

THE SOUTHERN AFRICA TASK FORCE PROXY STATEMENT ON GULF OIL CORPORATION

A Document in Ethics and International Affairs

This proxy statement is furnished in connection with the solicitation of proxies for four proposals that will be presented at the annual meeting of shareholders of the Gulf Oil Corporation (Gulf) to be held on April 27, 1971 in Atlanta, Georgia. The proposals were submitted to the management of Gulf by shareholders Timothy Smith, owner of 5 shares, David W. Robinson, Jr., owner of 200 shares, and Wilbur K. Cox, Jr., owner of 2 shares, acting on behalf of the Southern Africa Task Force of the United Presbyterian Church in the U.S.A. The Task Force was established by the 1969 General Assembly of the United Presbyterian Church in the U.S.A. to co-ordinate the programs and concerns of the church regarding racism, colonialism and apartheid in Southern Africa. . . .

The solicitation of proxies is being conducted by the sponsors of the resolutions and by the Project on Corporate Responsibility, Inc., a non-profit corporation organized under the laws of the District of Columbia. . . .

Purpose of Solicitation. The Task Force on Southern Africa has long had as one of its major concerns the social and political implications of American corporate investment in areas of Africa still under colonial or minority rule. Specifically, the Task Force believes that the presence of the Gulf Oil Corporation as the largest U.S. investor (although not the only international oil company) in Portugal's African colonies contributes directly to the suppression of the aspirations of self-government of the more than 13 million people in these territories. Gulf actively abets the maintenance of the last major colonial empire in several ways:

—Economically: Gulf payments to the Portuguese regime in Angola represent a significant percentage of the Angolan military budget.

—Politically: Gulf oil discoveries constitute an incentive for continued Portuguese occupation.

—Militarily: Gulf oil is an indispensable strategic material to the Portuguese army, whose 130,000 troops forcibly preserve colonialism in Portuguese Africa.

For these reasons, the Task Force solicits proxies for the four resolutions explained and set forth in this proxy statement. The general purpose of these proposals is to make Gulf a more socially responsible

corporation, and specifically to have Gulf withdraw from Portuguese colonial Africa. This withdrawal might involve an economic loss for Gulf and its shareholders. We believe, however, that exploitation of the natural resources of a country for the benefit of others, and the support of colonialism, are socially irresponsible. The Task Force feels a responsibility to try to change such policies. We do not argue that Gulf has been a partner in creating this colonial situation but simply that its present investment helps perpetuate it. . . .

Gulf's Social Responsibility. B. R. Dorsey, the president of Gulf, pointed out in a speech on November 5, 1970 at the Columbia Graduate School of Business that "...business has a responsibility to society that transcends the traditional business purpose of making money. This responsibility is to preserve the natural environment, and to do whatever can be done to enhance the social environment . . . (M)aximum financial gain, the historical number one objective of business, today drops to second place whenever it conflicts with the well-being of society. The first responsibility of business, then, is to operate for the well-being of society."

We believe Mr. Dorsey's words apply to the long range well-being of African inhabitants of Portugal's colonies.

If Gulf Oil Corporation were to sever its ties and withdraw its support from colonially controlled Portuguese Africa it would set a valuable precedent for social responsibility among multinational corporations. Gulf would dramatically display its concern for ridding Africa of colonialism.

The Task Force believes that the shareholders of the Gulf Oil Corporation have a moral obligation to press their Corporation to desist from such involvement regardless of the actions of other international oil companies. The question for each shareholder to answer is whether he wishes *his* Corporation—*his* invested funds—to continue to support the Portuguese colonial regime.

The Task Force therefore proposes the following four resolutions for shareholder consideration:

PROPOSAL #1
*To Establish a Committee to
Examine Gulf Involvement in
Portuguese Africa*

Proxies are solicited in support of the establishment of a committee to study and report on the full implications of Gulf's involvement in Portuguese Africa. The text of the proposal is set forth in the Appendix.

The committee would report to the shareholders the complete details of the relationship between the Corporation and the Portuguese, and the extent of the Corporation's contribution to maintaining Portuguese colonial control. Also, the committee would ascertain the degree to which that involvement may damage the Corporation's reputation nationally and internationally and endanger the shareholders' investment in Gulf when the peoples of Angola gain independence from the Portuguese and consider the confiscation of Gulf's holdings there.

The Task Force believes that Gulf management has failed to take adequate account of the adverse impact of its investment on the process of decolonization of this territory, and has not adequately considered the effect of its Angolan activities on the international goodwill of the Corporation in the non-white nations of the world. The inhabitants of these nations make up two-thirds of the world's population, and hence of its potential petroleum market. Their concern with activities such as those of Gulf, which help maintain colonial oppression of blacks in Africa, is therefore of corporate interest. The Corporation's operations in Angola may also harm its image in the United States, where citizens — particularly the young — are increasingly concerned about corporate activities that may have oppressive effects on human rights and liberties.

In order that the study be thorough and impartial, the committee should be comprised of a broad variety of groups with a definite interest and concern in the current operations and future potential of the Gulf Oil Corporation both in the United States and abroad. Therefore the Task Force proposes that committee membership include, but not be limited to, representatives of the Corporation, the directly affected African independence movement (MPLA of Angola and FRELIMO of Mozambique), the small shareholders, labor, religious organizations and black community organizations.

PROPOSAL #2 *To Provide for Disclosure of Charitable Gifts*

Proxies are solicited in support of an amendment to the By-laws that would require the disclosure of all charitable gifts made by the Corporation in Gulf's annual report. The text of the proposal is set forth in the Appendix.

