler AG, Bridgestone Corporation, Siemens,

and Thyssenkrupp AG, all of which had investments in Ohio.⁵⁷ The pension funds estimated these companies employed more than 45,000 workers. In response, the legislature narrowed the scope of the effort and decided to go after only those companies with more than \$20 million in Iran's energy sector.⁵⁸

Most importantly, three aspects of public pension funds make them particularly ill-suited vehicles for social investing.

First, the decision-makers and the stakeholders are not the same people. The decision-makers are either the fund board or the state legislature. The stakeholders are tomorrow's beneficiaries and/or taxpayers. If social investing produces losses either through higher administrative costs or lower returns, tomorrow's taxpayers will have to ante up or future retirees will receive lower benefits. The welfare of these future actors is not well represented in the decision-making process.

Second, whereas the investment practices of many large public funds are first rate, other boards are much less experienced. The boards of smaller

*Divestment can be complicated,
costly, and ineffective.*

funds often consist of between five and eleven people including mayors, treasurers, comptrollers, city councilors, union leaders, and citizens. The process is often conducted behind closed doors and subject to little public scrutiny. Moreover, many state and local plans are still run in-house and involve the selection of individual stocks rather than broad-based indices. A front page *New York Times* article reported that political money sometimes affects pension investment decisions. As a result, pension boards may overlook excessive fees or high rates of turnover, and they may approve inappropriate investments.⁵⁹ Introducing divestment requirements into such an environment is problematic.

The final issue is the slippery slope. This round of divestment began with Sudan and involved only a few stocks. It is quickly spreading to Iran, where the issues are even more complicated and the number of companies substantially greater. If "terror-free" investing gains momentum, what is going to stop the spread to, say, Saudi Arabia, original home of 15 of the 19 hijackers involved in the 9/11 terrorist attacks? At some point, the administrative costs of broad-based divestiture will balloon and excluding large numbers of companies will definitely hurt returns.

Conclusion

Everyone is horrified by genocide, and no one wants to support terror. Yet even those who sell socially responsible funds admit that the issue of divestiture is complex: "You have to ask yourself what your goal is with divestment. What's there if the government falls? Is there a government there that will take over and be better? If the companies that pull out provide money, goods, and services, is there an understanding that will make the people poorer in the short run?"⁶⁰ Yes, the regime changed in South Africa, but many South Africans say that it was the cultural boycott — particularly in sports — rather than the divestiture of companies with South-Africa-linked activities that resulted in the peaceful ascendance of Nelson Mandela as president.⁶¹

In addition to the issue of effectiveness, the fundamental question is where foreign policy should be made. Sudan does not raise as many issues in this regard as Iran. The State Department is working closely with foreign governments to get specific companies to stop selected activities, particularly in Iran's energy sector. Additionally, in more than one instance, federal courts have ruled that state legisla-

tion regarding social investment was unconstitutional on grounds that it overlapped with federal regulations.⁶² Statements by officials at both Treasury and the State Department make clear their concern that a broad-based divestiture could disrupt the government's effort.

But even assuming that divestment is an effective mechanism to stop genocide and reduce terror risk and that state legislatures and pension fund boards are the right place to make foreign policy, the issue remains whether pension funds are an appropriate vehicle for implementing that policy. The answer seems unquestionably "no." The decision-makers are not the people who will bear the brunt of any losses; rather they will accrue to future beneficiaries and/or taxpayers. In many instances, the environment surrounding public pension fund investing is politically charged and encouraging public pension fund trustees to take "their eyes off the prize" of the maximum return for any given level of risk is asking for trouble. And finally, boycotting companies doing business with particular countries is a slippery slope — today Sudan and Iran, tomorrow Saudi Arabia.

