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## **A Different Approach to Divestment**

A little more than a year ago, Harvard University took the unusual step of announcing that it was [selling its holdings in PetroChina Limited](#) because of the company's role in supporting the genocide taking place in the Darfur region of Sudan. A few weeks later, Stanford University announced that for similar reasons [it was selling its shares in four companies](#) — PetroChina and three others, including at least one other (Sinopec) that was still in Harvard's endowment.

In the year since then, many other colleges have followed suit — some adopting broad bans, some just barring investments in a few companies, others adopting new criteria, and others revisiting their decisions. In some cases, colleges adopted policies but didn't actually have investments in the companies covered. And in the case of Harvard — which was widely praised for taking a lead on the issue, and then criticized by activists for holding on to other Sudan-related investments — a second look resulted in [the sale of Sinopec in March](#).

By many measures, the current divestment movement has taken off. Among the other colleges that have adopted policies barring some or all Sudan-related stocks are Amherst, Dartmouth and Williams Colleges; the Universities of California and Washington; and Boston, Brandeis, Brown, Columbia, Princeton and Yale Universities. While it was considered significant when Harvard sold but one stock a year ago, [Amherst barred holdings in 19 companies](#) when it adopted its Sudan policy in January and added a 20th company last month.

This much activity in which social issues influence college endowment policies is unprecedented since the anti-apartheid movement in the 1980s led many colleges to sell holdings in companies with operations in South Africa. "We are seeing a coordinated effort that we haven't had in 15 years," and the Internet has allowed students at different colleges to work closely together to push for changes, said Mark Tulay, director of environmental, social and governance markets for Institutional Shareholder Services, which advises hundreds of colleges and other nonprofit groups on how to respond to social issues related to their endowments.

While many observers — on and off campuses — have been comparing the two movements, both of which were galvanized by students outraged by inhumane treatment in Africa, they are quite different.

In some ways, the current movement is more complicated — most colleges that took action against South Africa adopted blanket bans on investments, after first investing only in companies that followed certain codes of conduct. Colleges generally weren't in the position of making company-by-company judgments, as they are doing today. On the other hand, just about any action involving South Africa resulted in significant juggling of endowment holdings as so many big American companies of the sort that are part of any major investment portfolio had operations

there. The companies that are turning up on Sudan lists tend to be foreign energy companies that aren't necessarily seen as key by endowment managers.

Tulay said that a top issue for his organization today is providing advice on Sudan — a subject that was largely off endowment managers' and trustees' radar screens until students started mobilizing. He said that one of the significant developments is the effectiveness students have had on many campuses in reaching trustees and making strong arguments to them. In the case of South Africa, most of the universities that eventually shed their investments there acted only after years of rejecting student demands to do so.

There is so much interest in Sudan right now that Tulay's company is introducing a new service, starting July 1, that will provide colleges with regular updates on companies and whether they comply with various standards for doing business in Sudan. Tulay's company does not endorse any particular action, but for any college that gives it criteria, will tell it whether various companies comply. There are 152 publicly traded companies operating in Sudan, including some large multinationals. But many of those companies have not been named as divestment targets by most student activists — another factor that Tulay thinks may be winning them support in board rooms.

“I think students are being very thoughtful about educating trustees about which companies are doing good and which are doing harm,” he said.

Based on various criteria, Tulay said that between 22 and 33 companies turn up on lists that are leading some groups to seek to have them barred from college endowments. The fact that different companies have different lists could be a good thing, Tulay said, because companies may feel pressure from some colleges that are selling their holdings and from others that are holding on and pushing for change through “engagement.”

“Each university views it a little differently and I think that's a good idea,” he said. “Once you divest from a company, the opportunity for engaging the company is gone, so by having two means to advance change — one could be divestment and one could be engagement — you may see more change.”

Several dozen companies have left Sudan in the last year, as the divestment movement has grown, he said, and others have contacted his service to make inquiries about colleges' actions. Tulay said that these developments leave him convinced that colleges' actions are being heard by companies, and may well have an influence in Sudan. He said colleges all hope that their Sudan policies become “obsolete” through an end to the genocide.

The student groups that have pushed divestment in the last year plan to step up their activity — and to push for divestment that goes beyond just naming one or two companies.

Daniel Millenson, a rising sophomore at Brandeis, is head of the [Sudan Divestment Task Force](#), one of the national coordinating groups, and is also involved in [Students Taking Action Now: Darfur](#), known by its acronym, STAND. Millenson said that while not all activists agree on which companies should be sanctioned, there is consensus about going after the “20-25 top offenders” and there is no plan to broaden the campaign to cover all companies in Sudan. “I see this as a sophisticated approach. We're not just going after any company that is there,” he said, adding that some companies are doing good things in Sudan.

Millenson said, however, that colleges' policies shouldn't just name a few companies, as there are more than a few that aren't doing good — and are contributing to the genocide. “Some colleges want to seem socially responsible, but not to really do anything,” he said.

One problem with adopting a policy focused on just a few companies is all of the change in the corporate world — with companies changing their policies (for the better or worse), merging, changing names, etc. As a result, Millenson said his group would be pushing colleges to adopt “targeted divestment” policies with criteria for divestment as opposed to lists of companies.

He praised the University of Vermont's policy, adopted last month. The Vermont policy notes that the “primary objective” of endowment management is securing a good return, to support the university. But it goes on to say that “fiscal prudence shall not preclude the university from considering moral, ethical and social criteria” in its decisions. The policy then does not name any companies, but says that the university should sell any holdings and refrain from buying any in companies that are “doing business with or otherwise aiding” the government in Sudan. The university is now reviewing its portfolio and seeking advice from those who monitor corporate activity in Sudan to determine which companies are covered by the policy.

Bonnie Cauthon, controller and associate vice president for finance at Vermont, said that students there put the issue on the agenda. Vermont's trustees have a committee charged with considering ethical issues related to the endowment — so there was a group ready to meet with students and talk about the kinds of issues endowment managers need to consider. Cauthon said that the students listened and came back with a presentation that outlined “a compelling argument” for divestment, which led the trustees to change their policy.

“It's important that you have a forum where these issues can be discussed and vetted,” Cauthon said.

The trustee committee on ethical issues in investments was prompted by the Sudan issue to decide to meet more regularly — not just when a proposal is made — so it can be up to speed on any other issues that come up, Cauthon said. She said that administrators at Vermont feel “pride in our approach,” in that everyone acknowledged the mix of financial and ethical issues involved, and worked quickly to change a policy. “We saw that this isn't something that you can just say you are going to do — it's complex — but you can do something,” she said.

One issue that also continues to come up among colleges is fear that the Sudan movement will lead to other demands for divestment. Tulay said that he is hearing some interest in finding out more about companies' policies on global climate change, but that there is nothing like the activity on Sudan. When colleges have adopted Sudan investment policies — even just selling off one or two companies as Harvard did — they have gone out of their way to discourage anyone from thinking that such events would become common. Harvard's statement about its first Sudan-related sale of stock noted that the university has a “strong institutional presumption against divesting stock for reasons unrelated to investment purposes.”

So far, even as the student activists are making real progress on Sudan, they are paying attention to that institutional perspective.

“We understand the slippery slope argument and that it should be used only rarely,” said Millenson, adding that his organizations are not pushing any other issues. “Genocide meets a threshold that a lot of other things don't.

— [Scott Jaschik](#)

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