

Testimony of Bennett Freeman

Senior Vice President, Social Research and Policy, Calvert Group

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Thank you, Mr. Chairman, for the privilege to testify on behalf of the Calvert Group Ltd.¹ at this important and timely hearing on divestment and other tools that can contribute to ending the killing and the humanitarian crisis in Darfur.

I am Senior Vice President for Social Research and Policy at Calvert, a leading family of socially responsible mutual funds that supports the current targeted divestment movement. My testimony will also draw on my perspective from having served as Deputy Assistant Secretary of State for Democracy, Human Rights and Labor under Secretary Albright in the Clinton Administration.

Calvert has always operated on the principle that investment can be a positive force in the world. Application of Calvert's human rights and Indigenous Peoples' Rights criteria ensure that our socially responsible mutual funds have no investments in companies that contribute materially to maintaining the Sudanese government in power. Calvert has sharpened its focus on Sudan as the crisis in Darfur continued and as the Sudanese government resisted deployment of a United Nations peacekeeping force. As a SRI firm

¹ Based in Bethesda, MD, Calvert has the largest family of socially responsible mutual funds in the United States, with a total of 42 mutual fund portfolios and more than \$15 billion in assets under management, and over 400,000 investors.

with a long history of shareholder advocacy and a strong commitment to human rights, we wanted to make an even more tangible contribution.

Our involvement in the campaign to end apartheid in South Africa made us familiar with the positive impact that divestment can make. The Calvert Social Investment Fund was the first U.S.-based mutual fund to prohibit investment in companies operating in apartheid South Africa. In the last two years, we have been struck by the growing and potential further impact of the Sudan divestment movement, the most significant to have emerged since that directed at apartheid. Calvert resolved to make the most appropriate contribution we could--above and beyond ensuring that our own funds do not invest in companies materially involved in Sudan--by offering support consistent with our mission and capabilities.

At the beginning of 2007, Calvert formed a partnership with the Sudan Divestment Task Force (SDTF) and the Save Darfur Coalition (SDC). Calvert is proud to lend analytical and advocacy support to these two groups, especially at a time when their work gains even greater momentum and urgency. Calvert fully supports the approach of the Task Force and the Coalition to engage with companies where possible, and divest only when necessary. Targeted divestment focuses on a narrow group of companies, mostly in the oil and infrastructure sectors, that contribute disproportionately to the government of Sudan's revenue base and in turn help facilitate its actions in Darfur.

It is well known that among those targeted for divestment are several major Chinese oil companies that have established a significant presence in Sudan and elsewhere in Africa. While the divestment movement is focused entirely on ending the current crisis in Darfur, it can also exert a longer-term positive influence by calling attention to the human

rights responsibilities those companies must share together with the Chinese government as they extend their global reach. Indeed, the Sudan divestment movement may be a watershed opportunity to engage Chinese companies and the Chinese government on exactly these responsibilities in ways that can encourage them to operate consistent with international human rights standards around the world.

Nonetheless, as we pursue divestment, particular care must be taken to ensure that the legitimate humanitarian needs of the Sudanese people are not harmed. Essential goods and services will continue flowing through the traditional sources that provide aid in Sudan. An example of a company that continues to conduct limited operations in Sudan but is not subject to targeted divestment is 3M Company (MMM), which sells its Scotchshield Safety and Security Window Film to help protect the vehicles of UN aid workers in Sudan. Likewise, food, beverage and pharmaceutical companies are not targeted since their goods and services are critical to the people of Sudan, whether in Darfur or elsewhere.

With this appropriately sharp focus, the divestment movement has already been making a positive impact both in terms of company decisions and the reactions of the government of Sudan. When the Canadian oil company Talisman withdrew from Sudan in 2002 in the face of divestment pressure, other oil companies followed. Soon thereafter, the Khartoum regime entered into negotiations that finally ended the country's 21-year civil war. In 2006, the Sudanese Embassy in the United States spoke out against divestment. A subsequent public relations campaign included a six-page ad in the New York Times promoting Sudan as "a peaceful country" warranting business. These and similar activities indicate the Sudanese government is taking the growing pressure for divestment seriously.

That pressure was increased in January 2007 when two of the world's largest multinationals -- ABB Ltd. and Siemens AG -- announced their intentions to suspend operations in Sudan, apart from those operations consistent with the principles of the United Nations Global Compact. ABB's decision in particular was the outcome of intensive engagement on the part of SDTF and others. ABB had been involved in building Sudan's Merowe Dam and provided support to oil consortiums operating in the country. ABB's suspension of such operations shows that the multi-faceted targeted divestment approach can influence companies to halt activities that support the Khartoum regime.

We believe that major institutional investors and asset managers should review their portfolios to determine whether holdings in any companies which are on SDTF's targeted divestment list are included. If they find that they do hold such companies, they should probe the specific nature of these companies' operations and links to the government in Sudan. They should then make a judgment as to whether the companies' continued presence exacerbates the situation in Darfur, or can instead be focused in ways that mitigate the humanitarian crisis. If the companies' impact cannot be mitigated, divestment may then be appropriate.

It is important to note that of the 500-plus companies operating in Sudan, only 24 are currently targeted for engagement and divestment by the Sudan Divestment Task Force model. The narrow focus of the targeted divestment movement's objectives should allay concerns related to the ability of an institutional investment manager to construct a well-diversified portfolio and thus meet their fundamental fiduciary responsibility. The situation in Sudan is unique in that the 24 targeted companies provide such a

disproportionate level of support to the regime in Khartoum that investor focus on this narrow set can maintain calibrated pressure that will continue to focus the government's attention. It is also important to note that the targeted approach to divestment is uniquely structured to contain clear sunset provisions so that when the genocide ends in Darfur, so does the basis for divestment.

Mr. Chairman, let me emphasize that the dynamic interplay of divestment and engagement can achieve positive results without compromising the fiduciary responsibilities of money managers. The view that fiduciary duty is consistent with consideration of environmental, social, and governance (ESG) factors in investment decision making is supported by a 2005 report published by the major global law firm Freshfields Bruckhaus Deringer, on behalf of the United Nations. The report found that fiduciaries in nine countries, including the United States, have the flexibility to consider ESG issues under the modern prudent investor rule.

Calvert is under no illusion that divestment alone can end the killing and suffering in Darfur. Diplomatic and other forms of political pressure are essential, and the recent vote by the UN Security Council to deploy a peacekeeping force in Sudan reflects the growing consensus in the international community that direct action must be taken to avert further genocide. Diplomacy often requires delicate considerations and difficult trade-offs, not least with respect to matters of timing in particular. As apparent progress is finally being made towards deployment of UN peacekeeping forces in Darfur, now is the time to reinforce -- not diminish -- the pressure on Khartoum.

Targeted divestment is a well-crafted, well-timed tool that combines economic with political pressure. At the same time, it enables citizens and governments at all levels,

together with corporations and their investors, to make a vital difference. Moreover, it is the right of investors to ensure that their investments do not support genocide and do support peace and security in Sudan.

Investment decisions matter, and what matters most now is bringing the conflict and abuses to an end by using all the tools at our disposal to save the people of Darfur.

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