

# **COLUMBIA UNIVERSITY**

## **ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING**

### **ANNUAL REPORT 2011-2012**

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Marco Castaldi, Faculty  
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## **Introduction and Background**

During the 2000 spring semester, Columbia established two committees to assist the University in addressing its responsibilities as an institutional investor: the Advisory Committee on Socially Responsible Investing (ACSRI) and the Trustees Subcommittee on Shareholder Responsibility (TSSR). The ACSRI is a permanent addition to the University, with the mandate to set its own agenda within the broad arena of socially responsible investing (SRI). Its mission is to advise the University Trustees on ethical and social issues that arise in the management of the investments in the University's endowment.

The ACSRI has established a membership process to ensure that it is broadly representative of the Columbia community. The President of the University appoints twelve voting members (four faculty, four students, and four alumni), who are nominated, respectively, by the deans of the schools, the Student Affairs Committee of the University Senate, and the Office of University Development and Alumni Relations. In addition, one administrator (the Executive Vice President for Finance) sits as a non-voting member. Jack McGourty, Senior Associate Dean of Corporate, Government, and Global Engagement, Fu Foundation School of Engineering and Applied Science, chaired the ACSRI during the 2011-2012 academic year.

The legal and fiduciary responsibility for the management of the University's investments lies with the University Trustees. As a result, ACSRI recommendations are advisory in nature. The TSSR deliberates and takes final action upon the recommendations of the ACSRI. In some circumstances, the TSSR may bring ACSRI recommendations to the full Board of Trustees for action.

The following report provides an overview of the Committee's activities during the 2011-2012 academic year. It provides information about ACSRI recommendations and votes on shareholder proposals during the 2012 proxy season (the period between March and June when most

publicly-traded corporations hold annual meetings). It also summarizes the ACSRI's Sudan divestment monitoring process.

The ACSRI is extremely grateful to the University Trustees and the President, and the administrators, particularly the Executive Vice President for Finance, who have given this effort a great deal of their time, provided wise counsel to the ACSRI, and also provided the resources necessary for the ACSRI to perform its mission.

### **2011-2012 Agenda**

As was the case in previous academic years, the ACSRI's Annual Agenda sets out the major activities the Committee plans to undertake and it is made available on the ACSRI web site. This year's Agenda can be found at the end of this report as Attachment A.

One of the core annual activities of the Committee is to make recommendations to the Trustees on how the University, as an investor, should vote on selected shareholder proposals addressed to publicly traded U.S. corporations whose securities are held in Columbia's endowment portfolio. As a general matter, the ACSRI expects that making recommendations to the TSSR with respect to shareholder proposals will continue to be one of its primary activities. At the same time, each year has brought new elements which have led the ACSRI to conduct and consider additional activities.

Another core activity as described in the Agenda is the Committee's monitoring of companies operating in Sudan. This is done in accordance with the April 2006 Statement of Position and Recommendation on Divestment from Sudan and is described in greater detail later in this report.

## **2007-2008 ACSRI Activities**

### **Proxy Voting**

*Disclosure of Political Spending.* As in years past, political spending continued to be of acute interest to shareholders, with 18 of the 33 proxies Columbia voted this season centered on the subject. The ACSRI precedent is to vote in favor of disclosure, which the Committee did in the majority of cases. However, the Committee questioned the benefit of a few of the political spending proxies presented this season. For example, a proxy brought to the annual general meeting of Johnson & Johnson requested that “The Corporation shall make no political contributions without the approval of the holders of at least 75% of its shares outstanding.” This proxy, brought by an individual, James W. Mackie, won only 4.7% overall support from Johnson & Johnson shareholders, and the Committee also recommended to the Trustees that Columbia vote to reject this proposal, noting that such a restrictive requirement would be of dubious benefit to shareholders and would unnecessarily interfere Johnson & Johnson’s business. Three other proxies that were very similar were also rejected, as was a proxy that called for 3M to stop making political contributions altogether.

