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DENISE L. NAPPIER

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Connecticut Pension Fund Pursues Strategies to Persuade Companies to End Business Dealings that May Help Finance Atrocities in Sudan

Urging International Companies to Provide Details of Holdings; Seeking Authoritative Information from Federal Government

Connecticut Treasurer Denise L. Nappier, principal fiduciary of the $20 billion Connecticut Retirement Plans and Trust Funds, broadened her condemnation of the ongoing genocide in Sudan and announced that in concert with other public pension funds, she is stepping up efforts to persuade businesses in which the pension fund invests to fully disclose financial dealings in Sudan, and is seeking clear direction from the federal government to identify those companies in the public pension fund portfolios with ties to Sudan.

Nappier strongly condemned the "overwhelming human tragedy and abhorrent atrocities" in the Darfur region of Sudan, and said that "consistent with our fiduciary responsibility and humanitarian obligations, we intend to aggressively pursue strategies that we believe hold promise to make a significant difference." Nappier stressed that companies with financial ties to the Sudan government, whether through the payment of taxes, fees or other business operations, may indirectly be contributing to genocide carried out by local militias funded by the government. The Connecticut Treasurer announced two efforts currently underway:

- Connecticut was joined by 42 other institutional investors in urging the **federal government**, described as the only credible and centralized authority, to identify, monitor and report domestic and international companies that may be operating contrary to U.S. interests and to provide such information to the funds.

- Connecticut, joined by public pension funds in California, Illinois and New York, this week became among the first to formally request that five leading **international companies** provide specific and detailed information regarding their operations in Sudan. Similar requests of additional multi-national firms will likely follow.

Nappier said that "so long as we have investments in companies that may have business dealings with the current regime in Sudan, we will explore their ramifications to the best of our ability, in concert with others in the investment community and with the assistance of federal authorities. Our goal is clear and unwavering: to protect the pension fund from undue investment risk, which may well mean ending investments in companies providing funds, even inadvertently, that contribute in any way to the continuation of these detestable government policies."

The joint letter, sent earlier this month to four federal agencies by 43 institutional investors whose portfolios exceed $1.3 trillion, notes that "no comprehensive list or report of such companies has been created," describing such an official list as "a necessary first step in identifying companies

CONTACT: BERNARD L. KAVALER
DIRECTOR OF COMMUNICATION
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

whose activities may be contrary to U.S. foreign policy and humanitarian interests." The formal request was made of the Office of Terrorism and Financial Intelligence of the U.S. Treasury Department, the Division of Corporation Finance of the Securities and Exchange Commission, the Bureau of Industry Security of the Department of Commerce, and the Office of Economic, Business and Agricultural Affairs of the State Department. In addition, the CT Treasury has been in communication with the Office of Foreign Assets Control and the U.S. Commerce Department.

While the federal government includes Sudan in a list of terrorist states, and a broad trade embargo prohibits most business activity by U.S. companies, all business dealings are not prohibited. Some businesses, for example, are involved in ongoing humanitarian efforts in the wake of what has officially been described by U.S. officials as "genocide" in the Darfur region of Sudan. Others are conducting business under licenses issued by the U.S. government. Foreign companies are not subject to the embargo. In the absence of an official list of businesses whose dealings are contrary to U.S. interests, public funds have been left to negotiate this complex legal and business scenario with insufficient federal guidance.

The request of the federal agencies calls for "assistance in identifying those corporations that are supporting terrorism so that we may ensure that we are not inadvertently acting in conflict with the foreign policy and humanitarian goals of the United States, thereby subjecting our members to excessive investment risk." Nappier noted that while private firms have moved to develop such a list, serious questions remain as to the accuracy of those included, and excluded, from the list.

In addition to Connecticut, the institutional investors seeking federal guidance include public employee pension funds in Arkansas, California, Colorado, Hawaii, Iowa, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, New Jersey, New Mexico, New York, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Utah, Wisconsin, and Wyoming.

Connecticut Calls for Full Disclosure by Companies

In addition to urging federal guidance, Connecticut is one of five pension funds moving forward to seek information directly from multi-national firms said to be doing business with or in Sudan. Letters were sent last week to international mega-companies ABB Ltd., Alcatel SA, Royal Dutch/Shell, Siemens and Total, requesting "full disclosure of your business activities in Sudan so that we, as fiduciaries, can accurately assess the risk associated with your activities there and make informed investment decisions."

The request was made by the Connecticut Retirement Plans and Trust Funds (CRPTF), California Public Employees' Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), Illinois State Board of Investment, and New York State Common Retirement Fund, and called for the companies to respond no later than August 12, 2005. In leading this concerted effort to obtain specific information from the five companies, Nappier noted that shareholders can effect change by direct engagement of company management on significant issues.

"I am concerned that, should we divest from companies before engaging management on their business activity in Sudan, we lose the opportunity to influence their actions in a positive way," Nappier said.

The companies were specifically asked to address issues such as subsidiaries that may be involved in business activity in Sudan, current revenue streams or company assets associated with that nation, and capital investments made by the company or its subsidiaries or affiliated businesses. In addition, the businesses were asked to provide information on any fees or taxes paid to the Sudan government, and to outline any actions or policies implemented by the company that are related to the ongoing humanitarian crisis.

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