



Testimony of Denise L. Nappier  
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SUBMITTED TO GOVERNMENT ADMINISTRATION & ELECTIONS COMMITTEE  
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Senator DeFronzo, Representative Caruso, and members of the Government Administration and Elections Committee, thank you for the opportunity to offer testimony in support of House Bill 5632, ***An Act Concerning Divestment of State Funds Invested in Companies Doing Business in Sudan.***

First, I would like to express my appreciation to a number of your colleagues, especially Majority Leader Looney and Senator Slossberg, for their work on this issue, as well Representatives O'Brien and Staples.

House Bill 5632 will, if enacted, affirm the authority of the State Treasurer to begin a process of divestment of state funds from companies doing business in Sudan. But it will do more than that.

As a state, Connecticut was at the forefront of efforts, decades ago, to end apartheid in South Africa. We continue to be at the forefront ensuring compliance with the MacBride Principles in Northern Ireland. The ongoing massacre of the people of Darfur is nothing short of genocide, and has been recognized as such by the United States government.

As citizens and leaders of this great state, we cannot stand by silently in the midst of a systematic genocide. Through this legislation, this General Assembly and the State of Connecticut will, once again, lead by example.

As principal fiduciary of our state's \$22 billion pension and trust funds, I have worked diligently, and successfully, to engage companies in which we invest to do better. We have followed that approach on a range of corporate governance issues, from the risks associated with climate change to executive compensation, from workforce diversity to corporate accounting practices -- issues that are gaining support from shareholders worldwide.

With respect to the Sudan issue, as with other corporate policy issues, I have maintained from the outset that divestment is a last resort. It will be preceded by efforts to engage constructively with companies whose practices or investments we question. And by engagement, I mean contacting the company directly to open a substantive and sustained dialogue that extends beyond one

exchange. In my view, this approach gives Connecticut more leverage than simply selling its stock.

But sometimes discussion, engagement and dialogue may not be enough, and that may well be the case here.

In my view, public companies that ignore world opinion, who refuse to put pressure on the government of Sudan to stop the genocide, and who are viewed as engaged in profiteering at the expense of basic human rights run the risk of becoming incapable of sustaining the value of Connecticut's investment.

That is why I am prepared to begin the process of divestment of those companies whose business ties in Sudan have the net effect of supporting the Government of Sudan's ability to wage genocide against its own people. And that is why this proposed legislation is so important. Connecticut should not condone, or even appear to condone, genocide in our investment policies.

To date, a handful of states have acted, but many more are now actively considering the best approach to take. And make no mistake, other states are watching what we do here in Connecticut.

Specifically, this legislation authorizes the Treasurer to divest, decide not to invest further, or not enter into any future investment, in any company doing business in Sudan. But the bill also makes clear that in making this decision the Treasurer shall consider relevant facts and circumstances, such as whether a company's actions are related to humanitarian activities, whether a company is acting at the behest of the United States government, or whether a company has engaged the government of Sudan to stop its abuses in Darfur or other regions of Sudan.

As this bill works its way through the legislative process, my office is continuing to pursue what I consider to be fundamental to our fiduciary responsibility.

Ten days ago, we sent letters to eleven multi-national companies -- including corporate giants we are all familiar with, such as Royal Dutch Shell Group and Marathon Oil Corporation -- formally requesting detailed information about the nature of their business ties to Sudan. The current market value of our holdings in those 11 companies is \$190 million.

I also joined with a number of colleagues in bringing this issue to the agenda of the National Association of State Treasurers, which met earlier this month. We

heard directly from a representative of the U.S. State Department, and it became clear by the end of that session that institutional investors need to exert leadership and take a stand on this issue. I would, therefore, urge your approval of this legislation.

Before I conclude, let me briefly mention there has been additional activity in recent weeks, outside of state legislatures and state pension funds.

We have seen an increasing number of university endowments take steps to divest from businesses with Sudan ties. The list now includes Yale, Harvard, Stanford, Dartmouth, Brown and Amherst.

And we have seen an increasing array of actions, large and small, all across Connecticut, from citizens whose concerns have been heightened and who have been moved to action.

So, as we in the State Treasurer's Office continue our policy of constructive engagement with companies, as we work collaboratively with other investors, as we encourage other public funds to follow our lead, and as we pursue discussions with federal officials, I believe it is important for Connecticut, as a matter of legislative policy, to take this stand, and do so now.

I believe that such action is consistent with both Connecticut's historic leadership on similar issues, and our fiduciary obligation to pursue a fiscally prudent policy that will further efforts to protect the value of our investments.

Thank you very much for the opportunity to submit testimony in favor of House Bill 5632. I urge your favorable consideration.