

## Presenting the genocide-free investing proposal at the Franklin Templeton shareholder meeting on April 7, 2015

My name is Stephen McNeil, with the San Francisco Bay Area Darfur Coalition, American Friends Service Committee and working with Investors Against Genocide. When I was a young Quaker in 1972, I was part of a team that visited with the head of Friends Fiduciary Corporation to call for divestment in companies doing business with the Republic of South Africa. Another decade past before divestment occurred widely in the United States and before apartheid fell in South Africa. Today I am presenting the shareholder proposal which asks the Franklin Mutual Shares Fund, the Franklin Mutual Global Discovery Fund and the Franklin Mutual Quest Fund to avoid investments in companies that substantially contribute to genocide or crimes against humanity.

Today's meeting is not the first time that genocide-free investing has been considered by Franklin Templeton. Franklin Templeton opposed the proposal at the Templeton Global Income Fund in 2013 and at the corporate annual meeting of Franklin Resources in 2013 and again in 2014. Despite active opposition from management, 19.9% voted for genocide-free investing in 2013 at the Templeton Emerging Markets Fund, and in 2015 that number went up to 25.6% voting in favor.

Many would suppose that 70 years after the end of the Holocaust, 21 years after the genocide in Rwanda, and 12 years since the start of genocide in Darfur, companies that value the public trust would avoid connections to genocide. But not Franklin Templeton.

Overall, Franklin Resources is a very large holder of both PetroChina and Sinopec. PetroChina's controlling parent, CNPC, is Sudan's largest oil partner, thereby helping fund ongoing government-sponsored genocide and crimes against humanity. CNPC is also Syria's largest oil partner, thereby helping fund that government's mass atrocities. Sinopec is another large oil company that also operates in Sudan and Syria. As a result, ordinary individuals investing with Franklin Templeton may inadvertently invest in companies funding genocide and crimes against humanity. None of the three funds voting today hold shares in these companies, but without a genocide-free investing policy these funds may increase holdings in problem companies without notice. Why does Franklin Templeton insist on maintaining flexibility to invest in companies tied to genocide?

It is difficult to understand the funds' opposition to this proposal, since it is consistent with the stated values of the company. On May 2, 2013, Franklin Templeton proudly announced<sup>1</sup> becoming a signatory to the UN Principles for Responsible Investment. As a signatory, Franklin Templeton agreed to incorporate social issues such as human rights into investment decision-making processes and "better align investors with broader objectives of society."

Your press release emphasized, "Franklin Templeton's various investment teams and strategies are very much aligned with the PRI Principles." Franklin Templeton states<sup>2</sup> 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."<sup>3</sup> It states, "integrity, trust and responsibility are essential to our continued success as a premier global investment management organization."<sup>4</sup>

How does Franklin Templeton reconcile these values and commitments to its unwavering opposition to genocide-free investing?

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 Templeton cares about its social responsibilities and is serious about its corporate values. Reasonable people may disagree on the definition of "socially responsible" or "ethical investing" but few would knowingly invest in companies complicit in genocide.

Franklin Templeton's recommendation against the proposal<sup>5</sup> argues that "fostering economic and business development through investment can often help in achieving reforms." How does this claim apply to oil companies propping up the genocidal regime in Sudan or murderous government in Syria? U.S. sanctions prohibit

American companies from doing business with Sudan's oil industry or Syria's oil industry. Does Franklin Templeton actually believe that investing in PetroChina and Sinopec helps the people of Sudan and Syria?

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.<sup>6,7</sup>

Trustees and Management, if you choose to disregard your own stated ideals, I ask you to support the values of your customers. 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 Templeton?

This proposal is not difficult and it is well within your abilities. Moreover, in the face of genocide, it is the right choice, right for your customers, and right for your business.

Again I ask:

**Does Franklin Templeton actually believe that investing in PetroChina and Sinopec helps the people of Sudan and Syria?**

**Why does Franklin Templeton insist on maintaining flexibility to invest in companies tied to genocide?**

- 1 <http://www.franklintempleton.com.au/downloadsServlet?docid=hh9y5nqu>
- 2 Franklin Resources statement on Corporate Citizenship, accessed February 19, 2015 - [https://www.franklintempleton.com/corp/pages/carousel/about\\_us/corpCitizenship.jsf](https://www.franklintempleton.com/corp/pages/carousel/about_us/corpCitizenship.jsf)
- 3 Ibid.
- 4 Ibid.
- 5 <http://www.sec.gov/Archives/edgar/data/38777/000119312513021756/d427002ddef14a.htm>
- 6 <http://www.investorsagainstgenocide.org/iag/files/KRC-research-results-from-2010-and-2007.pdf>
- 7 ING Emerging Countries proxy voting results from June 28, 2012 - <http://www.sec.gov/Archives/edgar/data/895430/000117152012001135/ex99-77c.htm>