

Avoiding Investments in Companies that Substantially Contribute to Genocide

WHEREAS:

TIAA-CREF portfolio managers invest based on financial and legal considerations while seeming to ignore other issues, for all funds except their Social Choice funds. Even facing genocide, TIAA-CREF has released no policy preventing investments that help fund or support such human rights violations.

Individuals, through investments in TIAA-CREF, may inadvertently invest in companies funding genocide. Without policies preventing these problem investments, TIAA-CREF may at any time increase its holdings or involve new funds in such problem investments.

We believe that:

- This problem is not theoretical; as of its September 2007 SEC reports, TIAA-CREF had significant holdings in PetroChina, which, through its closely related parent, China National Petroleum Company, provides funding the Government of Sudan uses for genocide in Darfur.
- In the face of the most extreme human rights crises, investors share responsibility to act, in addition to the role and responsibility of governments.
- TIAA-CREF's Sudan human rights initiative identified "22 [companies] that directly or indirectly generate revenues for the Sudanese government." However, it has increased its holdings in the worst offenders while sending letters of concern and taking other ineffective steps. This form of "engagement" is an inadequate response to genocide.
- TIAA-CREF's governance allows divestment from actively managed accounts when "the financial or reputational risks from a company's policies or activities are so great that continued ownership of its stock is no longer prudent." The Darfur genocide is such a case.
- Investors don't want their pensions and savings connected to genocide. In KRC Research's 2007 study, 71% of respondents said companies should consider extreme cases of human rights abuses, such as genocide, rather than base investment decisions solely on economic criteria. Further, over 150,000 people have objected to financial firms about such problem investments.
- Reasonable people may disagree about what constitutes socially responsible investing, but few people want their savings to be complicit in genocide.
- Many states and colleges served by TIAA-CREF have already divested; TIAA-CREF should, too, matching its "financial services for the greater good" credo.
- There is no compelling reason to invest in companies funding genocide. Ample competitive alternatives and flexibility of investment choices exist, even for index funds. Gary Brinson's classic study, showed investment returns are affected much more by asset allocation than individual security selections; avoiding a small number of problem companies need not significantly affect performance.
- Investor pressure has proven effective in influencing foreign governments. The campaign against Talisman Energy contributed to the January 2005 Comprehensive Peace Agreement between Khartoum and South Sudan.

RESOLVED:

Shareholders request that the Board institute procedures to prevent holding investments in companies that, in the judgment of the Board, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights.

DISCUSSION:

Beyond preventing future investments in problem companies, the proposal calls for action to address existing investments. If the fund can quickly and effectively influence a problem company's management, then this may be an appropriate action. If not, their securities should be sold.