

# Investors Against Genocide

Draw the line at investing in genocide

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## **VANGUARD SHAREHOLDERS VOTE ON GENOCIDE-FREE INVESTING PROPOSAL** *Voters misled by Vanguard's statement of opposition says IAG's Cohen*

Boston, MA – July 2, 2009 - At today's Vanguard shareholders meeting, results were announced on votes cast by millions of Vanguard customers on adopting a policy to prevent Vanguard from investing their savings in companies that substantially contribute to genocide or crimes against humanity. Ballot question 3 asked 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. For the 21 Vanguard funds reporting results, affirmative votes ranged between 7 and 17%.

Results at the Vanguard meeting were significantly lower than the vote last spring at Fidelity. Despite Fidelity's [active opposition](#), the proposals there received a much higher level of voter support, [ranging](#) from 20% to 31%.

"Favorable votes today are unnaturally low, because Vanguard's active opposition and misleading statement of opposition tilted the vote against the proposal," said Eric Cohen, Chairperson of Investors Against Genocide. "If Vanguard wanted a good test of shareholder support, it would have taken a neutral stance, rather than seeking to obscure the interests of shareholders, especially since, as we all know, it is common practice for ordinary investors to ignore and discard their proxy materials."

In Vanguard's [proxy](#) materials, the company asked its shareholders to vote against the proposal because it calls for procedures that "duplicate" existing practices and is "substantially identical" to existing procedures of the Vanguard funds. However, Vanguard has not released the text of a Board policy, beyond the statement of opposition that details how Vanguard will avoid holdings that are tied to genocide or crimes against humanity, and Vanguard's quarterly holdings reports showed that it continues to hold and purchase additional shares of PetroChina and other oil companies tied to the genocide in Darfur, Sudan.

At the meeting, concerned individuals, including two men from Darfur, repeatedly asked John Brennan, Vanguard's Chairman of the Board, for an explanation regarding Vanguard's decision to hold PetroChina in spite of its clear ties to the genocide in Darfur. Mr. Brennan declined to answer the question directly stating only that "it was the judgment of the Board."

"This lack of candor and transparency as well as Vanguard's continued investments in companies which help to fund the genocide in Darfur contrast directly with Vanguard's published 'pledge to clients' to 'communicate candidly' and to 'adhere to the highest standards of ethical behavior and fiduciary responsibility,'" said Cohen.

In his [prepared remarks](#) at the shareholder meeting, Eric Cohen, chairperson of Investors Against Genocide, states, "Many shareholders, whose votes will be recorded today, read

Vanguard's statement and believed that the issue raised in the proposal no longer applied. Those shareholders have been misled by Vanguard."

Cohen continues:

"A careful reading of Vanguard's statement of opposition reveals substantial differences between the supposedly duplicate procedures. Vanguard says it implemented a "formal procedure for regular *reporting* to the Trustees" on problem companies, but it does not say anything about the procedure the Trustees will apply once they have the report. It specifies no criteria that the Trustees will use for judging companies that are reported to them. In contrast, the shareholder proposal explicitly sets the standard to be companies that 'substantially contribute' to genocide or crimes against humanity.

There is no requirement in Vanguard's statement for the Trustees to review or act after receiving the report submitted to them. The shareholder proposal requires proactive attention to prevent acquiring problem companies and requires corrective action if they are already in the portfolio. Vanguard has made no commitment to taking any such action. Rather, Vanguard's Plain Talk About Proxy Proposal 3 web page says that 'the trustees have determined that no companies have warranted divestment.' Even worse, Vanguard's quarterly report of its holdings, after filing its proxy materials, showed that Vanguard had increased its holdings in PetroChina and the other worst offenders complicit in Sudan: Petronas, ONGC and Sinopec."

Since early April, Investors Against Genocide attempted to engage in dialog with Vanguard in the hopes that the company would offer its customers the necessary information to properly evaluate whether the shareholder proposal and Vanguard's policy are indeed duplicative. However, the company rebuffed the group's attempts at dialog.

Since the proxy materials were mailed, Investors Against Genocide was contacted by shareholders who indicated that they could not understand how a company could claim that its policy was "substantially identical" while failing to outline its criteria for divestment to shareholders. Nancy Prindle of Delaware, Ohio, wrote to Vanguard:

"As a Vanguard investor, it is vitally important to me that the company have a transparent genocide-free investment policy. This morning when I spoke by telephone with your representative, he assured me that Vanguard already has such a policy so that item #3 on the proxy ballot is not needed. When I asked where I might read that policy, he told me it was a board policy and not for customer reading. This makes no sense to me."

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 and signed into law by

President Bush on December 31, 2007, which provided explicit support for fiduciaries to divest from Sudan.

Vanguard's lack of transparency stands in stark contrast to the recent, clear, public statements by TIAA-CREF to take strong action against problem companies, and the public action by 27 states and 61 colleges and universities that have divested from targeted companies with ties to the Sudanese government..

On March 26, TIAA-CREF [announced its decision](#) to vigorously engage 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 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.

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](http://www.investorsagainstgenocide.org).