

Investors Against Genocide

Draw the line at investing in genocide

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GENOCIDE-FREE INVESTING PROPOSAL ON BALLOT AT 30 VANGUARD FUNDS

First Vanguard proxies since 2002 to be mailed this week giving millions of Vanguard customers the opportunity to vote "FOR" a policy to avoid investing in genocide

Boston, MA – April 13, 2009 – Due to a shareholder action coordinated by [Investors Against Genocide](#), millions of Vanguard customers will soon have the opportunity to vote on whether or not they want their personal savings to be invested by Vanguard in companies that substantially contribute to genocide or crimes against humanity. This special shareholder meeting provides the first opportunity for Vanguard shareholders to vote their proxies since the meeting on December 3, 2002.

On April 9, Vanguard's [SEC filing](#) confirmed that the genocide-free investing proposal will be on the proxy ballot to be mailed the week of April 13 to shareholders of record of [30 of its funds](#). The filing states the combined net assets of those funds as \$597 billion, more than half of all Vanguard's mutual fund assets.

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." The submissions at Vanguard are part of a broad campaign of shareholder action coordinated by Investors Against Genocide. The proposal is also expected to be on the ballot in early August for The Investment Company of America, a \$53 billion fund, from American Funds, with more than 4 million shareholders.

"We urge Vanguard customers to check their mail and email for these proxy materials which provide an opportunity to vote for the proposal to avoid investments in genocide," states Eric Cohen, chairperson of Investors Against Genocide. "This vote is particularly unusual, because Vanguard customers have not had an opportunity to vote in nearly seven years, and also because the genocide-free investing proposal is the first shareholder proposal to make it onto the proxy ballot at Vanguard. We hope that shareholders of the 30 funds will carefully read question three on their proxy ballots and vote according to their conscience on this important issue."

The shareholder proposal for genocide-free investing raises the issue of the fundamental management responsibilities of financial institutions and whether shareholders should be able to expect mainstream funds to avoid investing in companies contributing to genocide. 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. Reflecting the broad public support against investing in genocide, both Houses of Congress unanimously passed the Sudan Accountability and Divestment Act passed, signed into law by President Bush on December 31, 2007, which provided explicit support for

fiduciaries to divest from Sudan.

In Vanguard's SEC filing yesterday, 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." According to Vanguard's SEC [filing](#), the company has adopted a new policy which "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."

However in contrast to its stated policy, Vanguard's SEC [filing](#) on March 31 showed that, in its most recent quarter, the company increased its holdings of PetroChina (NYSE: PTR) and the other large oil industry partners of the government of Sudan which help fund the genocide in Darfur. Vanguard has so far declined to make public the policy adopted by its funds' Board of Trustees, the names of companies about which it has concerns, or how it intends to implement the policy with problem companies.

"Vanguard has failed this first public test of its recently announced policy which seemed to call for action against investments in companies involved in crimes against humanity or patterns of egregious abuses of human rights," states Cohen. "Further, Vanguard has offered no explanation for its choice to buy more stock in these companies. For the millions of Americans who are Vanguard customers and do not want their savings or pension funds connected to genocide, Vanguard provides no reassurance – purchasing more stock in problem companies, no evidence of positive action, and no transparency about Vanguard's approach."

Vanguard's lack of transparency stands in stark contrast to the recent, clear, public statements by TIAA-CREF to take strong action against PetroChina, and the other problem companies, and the public action by 27 states and 61 colleges and universities that have divested from PetroChina because of its complicity in Sudan.

On March 26, TIAA-CREF [announced its decision](#) to vigorously engage PetroChina and other problem companies partnering with the Government of Sudan and to divest from those companies if they continue to substantially contribute to genocide or crimes against humanity. TIAA-CREF's policy applies to the ongoing genocide in Darfur, Sudan as well as to future genocides. This policy at TIAA-CREF is a clear victory for the cause of genocide-free investing.

As a result of this significant commitment from TIAA-CREF, Investors Against Genocide withdrew its shareholder proposal from the proxy ballot for TIAA-CREF's July shareholders' meeting.

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.

During the presidential campaign, John and [Cindy McCain](#), [Barack Obama](#), [Sarah Palin](#), John Edwards, Rudy Giuliani 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. 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 2.7 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.