

Testimony on S. 1474, An Act Relative to Pension Divestment

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Good afternoon. My name is Shelley Alpern and I am Director of Social Research & Advocacy at Trillium Asset Management, a Boston investment firm that manages about \$1 billion for institutional and individual clients. I have submitted a letter signed by my firm and three other Boston investment managers – Boston Common Asset Management, Walden Asset Management and Loring, Wolcott & Coolidge. My testimony reflects the content of this letter.

As you know, S. 1474 would implement the so-called “targeted divestment” strategy, which singles out for scrutiny only a minority (~24) of the 400+ companies doing business in Sudan. These companies are in strategically significant sectors (oil, minerals, power) to the Sudanese government. The bill does not target companies that provide significant humanitarian benefits to the marginalized populace. Furthermore, Massachusetts could opt out of divesting from a particular company if it can demonstrate that divestment was having a negative impact on investment returns. Altogether, this is a tightly conceived piece of legislation that, in our opinion, does not place undue additional risk upon Massachusetts’s long term investment performance.

The humanitarian reasons for divestment, which we have heard the other witnesses speak about today at length, are self-evident. There are, however, other reasons, self-interested ones, which have not been brought forward yet, which the Commonwealth should consider. In contrast to the earlier testimony of Mr. Travaglini from Mass PRIM, we believe that Massachusetts has a fiduciary obligation to evaluate the risks to its portfolio companies as a result of their business ties to the Government of Sudan – legal vulnerabilities and risks to brand and reputation. As Professor Reeves noted in his testimony, the Canadian oil producer Talisman suffered a 35% drop in its stock price due to its association with the Government of Sudan. Another company that was entangled with a repressive regime, Unocal, became entrenched in litigation and eventually paid a substantial settlement due to its involvement with Burmese government. Participating in human rights abuses, even indirectly, is no longer risk-free for companies, and therefore it is no longer risk-free for investors. Investors must take these factors into consideration when constructing stock portfolios.

This crisis challenges all of us who possess any leverage over the Government of Sudan, however small, to use it without further delay. The socially responsible investment community of which we are part typically endorses divestment only as a tool of last resort, preferring to engage with companies to encourage constructive behavior. In fact, you may not be aware that the leaders of the Sudan divestment movement have been actively engaging with companies to enlist them as allies in the fight against this

genocide, instead of enablers. In this situation, which the U.N. has declared “the worst humanitarian disaster in the world today,” the need to place economic pressure on the Government of Sudan is indisputable and urgent. The Sudanese government’s swift and energetic attacks on the international divestment campaign have demonstrated the potential for this strategy to have impact.

Massachusetts should join the increasing number of state and city pension funds, universities (including Harvard and a growing number of other Massachusetts higher education institutions), socially concerned mutual funds and investment firms that are taking action to ensure that they will neither prop up nor benefit from business that empowers the Government of Sudan so long as the genocide continues. By enacting S. 1474, the Commonwealth can help to end the tragic slaughter in Darfur, and set an example for other public and private fiduciaries.