

10 May 2011

Today, an internationally diverse group of institutional investors, who are participants of the Sudan Engagement Group (SEG)¹, wishes to express cautious optimism that the Sudanese people can move forward toward peace following the referendum vote.

The vote creates an independent southern Sudan; however, the group warns that risks and challenges remain as the new states of north and south Sudan have not reached safe harbor and peace and human rights are still vulnerable.

“It is very early with much at stake in this region,” said Bill McGrew, Portfolio Manager CalPERS, “Company exposure to this evolving state could pose additional risks to business, local society and our portfolios, and as fiduciaries we want to better understand these risks, including company efforts to acknowledge that they are not neutral actors in conflict-affected countries.”

Companies, especially those within the oil industry, and their shareowners must continue to pay significant attention to the risks, challenges and opportunities of doing business in this historically conflict-affected region of the world. Business activities that support a peaceful operating environment, responsible local stakeholder engagement, and human rights are a priority.

“While we are praising the spirit of dialogue and good neighbourliness taking place in Sudan today, we also remain fully committed to staying engaged with our portfolio companies that continue to operate in this sensitive area,” said Doug Pearce, CEO/CIO, British Columbia Investment Management Corporation, “Shareowners can be instrumental in using our investment capital to be a positive force for human rights, community development and economic growth in Sudan.”

As supporters of the peace agreement and a sustainable future for Sudan, we need to work together to support a peaceful secession process through active company engagement. Since 2008, the SEG has been actively engaging with investee companies operating in Sudan, encouraging them to:

- develop policies and procedures for engagement with investors and be open to discussing concerns outlined within the UN Global Compact – PRI [Guidance on Responsible Business in Conflict-Affected and High-Risk Areas](#).
- communicate more effectively and systematically relevant information on business operations and activities in the country;
- act responsibly in a challenging post-conflict environment;
- recognize their role as a corporate citizen by showing leadership to promote peace and trigger a stable economic, social and political climate;
- promote transparency on oil revenues;

To date, the group has had productive meetings and dialogues with a number of portfolio companies that are committed to operating in a responsible manner in Sudan, including Schlumberger, Total and Petrofac. Investors commend these companies for their

¹ See: <http://www.unpri.org/sudanengagement/index.php>

balanced focus on economic purpose and social development in the region that, in the long run, should lead to greater benefits for all concerned.

“We expect our portfolio companies to be an influence for good where they operate by conducting themselves with propriety and with a view toward responsible corporate conduct,” says Lara Jacob, Senior Engagement Specialist at Robeco Asset Management, “If any improper business practices come into being, companies should move decisively to eliminate such practices and introduce adequate controls to prevent recurrence.”

The group will continue to encourage companies to participate in the sustainable development of all of Sudan, recognizing that the south faces several challenges as it prepares to separate from the north. These challenges include reaching an agreement on oil revenue sharing, determining the status of the disputed Abyei state, and establishing citizenship and property rights of minorities in both countries.

In the short term, companies should commit to:

- supporting post-CPA resolutions between the north and south that forge a lasting peace, address equitable agreements on sharing of wealth, enable sustainable utilisation of oil resources, and promote consultation of the local communities;
- participating in dialogue with the government, investors, communities, and other stakeholders on a sustainable long-term future business environment following southern Sudan’s secession.

In this context, the SEG strongly encourages companies such as CNPC/PetroChina, Sinopec, ONGC, and Petronas to establish and engage in ongoing in-depth, timely, and constructive dialogue with their investors, government, community and their other stakeholders to address risks and opportunities associated with operating in Sudan.

The undersigned investors are all signatories to the United Nations backed Principles for Responsible Investment (PRI). PRI, convened by UNEP FI and the UN Global Compact, is a network of international investors representing approximately US\$25 trillion in assets. PRI signatories work toward integrating six principles [www.unpri.org] into decision-making and ownership practices. Devised by the investment community, the principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfill their fiduciary duty.

APG Asset Management



Aviva Investors



BC Investment Management Corporation



California Public Employees' Retirement System



Hermes Equity Ownership Services



Local Authority Pension Fund Forum



Mn Services



New Zealand Superannuation Fund



PGGM Investments



Robeco



The Co-operative Asset Management



Universities Superannuation Scheme