Another proposal that the Committee voted to reject was brought by Evelyn Davis, a well-known activist. Specifically, Ms. Davis requested that “the management [of Pfizer] shall publish in newspapers of general circulation in the cities of New York, Washington, D.C., Detroit, Chicago, San Francisco, Los Angeles, Dallas, Houston and Miami, and in the Wall Street Journal and U.S.A. Today, a detailed statement of each contribution made by the Company, either directly or indirectly, within the immediately preceding fiscal year, in respect of political campaign, political party, referendum or citizens' initiative, or attempts to influence legislation, specifying the date and amount of each such contribution and the person or organization to whom the contribution was made.” The Committee felt that the legal requirements already in place by which corporations are required to make disclosure of political contributions was sufficient.

Committee members could see no added benefit in requiring Pfizer to duplicate the publication of this information in newspapers, and they felt the cost was unwarranted. Ultimately, this particular proposal won only 4.1% of support from Pfizer shareholders.

In general, however, the majority of the proposals the Committee considered on the subject of political spending were well in keeping with proxies the ACSRI has historically backed, and the Committee, in keeping with precedent, voted to support them.

***Environmental Stewardship and Sustainability.*** The ACSRI considered four proxies on environmental stewardship and sustainability this season, all of which the Committee recommended the University support. Two of the stewardship/sustainability proxies were in keeping with the traditional proxies the Committee has voted: to publish a sustainability report (C. R. Bard) and to adopt GHG reduction goals (ConocoPhillips). The subjects of the remaining two proxies were new to the Committee. The first, presented at the AGM of ConocoPhillips, requested that the company adopt a coastal wetlands policy. Specifically the proposal requested “that the Board of Directors adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the Company's products and operations; and that the Company report (omitting proprietary information and prepared at reasonable cost) to shareholders by September 30, 2012, on its plan to achieve these goals.” While the Committee ultimately voted to support this proposal, there was some concern among Committee members that the proposal did not provide the company with adequate time to prepare the requested report. However, the Committee did feel that establishing goals was an important step in responsible environmental stewardship.

The second new proxy requested that the company, Home Depot, “adopt a storm water management policy.” Home Depot challenged the proxy, but the SEC responded by noting that “it appears that Home Depot's practices and policies do not compare favorably with the guidelines of the proposal and that Home Depot has not, therefore, substantially implemented the proposal.” The SEC required that the proxy be placed on the agenda of Home Depot’s annual general meeting, where it received 27% of shareholders support.

***Animal Welfare.*** The Committee considered two proxies on animal testing in the 2011-2012 season, both proposed by PETA (People for the Ethical Treatment of Animals). The first asked

the company, Abbott Labs, to report on use of animal testing. Specifically the proposal called for “the Board [to] issue an annual report to shareholders disclosing procedures to ensure proper animal care in-house and at contract laboratories, specifics on how our Company uses animals, and plans to promote alternatives to animal use.” The Committee felt that the proposal was perfectly reasonable and voted within precedent in support of this proxy.

The second animal welfare proxy was a more demanding request, asking that Johnson & Johnson end, when possible, animal use in sales training. The proxy read: “to maintain and promote the best and most humane training standards, the Board is requested to adopt available non-animal methods for medical device training procedures and incorporate them consistently throughout all the Company's operations.” The Committee voted in support of this proxy as well, but overall shareholder support was disappointing, garnering 6.2% and 4.3% respectively of overall shareholders support.

***Commit to Net Neutrality.*** The Committee voted on two proxies concerning a commitment to net neutrality. The first requested that AT&T “publically commit to operate its wireless broadband network compliant with network neutrality principles—i.e., operate a neutral network with neutral routing along the company’s wireless infrastructure based on its source, ownership or destination.” The second requested that Verizon “publicly commit (while not conceding or forfeiting any issue in litigation related to network neutrality) to operate voluntarily its wireless broadband network consistent with network neutrality principles -i.e., operate a neutral network with neutral routing along the company's wireless infrastructure such that the company does not privilege, degrade or prioritize any packet transmitted over its wireless infrastructure based on its source, ownership or destination.”

