

Presenting the genocide-free investing proposal at the Franklin Resources shareholder meeting on March 12, 2014

My name is Stephen McNeil, Wage Peace Director for the American Friends Service Committee's West Region and a supporter of Investors Against Genocide. I am presenting the shareholder proposal that asks Franklin Resources to avoid investments substantially contributing to genocide.

Many would suppose that 99 years after the beginning of the Armenian genocide, 69 years after the end of the Holocaust, 20 years after the genocide in Rwanda, and 11 years since the start of genocide in Darfur, companies that value the public trust would avoid connections to genocide.

Sadly, according to its February 2013 SEC filing,¹ Franklin Resources owned 7% of PetroChina, the publicly traded arm of CNPC, which is widely recognized as substantially contributing to genocide in Sudan. Its February 2014 SEC filing² showed that Franklin Resources still owns more than \$700 million dollars of PetroChina. As a result, ordinary individuals investing with Franklin Resources or its funds may inadvertently invest in companies funding genocide.

There is no compelling reason for these investments. No fiduciary responsibility requires them and avoiding the very small number of problem companies need not affect financial returns. However, adopting the proposal would go a long way toward establishing that Franklin Resources cares about its social responsibilities. Reasonable people may disagree on the definition of “socially responsible” or “ethical investing” but few would knowingly invest in companies complicit in genocide.

It is difficult to understand the fund's opposition to this proposal, since it is consistent with the stated values of the company. Franklin Resources proudly states³ on its website, “we believe that being a good corporate citizen is good business.” It notes that the name of the firm was inspired by the ideas of Ben Franklin and quotes the Franklin motto, “Do well by doing good.”⁴ It states, “integrity, trust and responsibility are essential to our continued success as a premier global investment management organization.”⁵ It states, “We recognize that human rights, environmental, social and governance issues have the potential to affect the performance of an investment and, therefore, believe that consideration of these issues should be incorporated into mainstream investment analysis and decision-making processes.”⁶

In May of 2013, Franklin Templeton signed⁷ on to the United Nations Principles for Responsible Investing (UN PRI) which requires that it “incorporate ESG issues into investment analysis and decision-making processes” and “better align investors with broader objectives of society.” How does the company reconcile these commitments with its investments in PetroChina?

We agree with the company's stated values, which is why we believe that Franklin Resources should make an effort to avoid investments connected to genocide and crimes against humanity. If T. Rowe Price, TIAA-CREF, American Funds, 30 states and 61 colleges can all take steps to avoid investments tied to genocide, why can't Franklin Resources?

Moreover, as accountability for complicity in international law violations increase, the Board should consider the impact to its brand and exposure to the moral and potential legal liability by continuing to be one of the largest U.S. investors in PetroChina, even though there is widespread recognition that such investments support gross human rights violations. The U.S. Securities and Exchange Commission is reported to be considering action against PetroChina for violating U.S. sanctions in Iran and Sudan.⁸ Is this the sort of business with which Franklin Resources wants to be associated?

Franklin Resources' recommendation against the proposal⁹ states that “fostering economic and business development through investment can often help in achieving reforms.” In some cases, that statement would be correct. However, it is inappropriate and certainly does not apply to the genocidal regime in Sudan that has resisted international condemnation for eleven years and continues its genocide and crimes against humanity against its own people in Darfur and, for the last three years, has been perpetrating the same crimes against the people in the Nuba Mountains and Blue Nile states.

Since 1997, U.S. sanctions have prohibited American companies from doing business with Sudan's oil industry,

because Sudan's oil industry provides funding that the government uses to commit mass atrocities. Seventeen years later, how can Franklin Resources believe that investing 700 million dollars in PetroChina helps the people of Sudan?

The proposal allows Franklin Resources full flexibility to determine how it should implement a genocide-free investing policy. It simply asks "that the Board institute transparent procedures to avoid holding investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights."¹⁰

Research repeatedly shows that the vast majority of Americans want to avoid investments tied to genocide in Sudan today or anywhere else in the future.^{11,12} Your statement of opposition notes that 90% of shareholders voted against the proposal or abstained last year. Given that senior executives of the company collectively own 36% of the company's shares, that large institutions typically support management and make up another very large percentage of voting shares, and that many institutional barriers operate against shareholder action, this result is not surprising. Instead, consider what the voting results were for actual individual shareholders who best represent your ultimate customers? Based on our experience in many votes and on the statistics cited in the shareholder proposal, we know that the vast majority of Americans support for the proposal.

