

# Investors Against Genocide

Draw the line at investing in genocide

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Susan Morgan – 617-797-0451

## VANGUARD ANNOUNCES PROCEDURES TO AVOID INVESTMENTS IN COMPANIES COMPLICIT IN HUMAN RIGHTS ABUSES

**New procedures are “substantially identical” to Investors Against Genocide’s shareholder action**

Boston, MA – March 11, 2009 – Investors Against Genocide welcomes Vanguard’s SEC filing yesterday of preliminary proxy materials for its shareholder meeting on July 2, 2009, referencing a new, corporate-wide policy regarding investments in companies connected with crimes against humanity.

The filing also included the “genocide-free investing” proposal for voting by 30 Vanguard funds. These proposals are part of the campaign coordinated by Investors Against Genocide, a non-profit organization to convince mutual fund and other investment firms to change their investing strategy so as to avoid complicity in genocide.

According to Vanguard’s [filing](#), this new policy “applies to all 157 funds and is substantially identical to the shareholder proposal submitted for 30 funds.” The filing noted that the Vanguard funds’ “trustees directed Vanguard to implement a formal procedure for regular reporting to the trustees on portfolio companies whose direct involvement in crimes against humanity or patterns of egregious abuses of human rights would warrant engagement or potential divestment.”

“We welcome the Board’s decision to evaluate and address investments in companies that substantially contribute to genocide or other crimes against humanity, the world’s most egregious violations of human rights,” states Eric Cohen, chairperson of Investors Against Genocide. “This action by the Board of Trustees of Vanguard is a clear affirmation that fiduciary responsibility and ethical responsibility are not mutually exclusive.”

The shareholder proposals submitted for 30 funds are part of a broad campaign of shareholder action coordinated by Investors Against Genocide. The shareholder proposal asks the fund’s Board to “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.”

In Vanguard’s SEC filing, the company asks its shareholders to “vote against the proposal because it calls for procedures that duplicate existing practices and procedures of the Vanguard funds.”

By applying its new policy to all its funds, Vanguard is demonstrating the feasibility of divesting not only from actively managed funds, but also from funds that track an index. Managers of funds that oppose genocide-free investing have sometimes cited index funds as a reason that they are unable to take action. Vanguard’s action demonstrates that both actively and passively managed funds may be structured to avoid complicity in genocide.

Cohen noted that one of the first concrete demonstrations of Vanguard’s new policy may be in the filing expected on March 31 showing the holdings of Vanguard’s Emerging Markets Stock Index Fund. The most recent available SEC filing for this fund shows it owning 149,630,899 shares of PetroChina. “If Vanguard’s Emerging Markets Stock Index Fund shows a significant reduction in its holdings of PetroChina, then we will have a clear signal that Vanguard’s Trustees are serious about not connecting their customers with the genocide in Darfur.”

Over the next month, Investors Against Genocide will be in discussions with Vanguard about whether the shareholder proposals for “genocide-free investing” will be withdrawn from the proxy statement in light of this new development. According to Cohen, PetroChina is a good test case because it is widely considered the worst of the companies that provide the funds the Government of Sudan needs to carry on the genocide in Darfur.

The proposal raises the issue of the fundamental management responsibilities of financial institutions and whether shareholders should be able to expect mainstream funds to be genocide-free. The public's interest in this expectation was highlighted by a 2007 study by KRC Research, in which 71% of respondents said companies should take into account extreme cases of human rights abuses, such as genocide, when investing overseas, rather than base their investment decisions on economic criteria only.

Public recognition of the problem of investing in genocide has grown over the last two years, along with support for avoiding such investments.

The House and Senate unanimously passed the [Sudan Accountability and Divestment Act](#), signed by President Bush in December 2007.

In the spring of 2008, shareholder proposals at [21 Fidelity mutual funds](#) asked those funds to make a commitment to be genocide-free. Despite Fidelity's [active opposition](#), the proposals received an unusually high level of voter support, [ranging](#) from 20% to 31%, surprising the mutual fund industry.

By July 2008, 27 states and at least 61 colleges and universities had decided to [divest from Sudan](#).

During the presidential campaign, John and [Cindy McCain](#), [Barack Obama](#), [Sarah Palin](#), Rudy Guiliani, John Edwards, and Sam Brownback sold their mutual funds that held substantial amounts of stock in one or more of the problematic oil companies.

In September 2008, the Congressional Human Rights Caucus held a [briefing](#) on genocide-free investing focusing on the problem of US financial institutions making large investments in genocide. Plans are underway for [formal Congressional committee hearings](#) on genocide-free investing in 2009.

Many US investment firms have large holdings of shares in PetroChina, a Chinese oil company that is one of the worst offenders among companies helping to fund the genocide in the Darfur region of Sudan. Some of the largest holders of PetroChina include the well-known and widely held mutual fund firms Franklin Templeton, American Funds, Fidelity, and Vanguard. An increasing number of colleges, universities, and states have taken action to divest from companies that help fund the genocide in Darfur. Thousands of individuals have joined this movement and divested their personal savings from investment firms, like Fidelity, that own shares in such companies.

Hundreds of thousands have been killed and 2.5 million have been driven from their homes, in Darfur. This humanitarian crisis has been labeled by the US government as the first genocide of the 21st century. The government of Sudan has continued to pursue genocide in Darfur for nearly five years, using as much as 70% of its oil revenue to provide arms and funding for the genocide, rather than economic development for the poor people of Sudan. Although federal law prevents most US companies from operating in Sudan, American financial institutions, notably mutual fund companies, are major investors in the Chinese, Indian, and Malaysian oil companies involved in Sudan which are helping to fund this genocide. As a result, ordinary investors, through their mutual funds, family savings, and pension plans entrusted to these financial institutions are inadvertently investing in genocide.

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**Investors Against Genocide** is a non-profit organization dedicated to convincing mutual fund and other investment firms to change their investing strategy so as to avoid complicity in genocide. The organization works with individuals, companies, organizations, financial institutions, the press, and government agencies to build awareness and to create financial, public relations, and regulatory pressure for investment firms to change. The ultimate goals are that the Government of Sudan ends its deadly genocide in Darfur and that investment firms avoid investing in genocide. For more information, visit [www.investorsagainstgenocide.org](http://www.investorsagainstgenocide.org).