As a new issue, net neutrality prompted the most vigorous discussion amongst the Committee members of the season. On the one hand, a contingent of the Committee members felt that it was unfair to penalize customers based on the data they downloaded. On the other hand, many Committee members felt it was within the rights of a company to charge a premium to users whose demands on the network were heavier than others. The discussion was further informed by the fact that to charge a higher premium based on data use would disproportionately affect the underprivileged, who are most likely to rely on their cell phones as their primary data device.

The result was that no consistent precedent has yet been set for net neutrality; while the majority vote was to support both of the net neutrality proposals, the votes were divided. The Committee felt it would like to look for an opportunity to better educate itself on the issue.

***Equal Employment Opportunities.*** A common topic that arises each proxy season centers on equal employment opportunities, and the 2011-2012 season was no exception. The first proxy the Committee considered was presented to ConocoPhillips and it requested that “ConocoPhillips amend its written equal employment opportunity policy to explicitly prohibit discrimination based gender identity or expression and substantially implement the policy.” The Committee voted unanimously in support of this issue.

In the second proxy, shareholders of Home Depot asked that Shareholders request that:

Home Depot prepare a diversity report, at reasonable cost and omitting confidential information, available to investors by September 2014, including the following:

1. A chart identifying employees according to their gender and race in each of the nine major EEOC-defined job categories for the last three years, listing numbers or percentages in each category;
2. A summary description of any affirmative action policies and programs to improve performance, including job categories where women and minorities are underutilized;
3. A description of policies/programs oriented toward increasing diversity in the workplace.

The Committee felt that the request was reasonable, and that Home Depot almost certainly had the requested information readily available. As such the ACSRI voted in favor of this proxy.

***Review Home Mortgages.*** This year the shareholders of Wells Fargo considered two similar proxies that requested that the company divulge details concerning their lending practice. The first proxy, brought by The New Economy Project, requested that Wells Fargo: “conduct an independent review of the Company's internal controls to ensure that its mortgage servicing and foreclosure practices do not violate fair housing and fair lending laws, and report its findings and recommendations, at reasonable cost and omitting proprietary information, to shareholders by September 30, 2014.”



The second request came from the NYC Pension Fund, and was a more pointed petition. In its proxy, the Pension Fund asked that Wells Fargo prepare a report “that should evaluate (a) the Company's compliance with (i) applicable laws and regulations and (ii) its own policies and procedures; (b) whether management has allocated a sufficient number of trained staff; and (c) policies and procedures to address potential financial incentives to foreclose when other options may be more consistent with the Company's long-term interests.”

The Committee agreed that support of both of these proxies were in keeping with ACSRI precedent.

***Stop Development of Nuclear Power.*** General Electric was presented a proposal brought by a group calling themselves GE Stockholders Alliance, requesting that GE “reverse its nuclear energy policy and, as soon as possible, phase out all its nuclear activities, including proposed fuel reprocessing and uranium enrichment.” Interestingly, an early version of this proxy was challenged by GE citing the “ordinary business” rule; the proxy on which the ACSRI voted represented the second iteration of the GE Stockholders Alliance’s proxy. The majority of the ACSRI felt that asking GE to step away from a core business was not something they were willing to support and as such the majority of the ACSRI voted to reject the proposal. The proposal received so little general overall support from shareholders that it will not be allowed to be resubmitted next year.

***Disclosure of Prior Government Service.*** This proxy, again brought by Evelyn Davis, requested that

the [Verizon] furnish the stockholders each year with a list of people employed by the Corporation with the rank of Vice President or above, or as a consultant, or as a lobbyist, or as legal counsel or investment banker or director, who, in the previous five years have served in any governmental capacity, whether Federal, City or State, or as a staff member of any CONGRESSIONAL COMMITTEE or regulatory agency, and to disclose to the stockholders whether such person was engaged in any matter which had a bearing on the business of the Corporation and/or its subsidiaries, provided that information directly affecting the competitive position of the Corporation may be omitted.

