

## Presenting the genocide-free investing proposal at the Franklin Templeton shareholder meeting on October 30, 2017

My name is Eric Cohen, Chairperson of Investors Against Genocide. I'm here to present the genocide-free investing shareholder proposal.

Many would suppose that 72 years after the end of the Holocaust, and 14 years since the start of genocide in Darfur, companies that value the public trust would avoid connections to genocide. But not Franklin Templeton.

For many years, Franklin Templeton has been one of the world's largest holders 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. The CNPC/PetroChina group is also partnering with both Syria and Burma, thereby helping fund mass atrocities by those governments. Sinopec is another large oil company that also operates in Sudan, Syria and Burma. As a result, ordinary individuals investing with Franklin Templeton may inadvertently invest in companies funding genocide and crimes against humanity. None of the funds voting on the proposal today hold shares in these companies, but without a genocide-free investing policy these funds may increase holdings in problem companies without notice.

Today's ballot question is a modest proposal asking Franklin Templeton to make an effort to avoid investments in companies that, in at least the most obvious cases of management's judgment, substantially contribute to genocide or crimes against humanity.

Why does Franklin Templeton oppose the genocide-free investing proposal and insist on maintaining flexibility to invest in companies tied to genocide?

Today's meeting is not the first time that genocide-free investing has been opposed by Franklin Templeton. In 2007, when the connection of PetroChina to the genocide in Darfur was brought to its attention, at the same time that Warren Buffet's Berkshire Hathaway was in the news for selling off its PetroChina, Mark Mobius and Franklin Templeton were public cheerleaders for investing in PetroChina.<sup>1</sup> Shortly afterwards, the UN estimated the death toll in Darfur to be 300,000.<sup>2</sup> Referring to PetroChina in 2009, Mobius, speaking for Franklin Templeton, gleefully told the New York Times, "We're like kids in a candy shop." Shortly afterwards, noted Sudan researcher Eric Reeves estimated the death toll in Darfur to have increased to 500,000.<sup>3</sup>

Since then, Investors Against Genocide has coordinated a campaign of shareholder proposals to force Franklin Templeton management to address genocide-free investing and waited patiently for shareholder meetings to be called so that shareholders could vote on the proposal.

Franklin Templeton opposed the proposal at two of its funds in 2013, four funds in 2015 and at the corporate annual meeting of Franklin Resources in 2013 and again in 2014. Despite active opposition from management, votes of ordinary investors resulted in Templeton Emerging Markets Fund recording 25.6% in favor in 2015. (In contrast the proposal has only received 8.6% favorable in voting on the corporate ballot for Franklin Resources, with its 41% ownership by insiders and 46% ownership by other financial institutions.)

It is difficult to understand the funds' opposition to this proposal, since it is consistent with the stated values of the company. In 2013, Franklin Templeton proudly announced<sup>4</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."<sup>5</sup>

Your press release emphasized, "Franklin Templeton's various investment teams and strategies are very much aligned with the PRI Principles."<sup>6</sup> Franklin Templeton states<sup>7</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>8</sup> It states, "integrity, trust and responsibility are essential to our continued success as a premier global investment management organization."<sup>9</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>10</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?

Since raising this issue with Franklin Templeton in 2007 and through 2016, U.S. sanctions explicitly prohibited American companies from doing business with Sudan’s oil industry and still prohibit American companies from doing business with Syria’s oil industry. But Franklin Templeton has insisted on investing in foreign companies that provide these same services. For nearly all of this period Franklin Templeton held approximately 5% of the outstanding shares of PetroChina, typically about 1 billion shares of PetroChina and similar amounts for Sinopec.

Does Franklin Templeton actually believe that investing in PetroChina and Sinopec has helped the people of Sudan and Syria? Can you not see that those companies have helped those regimes get the funding to make war on their own people?

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>11,12</sup>

Trustees and Management, those people are your customers. 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. It may be too late to help the people of Darfur, Syria and Burma, but establishing an investment policy to avoid ties to genocide may well slow corporate support for a future genocide.

**I ask you to give a substantive answer to this question. Explain how Franklin Templeton’s published corporate values align with its policies regarding investments in companies tied to genocide or crimes against humanity, and specifically explain how its investments in CNPC/PetroChina and Sinopec are consistent with its published corporate values.**

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<sup>1</sup> “Mobius bullish on PetroChina despite Buffett cut,” Reuters, October 11, 2007, accessed October 12, 2017 - <http://www.reuters.com/article/franklin-mobius-petrochina/mobius-bullish-on-petrochina-despite-buffett-cut-idUSHKG25465320071011>

<sup>2</sup> “Darfur deaths 'could be 300,000',” BBC News, April 23, 2008, accessed October 12, 2017 - <http://news.bbc.co.uk/2/hi/africa/7361979.stm>

<sup>3</sup> “Quantifying Genocide: Darfur Mortality Update, August 6, 2010,” Eric Reeves, August 6, 2010, accessed October 12, 2017 - <http://sudanreeves.org/2017/01/05/quantifying-genocide-darfur-mortality-update-august-6-2010/>

<sup>4</sup> “Franklin Templeton signs UNPRI and announces new ESG Risk Team,” Franklin Templeton Press Release, May 2, 2013, accessed October 12, 2017 - <http://www.franklintempleton.com.au/downloadsServlet?docid=hh9y5nqu>

<sup>5</sup> “The Six Principles, Signatories’ Commitment,” accessed October 12, 2017 - <https://www.unpri.org/about/the-six-principles>

<sup>6</sup> Ibid.

<sup>7</sup> Franklin Resources statement on Corporate Citizenship, accessed October 12, 2017 - [http://www.franklinresources.com/corp/pages/carousel/about\\_us/corpCitizenship.jsf](http://www.franklinresources.com/corp/pages/carousel/about_us/corpCitizenship.jsf)

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Franklin Templeton proxy statement filing at the SEC, September 1, 2017, accessed October 12, 2017 - [https://www.sec.gov/Archives/edgar/data/856138/000139834417011552/fp0027710\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/856138/000139834417011552/fp0027710_def14a.htm)

<sup>11</sup> KRC Research Results from 2010 and 2007, accessed October 12, 2017 - <http://www.investorsagainstgenocide.org/files/KRC-research-results-from-2010-and-2007.pdf>

<sup>12</sup> ING Emerging Countries proxy voting results from June 28, 2012 - <http://www.sec.gov/Archives/edgar/data/895430/000117152012001135/ex99-77c.htm>