

## Presenting the genocide-free investing proposal at the Franklin Resources shareholder meeting on February 12, 2019

My name is Susan Morgan, co-founder of Investors Against Genocide. I'm here to present the genocide-free investing shareholder proposal.

Many would suppose that 74 years after the end of the Holocaust, and 16 years since the start of genocide in Darfur, companies that value the public trust would avoid connections to genocide. But not Franklin Resources.

For many years, Franklin Resources 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.

Since raising this issue with Franklin Resources in 2007 and through 2016, U.S. sanctions explicitly prohibited American companies from doing business with Sudan's oil industry, and they still prohibit American companies from doing business with Syria's oil industry. But Franklin Resources has insisted on investing in foreign companies that provide these same services.

Today's ballot question is a modest proposal asking Franklin Resources 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.

In 2007, when the connection of PetroChina to the genocide in Darfur was brought to its attention Mark Mobius of Franklin Templeton funds was a public cheerleader 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 gleefully told the New York Times, "We're like kids in a candy shop."<sup>3</sup> Shortly afterwards, the estimated death toll in Darfur increased to 500,000.<sup>4</sup>

Since then, Investors Against Genocide has coordinated a campaign of shareholder proposals asking Franklin Templeton management to address genocide-free investing.

Franklin Resources opposed the proposal in proxy votes of funds in 2013, 2015, and 2017, and at the corporate meetings in 2013 and 2014. Despite active opposition from management, votes of ordinary investors resulted in 26% voted in favor at the Templeton Emerging Markets Fund in 2015. Despite the large institutional and insider ownership of Franklin Resources, the proposal on the corporate ballot was approved by nearly 10%.

The proposal is consistent with the stated values of the company. In 2013, Franklin Templeton proudly announced<sup>5</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>6</sup>

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

Franklin Resources should be a leader in embracing genocide-free investing, rather than opposing it. Mark Mobius is long gone. Who is standing in your way?

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 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 Resources' recommendation against the proposal<sup>11</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 Burma, or the murderous government in Syria? Your statement of opposition raises the specter of concerns about fiduciary duty and conflict of interest as reasons to reject the proposal. Surely, you have the creativity and legal authority to avoid such issues. If T. Rowe Price, TIAA, American Funds, 30 states and 61 colleges can all take steps to avoid investments tied to genocide, why can't Franklin Resources?

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>12,13</sup> Directors and Management, those people are your customers, and they need your help to avoid investments tied to genocide.

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.

#### Questions:

1. In the cases of Sudan, Burma and Syria , please explain how you believe your investments in PetroChina and Sinopec “help in achieving reforms,” as you state in your proxy materials.?
2. Your statement of opposition says you consider human rights “issues on an investment-by-investment basis.” When you consider your investments in PetroChina and Sinopec, what do you think about their impact on human rights in Sudan, in Burma, and in Syria?

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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> “Emerging Emerging Markets, Setting a New Pace,” NY Times, April 11, 2009, accessed January 18, 2019 - <https://www.nytimes.com/2009/04/12/business/mutfund/12emerge.html>

<sup>5</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>6</sup> “The Six Principles, Signatories’ Commitment,” accessed October 12, 2017 - <https://www.unpri.org/about/the-six-principles>

<sup>7</sup> Ibid.

<sup>8</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>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Franklin Resources proxy statement filing at the SEC, December 28, 2018, accessed January 18, 2019 - <https://www.sec.gov/Archives/edgar/data/38777/000120677418003548/franklin3460961-def14a.htm>

<sup>12</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>13</sup> ING Emerging Countries proxy voting results from June 28, 2012 - <http://www.sec.gov/Archives/edgar/data/895430/000117152012001135/ex99-77c.htm>