This proxy generated significant discussion within the Committee, since its intent seemed in line with a strong Committee precedent to support transparency in corporate political giving and lobbying. However, some Committee members decidedly felt that the publication of partial work histories of a fairly large number of employees was an unwarranted violation of privacy, and in the end the ACSRI voted to reject the proposal.

***Report on Charitable Contributions.*** In the case of this proxy, HomeDepot was asked to disclose on its web site any charitable contribution over \$6,000. The Committee was surprised that it had seen so few proxies along these lines, and felt support of this proxy was in keeping with the ACSRI's precedent to support disclosure of political spending.

***Report on Accident Prevention Efforts.*** In this case, the proponent, the AFL-CIO, requested that the shareholders of ConocoPhillips vote in support of a proposal to prepare a report on accident prevention efforts. Specifically, the proxy request that the Board of Directors "prepare a report, within ninety days of the 2012 annual meeting of stockholders, at reasonable cost and excluding proprietary and personal information, on the steps the Company has taken to reduce the risk of accidents. The report should describe the Board's oversight of process safety management, staffing levels, inspection and maintenance of refineries and other equipment."

This request reflects the concern of the AFL-CIO that the BP accident has led to increased investigations into U. S. refineries where it was revealed that there existed an industry-wide pattern of non-compliance with safety regulations. The members of the Committee felt that the request was reasonable and voted in favor.

### **Proxy Voting Summary**

The overall makeup of the proxies voted by Committee in the 2011-2012 season was the following:

<b>Issue</b>	<b>ACSRI Recommendations</b>			<b>Total</b>
	<b>Support</b>	<b>Reject</b>	<b>Abstain</b>	
Political Spending	12	6	0	18
Environmental Stewardship/Sustainability	4	0	0	4
Animal Testing	2	0	0	2
Commit to Net Neutrality	2	0	0	2
Equal Employment Opportunities	2	0	0	2
Review Home Mortgage Practices	2	0	0	1
Stop Development of Nuclear Power	0	1	0	1
Disclose Prior Government Service	0	1	0	1
Report on Charitable Contributions	1	0	0	1
Report on Accident Prevention Efforts	1	0	0	1
<b>Total</b>				<b>33</b>

The TSSR was in agreement with the Committee on all proxies but two. In the case of the two proxies on net neutrality the Trustees choose to abstain.

### **Sudan Divestment Monitoring**

South Sudan became an independent state on July 9<sup>th</sup>, 2011. The Committee felt that it was important to continue to monitor companies doing business in North Sudan, and it completed its annual survey of publically traded companies operating in this region. It is possible that the formation of the new nation of South Sudan may cause the ACSRI to re-evaluate the criteria of its monitoring processes; however, the Committee felt it was too soon to determine whether a re-evaluation was necessary, or what the nature of that re-evaluation might be.

### **Sudan Process**

In the fall of 2007, in accordance with the April 2006 Statement of Position and Recommendation on Divestment from Sudan, the ACSRI undertook Sudan divestment monitoring. The ACSRI established an informal subcommittee of its members to review company activity in Sudan, including those companies on the current Columbia Sudan divestment list, as well as other companies with operations in Sudan. After careful review of available research and deliberation, the Sudan divestment subcommittee developed a recommendation to add six new companies to the divestment list, to remove six companies from the divestment list (due to those companies' decisions to withdraw

operations from Sudan) and to create a watchlist with six companies to be closely monitored in the future. The subcommittee presented its recommendations to the full ACSRI in the winter of 2007; the ACSRI voted to affirm all recommendations of the subcommittee and formally presented those recommendations to the TSSR. In turn, the TSSR forwarded the ACSRI's recommendations to the Finance Committee of the Board of Trustees for approval. At its March 2008 quarterly meeting, the Finance Committee formally approved the ACSRI's recommendations to add the six new companies to the Sudan divestment list, to remove six companies from the list and to create a watchlist with an additional six companies on it. The related announcement with the complete modified list of companies divested is attached as Appendix B.

