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Investors Against Genocide Convince TIAA-CREF to, Finally, Invest in “The Greater Good” ^[1]

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A few weeks ago, an array of University of Southern California student organizations hosted Genocide Awareness Week. While U.S. diplomacy with Sudan regarding the genocide in Darfur has stalled, the use of public diplomacy can create many opportunities for organizations to advocate for change. The case of Investors Against Genocide and TIAA-CREF is just one instance of public and corporate diplomacy converging into real action against the factors that contribute to the violence in Darfur.

TIAA-CREF was founded in 1918 with a \$10 million donation made by Andrew Carnegie, one of the world's most prolific philanthropists. This altruistic beginning is reflected in their slogan, “Financial service for the greater good.” Today, TIAA-CREF is valued at \$402 billion, but, until 2010, they hadn't been living up to their promise. TIAA-CREF had investments in foreign government-owned oil companies that operate in Sudan: PetroChina (China), Oil & Natural Gas Company (India), PETRONAS (Malaysia), CNPC Hong Kong (China) and Sinopec (China). Eventually, it divested from nearly all of these holdings, but it took public and private pressure from a non-governmental organization (NGO) to convince it to adopt a position of Corporate Social Responsibility (CSR) on this issue.

Since 1999, the sale of oil has bolstered Sudan's economy, comprising 70% of all exports from the country (in 2009). The mishandling of these oil revenues spurred rebel groups in the Western region of Darfur to take up arms against the government in protest against the unfair distribution of profits. In response, the government violently and indiscriminately razed the region. Amnesty International estimates that “300,000 people have been killed and 2.6 million displaced from their homes.” (Read a more thorough explanation of the situation here.)

Despite extensive debt, Sudan has funded its military with Foreign Direct Investment (FDI). In 2001, 60% of the year's oil revenue (\$349 million) went to military expenses. To shore up its own access to oil supplies, China, Sudan's primary trading partner, supplied the government with military trucks and weapons. Without this support, the Sudanese government would not be able to sustain military operations in Darfur. Many NGOs are convinced that compelling oil companies to curtail dealings with the country is the key to ending the violence.

This is why, Investors Against Genocide (IAG) contacted TIAA-CREF. In a 2010 interview, Chairman Eric Cohen and Director of Communications Susan Morgan explained that IAG was aware the asset management company had participated in low-level meetings with the oil companies that operate in Sudan, but gave up when negotiations stalled. TIAA-CREF prides itself on engaging the companies it invests in, but rarely does it have to push very hard. Most

companies agree to engage with TIAA-CREF to protect their reputations. Oil companies operating in Sudan, however, are (mostly) authoritarian government-owned, making them less susceptible to pressure from public opinion. IAG felt that TIAA-CREF had a duty to escalate engagement with these companies and threaten to divest if they resisted negotiations.

At first, TIAA-CREF protested. After years of consistent pressure in the form of meetings, newspaper Op-eds and statements at shareholder meetings, IAG threatened to put the divestment issue up for a shareholder vote. In March 2009, rather than risk being bound by the outcome, CEO Roger Ferguson agreed to go back to the negotiating table with the oil companies. TIAA-CREF did so aggressively and publicly, issuing the following statement: “Today TIAA-CREF announces a new escalated phase in our continuing campaign to pressure portfolio companies that maintain business relations with the Sudanese government to cease those relations or attempt to end genocide and ease suffering in Darfur. We plan to intensify pressure on such companies and divest from those that fail to take meaningful steps to respect human rights within a reasonable time.”

Executives reached out to each oil company, and Ferguson, himself, went to Kuala Lumpur to meet with the CEO of PETRONAS. TIAA-CREF did what even the U.S. government had been unwilling to do, engage governments (via their oil companies) in an attempt to stop the crisis in Darfur. Executives at TIAA-CREF became de-facto corporate diplomats.

By the nine-month deadline, only PETRONAS made a commitment to change its practices in Sudan. So, on January 04, 2010, TIAA-CREF delivered on its promise by divesting \$42.7 million in shares of PetroChina, CNPC Hong Kong, Sinopec, and Oil and Natural Gas Corp. Even though it was reluctant at first, TIAA-CREF has used its new stance to separate itself from the competition. It now boasts of becoming, “the first large, mainstream financial services company to take a public stand supporting the overwhelming majority of Americans who do not want their savings and pension funds connected to genocide.”

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