

## Stock market keeps watchful eye on terror

Companies investing in countries regarded by the US as supporting terrorist activity are coming under increasing pressure from pension funds and shareholders. The list of blacklisted countries includes Iraq, Iran, Libya, North Korea, Sudan and Syria. Cuba is also listed as an enemy-state but its lack of weapons of mass destruction is regarded as a mitigating circumstance.

The wrong sort of business operations in these countries could damage a company's share value and corporate reputation, says Roger Robinson, president and chief executive of Washington-based Conflict Securities Advisory Group (CSAG). Mr Robinson's firm has identified and profiled around 370 public corporations that have ties to one or more of the now infamous terrorist-sponsoring governments. Together with the Investor Responsibility Research Centre (IRRC), CSAG has created an Internet accessible database distilling impartial publicly available information on companies doing business in these countries. The Global Security Risk Monitor has an annual subscription price of \$12,500 and already counts the California Public Employees Retirement System and New York's public employee pension funds as clients. In all, some \$1 trillion of funds under management subscribe to the Monitor.

The Monitor was devised following the 9/11 attacks. AS CSAG's Mr Robinson notes: "Prior to September 11th, no institutional investors or fund managers systematically incorporated terrorism and proliferation concerns into their risk assessments and investment policies." That is now changing.

Catherine Sheehy, director of corporate benchmarking at IRRC, says that the activities of the companies in the countries are not illegal, providing no US nationals are involved. But, she adds, the investments are at risk from adverse press attention, law suits, divestment campaigns, official sanctions or losses as a result of war. Headlines such as 'American investors may indirectly fund terrorism' from USA Today and 'States screen stocks for ties to terrorism' from the Los Angeles Times hint at future problems the issue holds for companies.

ExxonMobil, ChevronTexaco and Barwill shipping agency are among a number of companies who recently reached financial settlements with the US Treasury Department on charges on 'trading with the enemy' in violation of sanctions. During three years of bad publicity over its activities in war-torn Sudan, Canada's Talisman Energy stock traded at depressed levels, knocked back the so-called 'Sudan Discount'. Talisman eventually sold its Sudan operations to the Indian state oil company that, as a state-owned entity, is not subject to shareholder pressure. Halliburton, the giant oilfield services outfit previously led by US vice president Dick Cheney and now poised to reap billions of dollars of contracts via the reconstruction of Iraq, has crossed swords with New York City Comptroller (treasurer) William Thompson Jr, who manages the \$95bn worth of pension funds of New York City employees.

In March, the Securities Exchange Commission refused to grant Halliburton absolution in advance, leaving the company to strike a deal with Mr Thompson. A board-level committee is studying Halliburton's Iranian investments while the pension funds have withdrawn the resolutions.

Mr Thompson, who also has his sights set on ConocoPhillips and its relationship with Iran and Syria, is asking the companies to let shareholders vote on whether to review a company's activities in the Iran.

"If we are trying to eradicate terrorism, we must ensure that companies in our portfolio are not using offshore subsidiaries to legally evade United States sanctions against terrorist sponsoring states," says Mr Thompson.

Other business sectors scrutinised by the Global Security Risk Monitor include telecommunications, finance, manufacturing and mining and metals.