## **Attachment A**

### **ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING**

#### **2011-2012 AGENDA**

**December, 2012**

#### **INTRODUCTION**

At the recommendation of the President, and with the approval of the University Trustees, the Advisory Committee on Socially Responsible Investing was established in March 2000 to address issues of corporate social responsibility confronting the University as an investor. The Committee was asked to “set out a specific agenda” for each academic year, and to provide it to the Columbia community during the fall semester. After discussion, the Committee has decided on the following agenda for the 2011-2012 academic year. This agenda builds on the Committee’s experience and broadens the range of socially responsible activities it will consider in the year ahead.

#### **Proxy Voting and Sudan**

Since the inception of the ACSRI, the Committee has always deliberated on the shareholder proxies the University is eligible to vote as a result of its investments in the endowment. In general, the Committee will recommend to the University Trustees how to vote on shareholder proposals related to the same broad categories that it has reviewed in previous years, namely: environment, labor conditions (including equal opportunity and forced labor proposals), political spending and lobbying expenses, human rights, and pharmaceutical pricing. As in the past, the Committee will form sub-committees to review topics among the proxies the University votes, thus providing a certain level of in-house understanding, if not expertise. This understanding will continue to be supported by the research provided by our research contractor, Si2, who provides us with in-depth background at the level of the individual proxies. Over the course of the academic year, the Committee may advise on other compelling issues involving socially responsible investing and adjust its agenda, if and as relevant matters arise. As is its practice, the Committee will invite speakers to educate the Committee members on subjects that are relevant to new issues in proxy voting.

The Committee will keep a record of all proxies that are put to formal vote, including all recommendations that are submitted to the University Trustees via the Trustees Subcommittee on Shareholder Responsibility. The Committee will work with the Trustees Subcommittee to make possible the timely and accurate submission of proxy ballots.

Finally, in accordance with the Committee's April 2006 Statement of Position and Recommendation on Divestment from Sudan, the Committee will monitor company activity in Sudan and may make a recommendation to the Trustees to maintain the current divestment/disinvestment list, or to add companies to and/or remove companies from the current list.

## ATTACHMENT B

### MEMORANDUM

To: Ann Kaplan  
Paul Maddon  
Lisa Carnoy

CC: Anne Sullivan

From: Ursula Bollini

Date: February 22, 2012

Subject: **Sudan Divestment: Recommendations of the Advisory Committee on Socially Responsible Investing Resulting from the Annual Monitoring Process**

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This winter, as prescribed by the Statement of Position and Recommendation on Divestment from Sudan approved by the University Trustees in April 2006 (Appendix I), the Advisory Committee on Socially Responsible Investing (ACSRI) undertook monitoring of the 43 companies currently on the Columbia Divestment List, the 17 companies currently on the Columbia Watch List, as well as the universe of non-U.S. companies with publicly-traded equity currently operating in Sudan. In so doing, the Committee appointed a Sudan Divestment Subcommittee, composed of five members, to review available research and bring recommendations to the full Committee for approval. The Committee used the same service provider for research on companies operating in Sudan, IW Financial (IWF), as last year.

By email vote on February 22, 2012, the Committee adopted the recommendations of the Subcommittee, which included: removing 2 companies from the current Divestment List; adding 8 new companies to the Divestment List; and adding 4 new companies to the Watch List. None of the companies recommended for divestment are currently held in Columbia's investment portfolio.