Endnotes

- 1 Actually, as early as 2000, many college endowments and public pension funds, including CalPERS, did not participate in the initial public offering of PetroChina, because of its involvement in oil extraction in Sudan. See Fried (2006).
- 2 Amnesty International (2007) and Hagan and Palloni (2006).
- 3 U.S. Department of Treasury (2007).
- 4 The Federal Reserve Flow of Funds reports total assets for state and local pension plans of \$2,701.5 billion in 2005.
- 5 The majority of funds (64 percent) use 5 or more screens; the remainder are divided between those with a single screen (25 percent) and those with 2-4 screens (11 percent).
- 6 Multi-employer plans have made a few efforts to stimulate demand for union labor, especially in the construction trades. And some health care companies and hospitals screen for tobacco. But generally very little social investment has taken place. The Social Investing Forum (SIF), however, has reported that nearly 10 percent, or \$137 billion, of screened assets are in corporate defined benefit plans. It was impossible for the author to ferret out where this money was. The only corporation mentioned by SIF was the Federal Home Loan and Mortgage Corporation (Freddie Mac). Since Freddie Mac invests most of its money in home mortgages, it is not clear how it is involved in social screening. In a personal communication, SIF's Joshua Humphreys said that there are other corporations that are not included on the list, but SIF refused to give out any additional names.
- 7 ERISA requires a fiduciary to act "solely in the interests of the [plan] participants and beneficiaries... for the exclusive purpose" of providing benefits to them. A fiduciary must also act "with the care, skill, prudence, and diligence" of the traditional "prudent man." See Langbein, Stabile, and Wolk (2006).
- 8 Lanoff (1980).
- 9 U.S. Department of Labor (1994).
- 10 Some companies offer their employees one or more mutual fund options that pursue social investing criteria. Such an option does not raise any fiduciary concerns because the decision is left entirely to the participant.
- 11 The New Jersey legislation requires its pension funds to divest holdings in businesses that have equity stakes in the Sudan. A similar bill in Illinois, enacted in June 2005, provides that a fiduciary should not transact any business with a company doing business with Sudan, although in February 2007 the Federal District Court for the Northern District of Illinois ruled this act unconstitutional. Oregon also passed such a law for its public pension funds, while Louisiana legislation permits, but does not require, divestiture of investments linked to the Sudan.
- 12 U.S. Department of State (2007a). In 1997, President Clinton issued an executive order barring companies from conducting business in the Sudan; foreign businesses do not fall under that restriction.
- 13 For example, Texas legislation, signed into law on June 15, 2007, will require both the Teacher Retirement System and the Texas Employees Retirement System to ask affected companies to cease business in Sudan and to divest shares of unresponsive companies. The Hawaiian Employees' Retirement System was required to divest from Sudan-related investments when legislation went into effect July 1st. In Connecticut, legislation enables the Treasurer to divest state funds invested in companies doing business in Sudan or decide against further or future investments. Nineteen other states have pending divestment legislation or are taking other actions towards divestment. For example, the New York State Comptroller adopted a targeted Sudan divestment policy for the New York State Common Retirement Fund.
- 14 Fried (2006).
- 15 A KLD employee told us that KLD sells their compliance list to institutional money managers who are interested in social divestment and that it is not in the company's best interest to allow outside organizations to obtain their list in whole or in part. KLD also would not provide information about the American companies on the list. This information was obtained through a personal communication with KLD's Randy O'Neill.

