



The Office Of State Treasurer  
Denise L. Nappier

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## News

### **PRESS RELEASE**

FOR IMMEDIATE RELEASE

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### **CONNECTICUT STATE TREASURER URGES CATERPILLAR TO AVOID BUSINESS ACTIVITIES IN SUDAN**

HARTFORD, CT – Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$26.3 billion Connecticut Retirement Plans and Trust Funds (“CRPTF”), announced today her support of a shareholder resolution calling on Caterpillar, Inc. to take steps to ensure that its foreign subsidiaries refrain from doing business with the government of Sudan.

Caterpillar is the world’s leading manufacturer of construction and mining equipment, including diesel engines, and industrial gas turbines. The company has been under pressure by a growing number of investors, including Connecticut, to ensure that it has no Sudan business ties.

Treasurer Nappier stated: “While Caterpillar, Inc. may not have offices or employees in Sudan, and may not sell any products directly to the government of Sudan, the fact that its foreign subsidiaries do business there is enough to trigger our concerns over the potential link between their business activities and the Sudanese government. This is especially the case because, as the company admits in its filing, had those sales been made by U.S. divisions they would have been in violation of U.S. law.”

“Since 2006, when Connecticut first took issue with the Sudanese government’s commission of human rights abuses, there continues to be evidence of widespread genocide and other violations. That is why Caterpillar bears an obligation to ensure that its foreign subsidiaries don’t unwittingly abet these abuses, and that its products are not sold to the Sudanese government or its controlled entities,” Treasurer Nappier said.

The Nappier Administration was the architect of Connecticut’s Sudan Law, passed in 2006, in response to the genocide being perpetrated against the people of the Darfur region of that country. Since then, Connecticut has engaged dozens of companies, using its influence where possible to encourage companies to act responsibly and not take actions that promote or enable human rights violations. The Treasurer has determined, for a limited number of companies, that divestment and prohibition of future direct investment was warranted, based upon statutory criteria

The CRPTF has been pursuing engagement with Caterpillar as a member of the Conflict Risk Network (CRN), an association of 80 pension funds, asset management firms, university endowments, foundations and other institutional investors with more than \$6 trillion in assets.

CRN reached out to Caterpillar in 2012, in response to a statement contained in the company's 10-F filing with the U.S. Securities and Exchange Commission, which stated, "[t]he dealers and distributors of Caterpillar's non-US subsidiaries have in some cases sold products to the government of Sudan or entities controlled by it." Since that time CRN has placed the company on its watch list, which means that the company is the subject of ongoing engagement efforts by CRN, and that under some state laws, it may be subject to divestment.

The shareholder resolution was filed by the New York State Common Retirement Fund (Common Fund), which holds 1.7 million company shares valued at \$276.9 million, as of March 15. The Connecticut Retirement Plans and Trust Funds has holdings of nearly \$14.4 million in Caterpillar as of May 13, \$14.3 million in stock and \$158,000 in bonds.

The Common Fund's proposal will be considered by shareholders at Caterpillar's annual meeting on June 12, after the SEC overruled Caterpillar's challenge of the merits of the resolution.

"Companies that refuse to put pressure on the Sudanese government to stop supporting the perpetration of genocide, and who are viewed as engaging in profiteering at the expense of basic human rights, run the risk of becoming incapable of sustaining shareholder value," said Treasurer Nappier. "The State of Connecticut should not condone, or even appear to condone, genocide. That is why the Sudan resolution before Caterpillar is important. The company must have a policy that deals with the fact that it may be inadvertently or otherwise contributing to the humanitarian crisis in Sudan, and take concerted efforts to rid itself of any such connection."

Previously, the Treasurer's Office successfully engaged with Caterpillar regarding compliance with the MacBride Principles governing business activities in Northern Ireland. "We hope for similar results with this shareholder resolution," Treasurer Nappier said.

The Caterpillar resolution cites several risk factors:

- Human rights abuses by the Sudanese government in the country's Darfur region and state sponsorship of international terrorism which have led the U.S. government and other entities to impose sanctions and enact divestment legislation to limit trade and corporate business ties to Sudan;
- Caterpillar admitting to sales in Sudan by its foreign subsidiaries totaling more than \$265.5 million from fiscal year 2008 through the first quarter of fiscal year 2011;
- The company's acknowledgement in filings with the SEC that 'dealers and distributors of Caterpillar's non-U.S. subsidiaries have in some cases sold products to the government of Sudan or entities controlled by it';
- Caterpillar's acknowledgement that such sales would be in violation of U.S. sanctions if conducted directly by the U.S.-based parent company;

- The Conflict Risk Network's adding of the company to its list of 'scrutinized' companies which may subject it to divestment or a prohibition on investment under Sudan divestment legislation enacted by a number of U.S. states and cities.

The resolution calls for a report to shareholders by December 2013 of Caterpillar's progress in implementing steps to ensure that its products not be sold to the Government of Sudan or entities controlled by it.

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