The 2 companies recommended for removal from the Divestment List are:

- Ballore
- Wartsila Oyj Abp

The 8 new companies recommended for divestment are as follows:

- Africa Cellular Towers Ltd
- Boustead Singapore Ltd
- Faisal Islamic Bank

- Hail Agricultural Development Co
- Mobile Telesystems
- MTN Group Ltd.
- Omdurman National Bank
- Sudan Telecom Co (Sudatel)

The 4 new companies recommended to watch are as follows:

- Hyundai Motor
- LS Industrial Systems Co., Ltd
- NEC Corporation
- Qatar National Bank

Appendix II provides the background information and rationale prepared by the Subcommittee for each of the recommendations listed above. Only companies operating or doing business with North Sudan were reviewed.

#### Divestment Criteria and Review Process

Companies that fit Columbia's divestment criteria include non-U.S. companies with publicly-traded equity whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government (1) through their involvement in the oil and gas industry – including goods and services providers, as well as explorers and extractors, (2) as providers of infrastructure – specifically those companies in the energy/utilities and telecommunications sectors, or (3) as providers of military and defense products and services.

As indicated by the ACSRI's December 2002 formal statement on divestment, the Committee sets a high bar for divestment. The ACSRI does NOT recommend divestment from the following classifications of companies:

- 1) Companies active in Sudan in the past and/or companies having expressed intent to operate in Sudan in the future, but for which there is no (conclusive) evidence of current activity in Sudan.
- 2) Companies which may currently be active in Sudan, but have demonstrated a willingness (or even undertaken some action) to change their corporate behavior in Sudan. The Committee may judge that these companies are strong candidates for continued shareholder engagement and ongoing communication.
- 3) "Second order" and logistical support/service providers: companies which provide services to other suppliers/service providers in the industries matching the divestment criteria. The Committee did not recommend divestment of these companies for the following reasons:



- a) The Committee wished to establish a precedent of not targeting companies on the supply chain beyond the first order;
  - b) The Committee believed that these companies do not directly/substantially contribute revenue to the Khartoum government.
- 4) Subsidiaries of parent companies with known involvement in Sudan, unless the subsidiary itself fits the criteria and is actively involved in Sudan.
  - 5) Companies providing goods or services that sustain life, including, without exception, pharmaceutical companies, medical service providers, and agricultural fertilizer producers.

The Committee may place companies which meet this exception criteria on a Watch List, in order to highlight them for careful monitoring during the ensuing monitoring process.

In developing its recommendations, the Sudan Divestment Subcommittee reviewed the activity of all non-U.S. companies with publicly-traded equity currently operating in Sudan, including the companies currently on the Columbia Divestment List and Watch List. The universe of companies and supporting research was provided by IW Financial (IWF).<sup>1</sup> For companies included on the current Divestment List and Watch List, the Subcommittee developed a recommendation to retain a company on the list, remove it, or shift a company between the lists (i.e., remove a company from the Watch List and add it to the Divestment List). For newly reviewed companies, the Subcommittee developed a recommendation to add a company onto the Divestment or Watch List, or perform no action.

If you have any questions, please do not hesitate to contact me at 646 584 2842 or [ub2@columbia.edu](mailto:ub2@columbia.edu) if I can be of assistance.

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<sup>1</sup> In its review, the Subcommittee – and hence the Advisory Committee – relied upon data from IW Financial (IWF). IWF provided the Committee with a list of all non-U.S. companies with publicly-traded equity currently operating in Sudan. The list included information on the companies such as, level of involvement (active or plan to cease) and industry (government, power, energy, telecom, defense, and financial). Each company on the list was accompanied by a page of research outlining the company’s involvement in Sudan. IW Financial is a leading provider of objective research and technology solutions that help financial professionals evaluate the environmental, social, and governance performance of companies.

## Appendix I

### COLUMBIA UNIVERSITY ADVISORY COMMITTEE ON SOCIALLY RESPONSIBLE INVESTING

Statement of Position and Recommendation on Divestment from Sudan

April 4, 2006

The Advisory Committee on Socially Responsible Investing (“The Committee”), as chartered by the University Trustees in March 2000, is the University’s vehicle to advise the Trustees on ethical and social issues confronting the University as an investor. At its annual community hearing on November 15, 2005, the Committee was formally presented with the *Proposal for Divestment from Sudan* by the student-led Columbia University Sudan Divestment Taskforce.