- 16 Fried (2006). In a personal communication, 3M's Jacqueline Berry also confirmed the sale of the Security Film to the United Nations.
- 17 Fried (2006) and a personal communication with Northern Trust's Priya Khetarpal.
- 18 Pichardo (2007).
- 19 The U.S. House Financial Services Committee on May 23, 2007 passed legislation that would protect public pension funds and their money managers from litigation in response to Iranian divestiture.
- 20 King (2007).
- 21 The new law requires the State's Board of Administration to contact companies with business ties to Sudan and with energy ties in Iran, asking them to stop such activities; unresponsive companies would have to be divested 90 days after the communication. See *Pensions and Investments* (2007a).
- 22 *Pensions and Investments* (2007b).
- 23 The California legislation, which was proposed in January and as of July is still in committee in the state senate, would force two of the nation's largest pension funds — for the state's public employees and teachers, with combined holdings of \$400 billion — to remove their money from any foreign company doing business with Iran. See Abdollah (2007).
- 24 Pichardo (2007).
- 25 See Pichardo (2007); and also confirmed by a personal communication with SSGA's Gary Conway. Also, according to Northern Trust Global Investments, companies doing business in Iran comprise about 25 percent of the MSCI EAFE index, compared to about 15 percent with ties to Sudan.
- 26 When narrowed, the number of companies involved declines from 100-125 to the 19-25 range. In California, for example, CalPERS would have to divest \$8 billion if a bill introduced by Joel Anderson is passed. If narrowed to companies only with energy interests in Iran, the divestiture requirement drops to \$2 billion. See Pichardo (2007).
- 27 LaFranchi (2007).
- 28 See U.S. Department of Treasury (2007); U.S. Department of State (2007b); and McKinley (2007).
- 29 Karmin (2007).
- 30 See Frick (2007).
- 31 For a summary of the literature on testing the extent to which the supply curve is elastic, see Munnell and Sundén (2005).
- 32 The caveat is, of course, that potential buyers must not think the sale (purchase) reflects a negative (positive) assessment of the firm's financial condition or business prospects that could affect future cash flows. If potential purchasers believe that the seller is disposing of the stock because he knows something adverse they do not, they will revise down their assessment of the stock's value, and the transaction will reduce the price of the stock.
- 33 Apparently the Vice Fund has grown at 20 percent annually since its inception, outpacing the S&P's growth of 16 percent. At first blush, these results appear to contradict the conclusion that screening has no impact, but the period under consideration is far too short for these numbers to have meaningful implications. See Authers (2007).
- 34 Teoh, Welch, and Wazzan (1999).
- 35 During the 1970s, as opposition against the apartheid government increased, social activists charged that companies investing in South Africa indirectly supported the government and its discrimination policies. In an initial effort to resolve the conflict, the Reverend Leon Sullivan in 1977 introduced a set of guidelines for companies doing business in South Africa, the so-called "Sullivan Principles." By 1987, 127 U.S. companies had signed on to the Sullivan principles (Auerbach, 1987).
- 36 For example, CalPERS divested itself of \$9.5 billion worth of shares of companies holding a South African subsidiary. Pressure to divest and a worsening economic and political environment in South Africa led many companies (IBM, Exxon, Ford, GM and Chrysler) to sell their holdings. See Teoh, Welch, and Wazzan (1999).
- 37 An asset can be characterized by its expected return and the risk associated with that return, measured by the variance in returns. The risk of a specific asset can be broken down into two parts: risks that are unique to that stock (firm risk) and risks that stem from market-wide variations such as business cycle variation, inflation, and interest rate fluctuations

(market risk). When assets are combined in a portfolio, the return on the overall portfolio is given by the average return of the assets. And the risk associated with the portfolio is determined by the variance of the individual returns and the degree to which the individual returns vary together (covariance). Thus, by combining assets into a portfolio that have differing risk characteristics, an investor can create an efficient portfolio — a portfolio that is expected to achieve a given level of expected returns while minimizing risk.

38 Assume an investor plans to divide his money among n stocks selected from the entire market portfolio. The portfolio variance is given by:

$$\text{Portfolio variance} = 1/n * \text{average variance} + (1-1/n) * \text{average covariance}$$

As the number of securities in the portfolio increases, the contribution to total risk from the individual firm-specific risk decreases and the contribution from how the risks vary in relation to each other (covariance) increases. Thus, as the number of securities increases, the overall portfolio variance approaches the economy-wide risk, represented by the second term in the equation. With 2 stocks in the portfolio, half of the overall variance is due to firm specific risk and half to market risk. By the time a portfolio contains 10 securities, 90 percent of the portfolio's variance should be determined by the market risk. With a 20 stock portfolio, 95 percent of the variance should be determined by the overall market risk. See Brearley and Myers (1988).

39 Rudd (1981) and Grossman and Sharpe (1986) argue that the investor will not be able to exactly duplicate the market portfolio, because the screened portfolio will have relatively greater covariation in returns. Rudd also argued that social investing will introduce size and other biases into the portfolio, which will lead to a deterioration in long-run performance.

40 Guerard (1997); Hamilton, Jo, and Statman (1993); Statman (2000); Bauer, Koedijk, and Otten (2002); Dhrymes (1998); and Bello (2005). A similar result has been found for bond portfolios (D'Astous, Johnsen and Hutton, 1997).