This proposal would not limit the amount of charitable contributions made by the Corporation, nor would it reduce the discretion of the Board to

make gifts to charitable organizations. It would, however, better enable the shareholders to evaluate the performance of management in discharging its duties to the Corporation and to the shareholders. The Task Force believes simply that shareholders' direct financial investment in the Corporation entitles them to know how their money is used and the results its use is promoting.

The Task Force believes that through its gifts to charities, the Corporation may be supporting various practices with which shareholders may disagree, and to which they should be able to respond in adequate discussion at shareholder meetings. For example, in 1969, Gulf made, and proudly points to, a special contribution of \$70,000 to the Mining Development Fund for the alleged purpose of supplying "technical training" to the people of Angola. This fund is administered from Lisbon by the Portuguese. The benefit of this contribution to native Angolans is therefore open to doubt. The facts should be subject to shareholder scrutiny. Then, if shareholders believe that such contributions help thwart the movement toward independence of the people of Angola, they might wish to recommend that Gulf also make charitable contributions to the medical and welfare programs of independence movements in the Portuguese colonies.

PROPOSAL #3 *To Enlarge the Board of Directors*

Proxies are solicited in support of an amendment to the By-laws which would enlarge the Board of Directors from the present minimum of five to a minimum of 25, would provide that 10 directors need not be shareholders and would give shareholders, rather than Directors, authority to increase the size of the Board. The text of the proposal is set forth in the Appendix.

The activities of a huge multinational corporation such as Gulf affect the lives and interests of millions of people, both in the United States and throughout the world: its employees; the people who live in the states, nations and territories where the corporation operates; the consumers of its products; those who, as merchants and dealers, supply the corporation with its needs and sells its products to others; and the public at large who are affected by the individual and industrial consumption of the corporate product. The Task Force believes that the Board should be broadly representative of the Corporation's diverse constituencies. To achieve this, the Board's size should be increased and non-shareholders should be allowed to serve as Directors.

The Task Force believes, for example, that since Gulf's investment in Angola directly affects the future of millions of Africans, it would be appropriate and in fact highly desirable for a representa-

tive of Angola's major independence movement, MPLA, to sit on the Board. Such a representative would bring to the Board a true reflection of the needs and aspirations of the people of Angola, one that is not presently available to Gulf through its dealings with the Portuguese government.

There is, of course, no certainty that the adoption of this proposal to enlarge the Board would assure a significantly different composition. However it provides an opportunity to achieve this goal.

The Board now has 11 Directors. A Board with a minimum of 25 Directors would not be unusually large for a corporation the size of Gulf. Many such corporations now have boards of 20 or more directors.

The inclusion of non-shareholders on the Board is not an extraordinary proposal. Many corporations do not require that directors be shareholders. Non-shareholders may bring to the Board fresh points of view not influenced by a financial stake in corporate policy.

The Task Force believes that the size of the Board should be determined, not by the Directors themselves, but by the shareholders. The Board makes decisions of vital social significance. For shareholders to have more control over these decisions they should have exclusive control over the number of Directors on the Board. They can increase the number to add Directors who will reflect their views. And the Board would no longer be able to increase or decrease the numbers and thereby frustrate shareholder impact.

PROPOSAL #4

To Amend the Corporation Charter to Exclude Investments in Colonially Ruled Areas

Proxies are solicited in support of an amendment to the Corporate charter which provides that Gulf may not maintain any investment in facilities for the production, refining, or distribution of crude petroleum products in colonial areas such as Mozambique and Angola. Since the 1950's, one of the vital areas of international concern as reflected in United Nations resolutions has been freedom and independence for people under colonial rule.

We have already explained specifically (Purpose of Solicitation) why we believe Gulf operations are an important supporter of the Portuguese colonial system. Since colonialism is declining in the modern world, the adoption of this resolution would not seriously impede the Corporation's exploration activities. The text of the proposal is set forth in the Appendix.

Portugal is the last colonial power in Africa, and publicly declares her intention to keep Angola,

Mozambique, and Guinea Bissau in colonial status indefinitely, despite the desires of their African populations to be independent and the opposition of organizations like the United Nations.

The Task Force believes that a corporation's business activities must reflect fundamental social values.

The Task Force therefore urges that the Corporation wind up all operations in Angola in an orderly manner.

The Task Force will not distribute its proxy statement to all the shareholders of the Corporation since it does not have sufficient funds to do so. The Task Force's proposals, with short supporting statements, will be communicated to all shareholders by inclusion in the Corporation's proxy statement. The Task Force does intend to communicate with such institutional holders of the Corporation's stock as churches and universities, as well as other influential and concerned holders, in advance of any solicitation of proxies through the Corporation's proxy statement, and for those purposes it will deliver its proxy statement to those solicited.



POSTSCRIPT

The four proposals outlined above were placed before Gulf stockholders at the corporation's Annual Meeting in Atlanta on April 27, 1971. Proposals 1 and 2 received 2.5 million votes (or 3 per cent of votes cast). Proposals 3 and 4 received 2 million votes (approximately 2 per cent of votes cast). This is comparable to results achieved by the more highly publicized "Campaign G.M." of 1970.

Authors of the Gulf proxy statement believe that their goal of stimulating debate among members of institutions holding Gulf stock was achieved; in fact, supporters of one or more of the resolutions included 27 Senators and Representatives, the City of San Francisco Retirement System, Wayne State University, the Field Foundation, and the Executive Council of the Episcopal Church.