Trustees and Management, I ask you to live up to Franklin Resources' stated ideals. I ask you to support the values of your shareholders. This proposal is not difficult to implement and it is well within your abilities. In the face of genocide, it is the right choice - right for your shareholders, right for your business, and right for the broader objectives of society.

Questions to the Board of Directors

1. Franklin Resources' statement of opposition suggests that investments in PetroChina are good because "fostering economic and business development through investment can often help in achieving reforms." And your website includes a "Statement on PetroChina that your "investment professionals actively engage company managements when they have concerns with company management or company activities, and PetroChina is no exception to this approach." So, I have to ask two questions about Franklin Resources large investments in PetroChina. First, assuming you have engaged, what results have you seen from that engagement with the PetroChina/CNPC group over the last 11 years about their role in Sudan, while the genocidal regime in Sudan continues its attacks against its own people in Darfur and, for the last three years, has been perpetrating the same crimes against the people in the Nuba Mountains and Blue Nile? Second, does the Board understand that the PetroChina/CNPC group plays a major role in supporting the genocide in Sudan and that the PetroChina/CNPC group provides no economic benefits to the general citizens in Sudan, or does the Board have a different perspective on the PetroChina/CNPC group?
2. PetroChina is widely recognized as the worst offender among companies complicit in the Sudan genocides. It has been targeted by all 30 states and 61 colleges that have taken divestment action. It has also been specifically targeted by your competitors, T. Rowe Price, TIAA-CREF, American Funds, and other mutual funds. If PetroChina doesn't trigger action by Franklin Resources are there any human rights issues that will?
3. One of the board's major goals is presumably to protect shareholders against undue risk. How does Franklin Resources reconcile its investments in companies supporting genocide despite their obvious reputational risks?

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- 1 Franklin Resources beneficial ownership of PetroChina as of December 31, 2012 - <http://www.sec.gov/Archives/edgar/data/38777/000003877713000121/petr12a2.htm>
 - 2 Franklin Resources beneficial ownership of PetroChina as of December 31, 2013 - <http://www.sec.gov/Archives/edgar/data/38777/000003877714000123/petr13a3.htm>
 - 3 Franklin Resources statement on Corporate Citizenship, accessed February 28, 2014- https://www.franklintempleton.com/corp/pages/carousel/about_us/corpCitizenship.jsf

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- 4 Franklin Resources Chairman of the Board, CEO and President Gregory E. Johnson, "Message from the Chairman," quoted on the company website, accessed February 28, 2014 - https://www.franklintempleton.com/corp/pages/carousel/about_us/corpCitizenship.jsf
 - 5 Ibid.
 - 6 Franklin Resources statement of opposition for 2014 proxy materials, SEC filing as of January 23, 2014 - <http://www.sec.gov/Archives/edgar/data/38777/000119312514018070/d603699ddef14a.htm>
 - 7 "Franklin Templeton signs UNPRI," Investor Weekly News, May 7, 2013, accessed February 3, 2014 - <http://www.investordaily.com.au/go-to-investorweekly/33381-franklin-templeton-signs-unpri>
 - 8 PetroChina could face penalties after admitting business related to US-sanctioned Iran, Sudan - <http://www.scmp.com/business/commodities/article/1407527/petrochina-could-face-penalties-after-admitting-business>
 - 9 Franklin Resources statement of opposition for 2014 proxy materials, SEC filing as of January 23, 2014 - <http://www.sec.gov/Archives/edgar/data/38777/000119312514018070/d603699ddef14a.htm>
 - 10 Ibid.
 - 11 <http://www.investorsagainstgenocide.org/iag/files/KRC-research-results-from-2010-and-2007.pdf>
 - 12 ING Emerging Countries proxy voting results from June 28, 2012 - <http://www.sec.gov/Archives/edgar/data/895430/000117152012001135/ex99-77c.htm>