41 DiBartolomeo (2000). In the late 1980s and early 1990s, tobacco stocks performed slightly better than the S&P 500 but during the second half of the 1990s the tobacco stocks underperformed the S&P 500 on a risk-adjusted basis (Social Investment Forum, 1999;

and Ferrari, 2000). However, the overall effect of divesting tobacco stocks should be small because they only account for about 1 percent of the S&P 500.

42 Kurtz and DiBartolomeo (1996); DiBartolomeo and Kurtz (1999); DiBartolomeo (1996); and Bello (2005). Some critics of these results contend that the comparable returns reflect the fact that the screened funds invest a higher proportion of their assets in small cap stocks. Small caps have out-performed large caps over the period 1995 to 2007 by more than 3 percentage points (10.9 percent versus 7.8 percent). The discrepancy since the trough in the market in 2002 has been even greater (20.0 percent versus 11.0 percent). Bello (2005) contends, however, that the sizes of the companies in the screened and unscreened portfolios are very similar.

43 Malkiel (1991).

44 Grossman and Sharpe (1986).

45 Munnell and Sundén (2001).

46 Romano (1993).

47 Hickey (2000).

48 A recent study (Karolyi, 2007) of terror-free investing concluded that there were no significant differences in risk or return of stock portfolios screened on the basis of their operations in countries designated as state sponsors of terrorism and the S&P 500. This study, however, focused exclusively on U.S. markets, where very few firms do business in terror-linked countries. The author notes that "Broadening the analysis to incorporate a global investment strategy may render different results and conclusions."

49 Two books were instrumental to broadening the social investing debate — Rifkin and Barber (1978) and Litvak (1981).

50 Munnell (1983).

51 Schwimmer (1992); and Langbein, Stabile, and Wolk (2006).

52 White (1991).

53 In their initial forays into economically targeted investments, public pension fund managers generally

did not appear to recognize the "Catch-22" nature of the exercise. For the most part, the goals of increasing in-state housing investment and maximizing returns are inconsistent in the United States' highly developed capital markets. Any housing investment that offers a competitive return at an appropriate level of risk, such as a GNMA, does not need special consideration by public pension plans nor would such consideration increase the long-run supply of mortgage loans. Investments by pension funds that would increase the supply of housing funds must by definition either produce lower returns or involve greater risk. Sophisticated advocates of targeted investments recognized the efficiency of the market for housing finance and argued that pension funds could make a contribution through innovative forms of housing finance. But that was not what was going on in 1983; the in-state mortgages purchased by public pension funds tended to be conventional fixed-rate 30-year mortgages. See Munnell (1983).

54 McKinley (2007) and also confirmed by a personal communication with CalPERS' Brad Pacheco.

55 Mishra (2006).

56 King (2007).

57 Ohio Retirement Study Council (2007).

58 King (2007).

59 Walsh (2004).

60 The comment is from Julie Forte, director of social research at Calvert Investments (Fried, 2006).

61 Authers (2007).

62 Stern (2007).

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**CENTER FOR
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RESEARCH
AT BOSTON COLLEGE**

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The research reported herein was supported by the Center's Partnership Program. The findings and conclusions expressed are solely those of the author and do not represent the views or policy of the partners or the Center for Retirement Research at Boston College.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 287
() Publish Date: 1/15/2008

Identifier (file name): HB287-REV-APFC-01-29-08 Dept. Affected: Revenue
Title: Divest Investments in Sudan RDU: Alaska Permanent Fund Corp
Component: Alaska Permanent Fund Corp
Sponsor: Representative Lynn
Requester: House State Affairs Committee Component Number: 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	33.8		11.6	11.6	11.6	11.6	11.6
Travel	4.8						
Contractual	10,843.0		6,807.0	7,273.0	7,771.2	8,304.0	8,873.5
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1105 APFC Receipts	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1
TOTAL	10,881.6	0.0	6,818.6	7,284.6	7,782.8	8,315.6	8,885.1

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time	1.0		1	1	1	1	1
Temporary							

ANALYSIS: (Attach a separate page if necessary)

HB 287 would require that the Alaska Permanent Fund Corporation develop a list of companies doing business in Sudan that support the Sudanese government, excluding humanitarian efforts and other activities listed in the legislation. Once identified, APFC would write to the companies in question to ask them to cease operations in Sudan. If they do not cease operations, APFC would divest these holdings from the Alaska Permanent Fund's portfolios over 15 months. APFC estimates that it will take a part-time Equities Analyst to perform the initial analysis, undertake the engagement with the listed companies and notify APFC external managers to divest of any holdings if necessary. Estimated costs include purchasing external contractors' information on companies doing business in Sudan, increased manager fees due to mandate customization, and costs necessary to search for new managers when mandates can not be customized.