#### **Committee principles on divestment:**

In December 2002, the Committee released a formal statement in which divestment was determined to be the strongest action an institution can take as a socially responsible investor. Divestment ends communication between shareholder and corporation, thereby attempting to affect corporate behavior through the symbolic act of ceasing all connection with the company in question. The statement delineates three basic tests that should be considered with respect to divestment: 1) there must be broad consensus within the University community regarding the issue at hand; 2) the merits of the dispute must lie clearly on one side; and 3) divestment must be more viable and appropriate than ongoing communication and engagement with company management.

#### **The situation in Darfur, Sudan<sup>2</sup>:**

In Sudan’s western province of Darfur, the Arab Janjaweed militias, believed to be acting in cooperation with the Sudanese Khartoum regime, have been systematically perpetrating atrocities, including rape, torture, and murder, against the indigenous, non-Arab ethnic groups in the region. Estimates vary, but there are reports that since February 2003 well over 200,000 Darfurian civilians have died<sup>3</sup> and over 2 million have been displaced internally or to neighboring Chad.<sup>4</sup> On July 22, 2004 the U.S. House of Representatives passed House Concurrent Resolution 467 and the U.S. Senate approved Senate Concurrent Resolution 133 by voice vote, declaring the atrocities committed in Darfur to constitute genocide; in September 2004, the U.S. State Department confirmed this designation. While the United Nations has stopped short of classifying the atrocities in Sudan as genocide, the January 25, 2005 U.N. Report of the International Commission of Inquiry on Darfur refers to the offenses in Darfur as “war crimes,” “crimes against humanity,” and crimes that “may be no less serious and heinous than genocide.” As recently as December 21, 2005, the U.N. Security Council passed a resolution (S/RES/1651 2005) determining that “the situation in Sudan continues to constitute a threat to international peace and security in the region.”

#### **Revenue support of the Khartoum government:**

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<sup>2</sup> For a more extensive discussion of the situation in Darfur, the reader may wish to consult the Columbia University Sudan Divestment Taskforce’s *Proposal for Divestment from Sudan*.

<sup>3</sup> Gareth Evans, “End the Death, Suffering and Destruction in Darfur,” International Crisis Group (March 10, 2005): <http://www.crisisgroup.org/home/index.cfm?id=3336&l=1&m=1>.

<sup>4</sup> *Intelligence Unit, Sudan Report, The Economist*, 27 (Sept. 2005).

The United States government has since 1997 imposed a trade embargo against Sudan relating to the activities of U.S. companies, to which some exemptions have been granted. However, the Committee is strongly concerned that non-U.S. companies, which are not subject to this sanctions regime, with material involvement in Sudan provide the infrastructure and revenues necessary to sustain the Khartoum regime, that these revenues directly relate to large increases in governmental military and weapons expenditures, and that these military enhancements are being used for the perpetration of atrocities against the civilians of Darfur.

The oil and gas industry is of paramount concern, having been shown to provide the Khartoum government with 70% of total export revenues this year,<sup>5</sup> and with output expected to double by year-end.<sup>6</sup> Furthermore, revenues generated by the oil and gas industry are disproportionately funneled into military and weapons spending.<sup>7</sup> Companies in the energy/utilities and telecommunications sectors are also problematic. In addition to generating revenues,<sup>8</sup> these companies provide the necessary infrastructure for both the government and the oil industry.<sup>9</sup>

#### **Committee position and recommendations:**

As indicated by the December 2002 statement, the Committee sets a high bar for divestment. In this case, the Committee is unanimous in its belief that its threshold criteria for considering divestment have been fulfilled. There is broad consensus across the University in support of divestment from Sudan. The merits of the case lie clearly against the human rights violations and atrocities being committed in Darfur and against the Khartoum government's complicity with offending militias. The Committee believes that communication with company management is not a sufficient response given the urgency of the situation in Darfur. The Committee concludes that divestment from companies whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government is the most appropriate action to take in order to avoid supporting the regime and its involvement in the perpetration of atrocities.

