

Tell TIAA-CREF You Do Not Want Your Retirement Money to Support Genocide

By ERIC COHEN

TIAA-CREF, a \$400-billion provider of financial services, promotes itself with the tag line "financial services for the greater good." In a recent television commercial, the company proclaimed its "unique insight into the hearts and minds of those who give us hope for the future." Its literature asserts that it has been "refining our approach to Socially Responsible Investing for nearly 30 years" and that it is "bound to do things very differently" from other financial institutions.

While TIAA-CREF's marketing messages may be well-suited for its target customers in the academic, medical, cultural, and research fields, its record of actively investing in the worst companies financing the genocide in the Darfur region of western Sudan, tells a different and far less noble story.

The United States government has labeled the crisis in Darfur as genocide, with hundreds of thousands killed in the region. The oil industry is the Sudanese government's primary source of income; up to 70 percent of Khartoum's oil-related revenue is reportedly used to arm and support the military and militias that carry out its genocidal policies. The Sudanese government's four main oil partners have been widely identified as the worst offenders helping to support the genocide—PetroChina/Chinese National Petroleum Company, the Malaysian oil and gas company Petronas, India's state-owned Oil and Natural Gas Company, and Sinopec, China's biggest refiner. As of August 2007, TIAA-CREF was one of the few large financial institutions in the world to have investments in all of those companies. Rather than divest from such problem companies, TIAA-CREF prefers an engagement policy that seeks to encourage companies to end their ties to the Sudanese regime or take steps to ease the humanitarian tragedy in Darfur. TIAA-CREF states publicly on its Web site that engagement "affords us a means to effect change and improve corporate behavior over the long term." While engagement seems a reasonable first step, TIAA-CREF has continued this policy with these worst offenders for years, with no results to show for it. When we have pressed on its ineffective engagement, TIAA-CREF has responded by offering to escalate with a threat of withholding votes or submitting shareholder proposals against PetroChina management. However, since 88 percent of PetroChina is owned by the Chinese government, what value will that threatened action have? At what point does weak engagement become the equivalent of doing nothing in the face of genocide?

Responsible fiduciaries have recognized that engagement with PetroChina/CNPC (and other worst offenders) must include time limits to be a credible response to the genocide in Darfur. The Sudan Divestment Task Force, developers of the widely adopted "targeted divestment" model, provides worst offending companies with a 90-day window of engagement before divestment kicks in. That time frame has proved sufficiently effective with nine other major foreign companies involved in Sudan. Most of the 60 colleges and universities and 24 states that decided to divest set limited time frames for engagement before divesting. (The others spent no time on engagement, viewing it as unlikely to be useful, and simply divested.) Recently, PGGM, one of the largest public pension funds in Europe, announced it would divest its holdings in PetroChina after its efforts to engage the company over Sudan failed.

While TIAA-CREF follows its policy of weak engagement, it continues to acquire stock in the companies about which it claims to be concerned. In calendar quarter three of 2007, for example, TIAA-CREF increased its holdings of all of the four worst offending companies. In calendar quarter four, it sold some PetroChina stock, but bought 9.6 million shares of PetroChina/CNPC's parent, CNPC in Hong Kong. Those purchases clearly undermine the sincerity and effectiveness of TIAA-CREF's policy of engagement. TIAA-CREF conducts its buying and selling business as usual, seeking to make a

profit, its trading policy unaffected by the connection to genocide despite its professed concerns.

Now, five years since the genocide began and three years since Harvard University was the first institution to sever financial ties to PetroChina, it is time for individual TIAA-CREF customers and plan administrators to act. Tell TIAA-CREF that you do not want your retirement money helping to pay for genocide. TIAA-CREF cannot continue to claim to be socially responsible while failing to take substantive action on the first genocide of the 21st century. Its refusal to divest from these companies is especially difficult to defend since its holdings are small enough to be readily sold. Berkshire Hathaway's sell-off of PetroChina/CNPC was \$3.5-billion. In contrast, TIAA-CREF's December 31, 2007, holdings were only \$37-million worth of the company, and a total of \$67-million of the four worst offenders in Sudan.

Customer voices and votes can change TIAA-CREF's policy. Many colleges and universities, a key market for TIAA-CREF, have already recognized that targeted divestment is the responsible reaction to the Darfur genocide. Furthermore, a 2007 poll conducted by KRC Research found that 71 percent of the general public felt companies should take extreme cases of human-rights abuses, such as genocide, into account when making investment decisions. Surely, "those who serve the greater good," such as TIAA-CREF, should be as concerned as the general public is on genocide in Darfur.

We've begun submitting shareholder proposals requesting that TIAA-CREF funds be genocide free. Rather than welcoming the opportunity to hear from customers on this important personal and social policy, TIAA-CREF has declined to put the proposal on the July 2008 ballot for its forthcoming annual meeting because of a timing technicality: We missed by only 11 days a deadline for proposals to be filed five months in advance of the meeting. TIAA-CREF could opt to voluntarily include the proposal, and we encourage supporters to join us in making that request. Or TIAA-CREF can choose to delay until July 2009. If so, that delay will provide time for thousands of shareholders to express concern and for many more volunteers to come forward to submit the genocide-free-investing proposal to additional TIAA-CREF funds. Then customer voices and votes will be counted at the first shareholder voting on whether savings entrusted to TIAA-CREF should be invested in companies that substantially contribute to genocide.

Among mutual-fund companies, TIAA-CREF does not have the largest holdings in PetroChina/CNPC, but it may well be the most hypocritical, given its efforts to promote a public image of socially responsible investing. We must help TIAA-CREF decide to "do things differently" by expressing concern and supporting shareholder proposals to make TIAA-CREF's investments genocide free (for more information, go to <http://www.InvestorsAgainstGenocide.org/TIAA-CREF>). Join the campaign to persuade TIAA-CREF to make an unambiguous commitment to genocide-free investing.

Eric Cohen is the chairman of Investors Against Genocide, a nonprofit organization dedicated to persuading mutual-fund and other investment companies to change their investing strategies to avoid complicity in genocide.

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