Prepared by: Michael J. Burns, Chief Executive Officer
Division: Alaska Permanent Fund Corporation
Approved by: _____

Phone: 907-796-1520
Date/Time: 1/29/08 12:00 AM
Date: _____



Alaska Permanent Fund Corporation

Analysis of HB 287 Divest Investments in
Sudan

Estimated first year costs of implementing a divestiture plan **\$10.9 - \$14.6 million**

Estimated ongoing costs of implementing a divestiture plan - **\$6.3 - \$8.9 million**
Excludes impact of divestiture on performance of fund assets

Breakdown of initial costs of implementing a divestiture plan

Equities portfolio restructuring **Estimated cost**

Some managers will not be able to customize their account mandates. APFC will need to search for replacement managers.

Manager search

Callan Associates (consultant) fee for three manager searches; \$26,000/search **\$78,000**
Staff due diligence travel for manager searches **\$4,800**

Transaction costs to transfer holdings to new managers

Transaction costs range from 0.25%-0.5% of portfolio value

Tukman - manages \$523.6mm large-cap value portfolio	\$1.3 - \$2.6 mm
GEAM - manages \$494.7mm large-cap growth portfolio	\$1.2 - \$2.5 mm
GEAM - manages \$468.3mm EAFE fund	\$1.2 - \$2.3 mm

Transition Manager to facilitate holdings transfers **\$745,000**

Legal

Review of contracts for 3 replacement managers, estimated at 2 days per manager; All remaining equities and fixed income contracts would need to be amended, estimated at a half-day per contract. We believe that in-house counsel will be able to absorb this workload. **\$0**

Internal costs to implement legislation **FY09** **Ongoing**

Additional staff costs to perform tasks in HB 287: Review public information, contact fund managers and other institutional investors to identify companies engaged in restricted activities; Contact identified companies to determine nature of business; If activities are deemed restricted, notify company to encourage divestiture; 90 day follow up to determine if company has complied with divestiture; Ongoing monitoring.

	\$33,775	\$11,580
--	-----------------	-----------------

Purchase of externally generated lists

IW Financial	\$13,000	\$13,000
RiskMetrics Group	\$12,000	\$12,000
KLD Research	\$5,000	\$5,000



Alaska Permanent Fund Corporation

Analysis of HB 287 Divest Investments in
Sudan

Breakdown of annual costs of implementing a divestiture plan

Note: Annual costs will be incurred in the first year as well as in subsequent years

Existing managers that need to customize their strategy or replacement managers may charge higher annual fees:	Estimated cost
Passive equity index manager - assume manager increases fee by 1 basis point. Since the APFC has \$5.1 billion in passive index assets, this would increase manager fees by \$509,000 per year.	\$509,000
Active US equity managers (large and small-cap) - assume managers increase fee by 2.5 bps. Since the APFC has \$4.7 billion in US equity assets, this would increase fees by \$1.2 million per year.	\$1.2 million
Active Non-US equity managers (global, developed and emerging) - assume managers increase fee by 5 bps. (Such firms may have more exposure in their portfolios and may experience a greater impact on how they manage their portfolios. They may need to find replacement stocks that they otherwise wouldn't have to worry about.) Since the APFC has about \$8.7 billion in global and non-US equity assets. This would increase costs by \$4.2 million per year.	\$4.2 million
Assume fixed income manager fees rise by 3%, producing an increase of \$381,000.	\$381,000

Note: Manager fees are based on the volume of assets under management. The increase in fees for customizing mandates for the first year is estimated at \$6.3 million. All budget projections for fees are based on APFC's midcase assumption of an annual growth in assets of 7% each year. Accordingly, we expect that this fee increase will adjust upwards at 7% each year.

