

Sustainability Risk

Darfur Activists Protest Vanguard's Proxy Filing

As **Vanguard Group's** proxy ballots for 30 of its mutual funds began appearing in shareholders' mailboxes, **Investors Against Genocide** on April 19 accused the U.S. money manager of making "false and misleading statements" in opposing the activist group's shareholder proposal.

The resolution asks the company to avoid investments in companies deemed to substantially contribute to crimes against humanity, such as the atrocities in Sudan's Darfur region. The letter from the Boston-based activist group to Vanguard suggests its mutual fund investors may be easily confused by "the impressive sounding assertion of 'fact' provided" about its policy toward such investments in Vanguard's proxy statement.

In early March, Vanguard announced that its board had asked for reporting on "companies whose direct involvement in crimes against humanity or patterns of egregious abuses of human rights would warrant engagement or potential divestment," calling its policy in this area "substantially identical" to the proposal from Investors Against Genocide. However, when Vanguard recently released its list of shareholdings as of Jan. 31 to the **Securities and Exchange Commission**, its ownership was found to have increased in genocide-related "problem company" stocks, including **PetroChina**, which has been targeted by activists over its investments and oil exploration in Sudan. Vanguard's PetroChina stake rose to 189 million shares, valued at \$140 million, in the latest disclosure period, up from 177 million shares worth \$134 million, according to the filing. Overall, Vanguard reported holding \$303 million in companies associated with the controversial Sudanese regime during the same period.

In the letter to Vanguard, Investors Against Genocide reiterated its desire to have a dialogue with the fund company's trustees and officers, and suggested the shareholders would take their complaint to the SEC before the mutual funds' July 2 meeting if a revision of the investment policy and opposition statement in the proxy isn't made. Vanguard hasn't made public the genocide-free investing policy that the firm now calls "substantially similar" to Investors Against Genocide's, despite customer requests to review it, according to a spokesman for the shareholders. Vanguard representatives have sent the activist shareholders three letters in response to their complaint last month, but the money manager hasn't adequately addressed concerns raised, Eric Cohen, the chairman of Investors Against Genocide, told RiskMetrics on May 6. --Jane Meacham

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