The Committee at this time recommends that the University divest from and prohibit future investment in all direct holdings of publicly-traded non-U.S. companies whose activities, directly or indirectly, substantially enhance the revenues available to the Khartoum government. Our research demonstrates that the companies subject to this policy include all those companies doing business in Sudan that are (1) involved in the oil and gas industry – including goods and services providers, as well as explorers and extractors; or (2) providers of infrastructure – specifically those companies in the energy/utilities and telecommunications sectors.

After a thorough review of research compiled<sup>10</sup> on companies with business in Sudan, the Committee finds that the following companies fulfill the criteria for divestment described above and recommends their immediate divestment:

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<sup>5</sup> Energy Information Administration:

<http://www.eia.doe.gov/emeu/cabs/Sudan/Background.html>.

<sup>6</sup> Sudan Tribune: [http://www.sudantribune.com/article.php3?id\\_article=14079](http://www.sudantribune.com/article.php3?id_article=14079).

<sup>7</sup> Human Rights Watch: *Sudan, Oil and Human Rights* (2003): [http://www.hrw.org/reports/2003/sudan1103/21.htm#\\_Toc54492697](http://www.hrw.org/reports/2003/sudan1103/21.htm#_Toc54492697).

<sup>8</sup> The IMF reports that strong performance in the energy/utilities sector was one of the major contributors to Sudan's significant revenue growth in 2004: <http://www.imf.org/external/np/sec/pn/2005/pn0567.htm>.

<sup>9</sup> The Sudan Tribune reports that in a country that is over 70% rural, nearly all telecom clients are in the oil industry: [http://www.sudantribune.com/article.php3?id\\_article=14398](http://www.sudantribune.com/article.php3?id_article=14398).

<sup>10</sup> The Committee reviewed research compiled by several sources, including (but not limited to): (1) *An Analysis of*

ABB  
Alcatel  
Alstom  
Bharat Heavy Electricals  
Harbin Power Equipment  
Lundin Petroleum International  
Nam Fatt  
ONGC  
PECD Berhad  
PetroChina  
Schlumberger  
Siemens  
Sinopec  
Sudatel  
Sumatec  
Tatneft  
Videocon Industries  
White Nile Petroleum

As of February 28, 2006, Columbia University held none of the above-referenced companies in its public-equity portfolio. The Committee strongly recommends that these companies be prohibited from future investment by the University's public-equity managers. The Committee recommends that the University communicate its position and divestment policy to all managers investing Columbia's funds.

The Committee will establish a process to periodically research, monitor, and assess the activities of these and other companies doing business in Sudan; the Committee may make recommendations for removal of any or all of the above-referenced companies from the divestment list, and/or may make further recommendations for divestment from additional companies that meet the Committee's stated divestment criteria. In this connection, the committee identified certain companies whose activities raise concerns but require further research, including certain U.S. companies that have received waivers from the U.S. sanctions regime. The Committee will review its recommended divestment policy periodically and as information becomes available suggesting that human rights violations and atrocities in Darfur have ceased; or the

Khartoum government can be shown to no longer be complicit in these acts; or the government of the United States, the United Nations or other credible and international human rights organizations have deemed the situation in Sudan significantly improved; or OFAC has lifted economic sanctions against Sudan and its government.

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*Select Companies' Operations in Sudan: A Resource for Divestment* by the Allard K. Lowenstein International Human Rights Clinic/Project at Yale University; (2) Company research compiled by the University of California Sudan Divestment Taskforce; (3) In-depth company reports commissioned from the Investor Responsibility Research Center; (4) Institutional Shareholder Services' SIMON Sudan screen; and (4) original research performed by Committee members and staff.