General Consultant Costs

The general consultant may increase its fee to reflect its higher costs associated with monitoring the impact of divestiture. For example, for each manager running a customized strategy, that manager's performance would need to be compared to the non-customized strategy. The consultant would have to prepare analysis and report to the APFC board on a periodic basis.

Unknown

Operational Considerations that could affect the APFC Finance, IT, Training and **To be determined**

Higher compliance costs - need to monitor manager holdings

May need to add staff

May need to develop or buy special software

Nancy Manly

From: Amy Paige [paigedunker@alaska.net]
Sent: Friday, February 08, 2008 10:56 PM
To: Rep. Andrea Doll; Rep. Bob Lynn; Rep. Kyle Johansen; Rep. John Coghill; Rep. Max Gruenberg;
Rep. Bob Roses; Rep. Craig Johnson
Subject: Testimony on HB287

Members of the House State Affairs Committee:

I am sorry I cannot be present at the House State Affairs Committee meeting this Saturday, Feb. 9th to speak in person. I would like to submit comments in support of HB 287 which would call on the Permanent Fund managers to divest funds from companies doing business with Sudan. I believe it is important that our state resources not be invested in companies that are buying weapons and supporting militias responsible for more than 200,000 deaths and the displacement of 2.5 million people from their homes in the Darfur region of that country.

The Sudan Divestment Task Force has stated that:

As a result of targeted divestment efforts, over half a dozen major multi-national corporations have agreed to either suspend active business operations in the country or substantially expand humanitarian outreach programs.

The government of Sudan is heavily reliant on foreign direct investment and depends on this revenue to conduct the Darfur genocide, making the government particularly sensitive to the economic pressure exerted by divestment.

By targeting the most egregiously offending companies, the Sudan Divestment Task Force believes we can have the greatest impact and have a better chance of protecting the victims of the violence in that country. The U.S. government has declared that the situation in Darfur constitutes genocide. I find it unacceptable that our Alaskan funds are supporting this atrocity. There comes a time when the bottom line must be set aside as a measure of investment strategy.

I urge you to support this bill and send it to the full house for adoption.

Amy Paige
592 Scatter Street
Juneau, Alaska 99801

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 287
() Publish Date: _____

Identifier (file name): HB287-DOR-TRE-02-08-08 Dept. Affected: Revenue 04
Title: Divestment of investment in Sudan RDU: Taxation and Treasury
Component: Treasury
Sponsor: Rep Lynn
Requester: House State Affairs Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
Personal Services	33.8		11.6	11.6	11.6	11.6	11.6
Travel	4.8						
Contractual	2,954.3		2,876.3	2,876.3	2,876.3	2,876.3	2,876.3
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	2,992.9		2,887.9	2,887.9	2,887.9	2,887.9	2,887.9

Estimate of any current year (FY2008) cost: 00

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time	1.0		1	1	1	1	1
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Please see the details on page two.

Prepared by: Brian C Andrews
Division: Revenue / Treasury
Approved by: Jerry Burnett
Department of Revenue

Phone 907 465-3669
Date/Time 2/8/08 12:00 AM
Date 2/8/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. HB 287

ANALYSIS CONTINUATION

Identify and hire screening service providers - \$30,000

Decide on, hire, and fund information providers to provide a daily screening service that could be used by all of the ARMB's active managers.

IW Financial - \$13,000
RiskMetrics Group - \$12,000
KLD Research - \$5,000

Money manager contract revision - \$2.8 million

Restricting investment may require contract revisions and increases in management fees:

Passive equity index managers – assume fees increase by 1 basis point. With \$3.0 billion assets in this category, manager fees will increase by \$297,798 per year.

Active US Equity managers – assume fees increase by 2.5 basis points. With \$3.2 billion assets in this category, manager fees will increase by \$801,963 per year.

Active Non-US equity managers – assume fees increase by 5 basis points. With \$3.5 billion assets in this category, manager fees will increase by \$1.7 million per year.

Money manager replacement, incurred only in FY09 - \$82,800

Restricting investment may also result in a change in managers if some managers are unable or unwilling to comply.

Callan Associates fee for three manager searches: \$26,000/manager
Staff due diligence travel for manager searches: \$4,800

Internal cost for initial implementation - \$33,800 in FY09 and \$11,600/FY thereafter

Additional staff costs associated with monitoring and reporting for compliance with HB287