

Investors Against Genocide

Draw the line at investing in genocide

Presentation at the Fidelity shareholder meeting on August 14, 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 voting in 2009 and 21 funds that voted in 2008.

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 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." Simply put, Fidelity insists on retaining its flexibility to invest in genocide, and continues to make large investments in PetroChina and other companies helping to fund the genocide in Darfur. 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.

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, and every year there is a vote on the proposal, millions more Fidelity shareholders will reject Fidelity's amoral guidance. How many customers is Fidelity prepared to alienate while protecting its flexibility to invest in genocide? How many million disaffected customers will it take before Fidelity decides that it is one million too many?

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. Even if the controlling interests at Fidelity refuse to recognize it, surely the Independent Trustees can appreciate that policies that make large numbers of customers unhappy are a poor business choice. 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?

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. 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.