

Investors Against Genocide

Draw the line at investing in genocide

Presentation at the Fidelity shareholder meetings on April 16, 2008

My name is Eric Cohen, chairperson of Investors Against Genocide. I am here today to introduce the shareholder proposal on genocide-free investing, representing Fidelity shareholders who have submitted this proposal to 8 different Fidelity mutual funds holding shareholder meetings today.

Many would suppose that, today, 63 years after the end of the Holocaust and 14 years after the genocide in Rwanda, no company that values the public trust would attempt to profit from connections to genocide. Looking back, who would support the idea of investing in firms that sought to profit by selling Zyklon-B gas to the Nazis or machetes for the genocide in Rwanda? Looking forward, who wants their savings invested in companies that help fund genocide? Sadly, as we mark the beginning of the 6th year of the genocide in Darfur, Sudan, we see that this problem is neither theoretical nor historical. Fidelity has been one of the largest holders of PetroChina, which, through its closely related parent, China National Petroleum Company, is providing funding that the Government of Sudan uses to conduct genocide in Darfur.

Thus, ordinary individuals, through their investments in Fidelity mutual funds, inadvertently invest in companies funding genocide. Since no policy prevents these investments, holdings in these problem companies may increase or involve additional funds in the future. Mutual fund investors cannot practically avoid investing in genocide, unless the fund makes a commitment to genocide-free investing. Adopting the proposal directly resolves this problem.

Mutual funds are the most common investment vehicle for family savings and retirement plans of Americans. That's why it is so important for mutual funds to commit to genocide-free investing. As SEC Chairman Cox has said, "No investor should ever have to wonder whether his or her investments or retirement savings are indirectly subsidizing a ... genocidal state."

There is no compelling reason to invest in companies funding genocide. No fiduciary responsibility requires such investments. The universe of investment opportunities is replete with options in every sector. There are ample competitive alternatives and flexibility of investment choices, even with index funds. Fidelity's own investment seminars note that investment returns are affected much more by asset allocation choices, than by individual stock selections. So, avoiding a small number of problem companies need not result in any significant effect on performance.

Fidelity's proxy materials accurately summarize the proposal as a "shareholder proposal concerning board oversight procedures to screen out investments in companies that substantially contribute to genocide." Fidelity recommends voting against the proposal. Their statement of opposition to the proposal reflects their consistent position that Fidelity portfolio managers are expected to follow only two fundamental principles – make money and obey the law. They do not attempt to deny the connection between PetroChina and genocide, nor argue that investing in genocide is somehow better. Instead, they simply note that "this proposal would limit investments by the Fund that would be lawful under the laws of the United States." This flexibility to invest in genocide is important to Fidelity, which has, for years, made large investments in companies funding genocide. At the same time as Fidelity insists on retaining its flexibility to invest in genocide, 24 states and 60 colleges made the decision to divest from Sudan; the United States Congress unanimously passed the Sudan Accountability and Divestment Act; and 200,000 people registered complaints against Fidelity for investing in genocide. Recognition of the problem is broad-based and awareness among individual investors is mounting, yet Fidelity insists on retaining its flexibility to invest in genocide. What does this say about Fidelity?

Clearly, a fundamental principle is missing from Fidelity's guiding principles, since even in the face of the most egregious violations of human rights, no ethical guidelines regulate Fidelity portfolio managers' investment choices. Investment managers may worry that they cannot hope to satisfy a varying myriad of social concerns of a broad customer base; ethical investing may mean different things to different people. However, surely there is a minimum standard upon which nearly everyone agrees. We draw the line at investing in genocide. The shareholder proposal on genocide-free investing sets this minimum standard for all mutual funds.

Therefore, be it resolved:

In order to ensure that Fidelity is an ethically managed company that respects the spirit of international law and is a responsible member of society, shareholders request that the Board institute oversight procedures to screen out investments in companies that, in the judgment of the Board, substantially contribute to genocide, patterns of extraordinary and egregious violations of human rights, or crimes against humanity.

Fidelity could have taken a neutral stance on the proposal and let the shareholders decide the policy. Instead they opposed it. Fidelity sought to prevent the proposal from coming to a vote, but its efforts to block the issue failed. Fidelity continues to oppose the proposal, and uses its control of the machinery of proxy balloting to tilt the vote against the proposal.

In spite of these systemic obstacles, Fidelity's opposition will ultimately fail; if not today, then in another shareholder vote in the future. The reason Fidelity will fail is simple. Fidelity's customers do not want their family savings and pension funds invested in companies that help to fund genocide, whether that genocide is occurring today in Darfur or somewhere else in the future. Today's voting is a step forward to the day when Fidelity and other mutual fund companies make a commitment to genocide-free investing. Individual investors who vote their values have the power to make that change come to fruition.