

Investors Against Genocide

Draw the line at investing in genocide

Presentation at the Fidelity shareholder meeting on July 15, 2009

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 submitted it to 13 Fidelity mutual funds.

Many would suppose that, today, 64 years after the end of the Holocaust and 15 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 invest 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, today, more than six years since the beginning of the genocide in Darfur, Sudan, and five years since the genocide was publicly acknowledged by the US Congress, we see that this problem is neither theoretical nor historical. Fidelity, along with most other major financial institutions, still invests in the small set of problem companies that fund the regime in Khartoum.

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 Fidelity, one of the largest mutual fund companies in the country and the world, to commit to genocide-free investing.

Therefore be it resolved: Shareholders request that the Board institute procedures to prevent holding investments in companies that, in the judgment of the Board, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights.

There is no compelling reason to invest in companies funding genocide. No fiduciary responsibility requires such investments, even with funds that track to an index. 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.

The proposal specifically references PetroChina, because PetroChina is widely recognized as the most complicit in the Darfur genocide.

Fidelity's 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. It does not attempt to deny the connection between PetroChina and genocide, nor argue that investing in genocide is somehow better. Instead, it simply notes that "this proposal would limit investments by the Fund that would be lawful under the laws of the United States."

One wonders how flexibility to invest in genocide could possibly be important to Fidelity. Nonetheless, the cold facts are that Fidelity has, for years, made large investments in PetroChina and other companies helping to fund the genocide in Darfur.

While Fidelity insists on retaining its flexibility to invest in genocide, recognition of the problem of investing in companies complicit in genocide is broad-based and awareness among individual investors is mounting. The US Congress passed the Sudan Accountability and Divestment Act by unanimous vote. Last year, both the Republican and Democratic candidates for president took personal action to ensure their savings were not invested in these problem companies and both spoke powerfully against investments that contribute to genocide. Fidelity is out of touch with America's broad political support to avoid investing in genocide.

Americans are overwhelmingly opposed to being financially connected to genocide. In KRC Research's 2007 study, 71% of respondents said companies should take extreme cases of human rights abuses, such as genocide, into account rather than base investment decisions solely on economic criteria. In that same study, 77% said they would switch to a different investment company if they learned that those managing their funds had significant

investments in firms that were active in Sudan. Every one of the 27 states, 61 colleges, and mutual funds that has taken action on Sudan has targeted PetroChina. Fidelity is out of touch with the American people.

Clearly, a fundamental principle is missing from Fidelity's guiding principles, since, even in the face of the ultimate crime against humanity, no ethical guidelines regulate Fidelity portfolio managers' investment choices. 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.

Last year, Fidelity shareholders had opportunities to vote on this proposal at 21 Fidelity funds, totaling \$402 billion in net assets. This year, Fidelity shareholders have opportunities to vote on this proposal at 13 more Fidelity funds, with net assets of another \$216 billion. Last year, some two million shareholders of record voted FOR the proposal, despite Fidelity's active opposition. This year, while Fidelity again insists on retaining its flexibility to invest in genocide, how many more Fidelity shareholders will reject Fidelity's amoral guidance? How much larger would the vote be if more ordinary investors noticed the ballot measure and took the opportunity to vote, rather than discarding their proxy materials, which, as we all know, is common practice?

At shareholder meetings last year, Fidelity's Trustees repeatedly said that the Board was listening carefully and wanted to learn what their customers thought about this issue. So, we repeatedly asked Fidelity to take a neutral position on the proposal so that the voting results would give a better indication of the voice of Fidelity's customers. A year later, Fidelity has chosen, once again, to oppose the proposal, knowing that active opposition would skew the results of the vote, and hoping that the skewed results would not result in a strong message from shareholders. Make no mistake about interpreting the results of the voting today. Millions of people have already voted for genocide-free investing, and huge numbers of Fidelity customers will do so today. Fidelity has decided it does not want to know the strength of the voice of its customers.

I ask Fidelity to consider its business perspective as a trillion dollar asset manager. Customers who notice the shareholder proposal on genocide-free investing are typically angry with Fidelity for opposing it and eager to vote for the proposal, whether or not they have shares in the few funds that can vote on the proposal. Note that your customers have an increasing number of readily available alternatives to investing with Fidelity. Customers can choose from a large number of relatively small SRIs, socially responsible investment firms, such as Domini Social Investments, Calvert, Trillium and Walden Asset Management. In addition, TIAA-CREF, a giant financial services firm, has adopted strong policies to draw the line at investing in companies that contribute to genocide. What is the future of Fidelity's hopes for a leadership position in an increasingly competitive market, when Fidelity is alienating its customers by the millions? What is the cost of Fidelity being out of touch with its customers?

Fidelity's opposition will ultimately fail, if not today, then in a future shareholder vote. 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 another 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.

Fidelity Trustees, it is never too late to do the right thing. If you embrace genocide-free investing, rather than actively opposing it, then you will reap the benefits of being a leader among the major mutual funds. By drawing the line at investing in genocide, you will set a new standard for the world's mutual funds that your competitors will either meet or suffer from losing customers to you. So I ask you again today to reconsider and make a commitment to genocide-free investing. I ask you to get back in touch with the values of your customers who do not want their savings to support genocide, today in Darfur or anywhere in the future.