

Genocide-free Investing

2013 Proxy Votes at JPMorgan Chase and Franklin Resources



Executive summary

For 2013, Investors Against Genocide is coordinating shareholder proposals for consideration by shareholders at JPMorgan Chase and Franklin Resources. The "genocide-free investing" shareholder proposals state:

Shareholders request that the Board institute transparent procedures to avoid holding or recommending investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed. In the rare case that the company's duties as an advisor require holding these investments, the procedures should provide for prominent disclosure to help shareholders avoid unintentionally holding such investments.

The full text of the proposals is included in this document on pages 9 and 10.

In 2012, genocide-free investing was on the ballot at JPMorgan Chase and was supported by T. Rowe Price,¹ CalPERS,² CalSTRS,³ Connecticut State Pension,⁴ Florida State Board of Administration,⁵ NYCERS,⁶ New York State Common Retirement Fund,⁷ Ohio State Teachers Retirement System,⁸ AFSCME,⁹ and many other financial institutions.

We request a vote **FOR** the proposal because:

- The proposal is in line with the vast majority of Americans who want to avoid investments with ties to genocide. Eighty-eight percent of Americans surveyed want their investments to be genocide-free. Similarly, shareholders approved the genocide-free investing proposal at the ING Emerging Countries Fund by a wide margin with 59.8 % of votes in favor of the proposal and only 10.7% opposed.¹⁰ Also, a new study by the Forum for Sustainable and Responsible Investment found that Sudan, where genocide is ongoing, is the top ESG consideration for institutional investors.¹¹
- Current policies inadequately support genocide-free investing. The companies exercise investment discretion over their own assets and, through investment management contracts, over those of the funds they manage. Yet, for example, despite having adopted a variety of policies addressing social concerns, Franklin Resources recently owned 7% of PetroChina¹² and JPMorgan owned 7%.¹³ PetroChina is widely recognized as substantially contributing to genocide in Sudan. These investments, while legal, work against the spirit of U.S. sanctions.
- The proposed genocide-free investing policy is needed to align the companies' investments with shareholder values so that investors can be confident that they are not inadvertently tied to genocide and crimes against humanity.
- No sound reasons prevent having a genocide-free investing policy. The proposal is narrowly crafted and only targets investments in the few companies supporting extreme cases of human rights abuses. The proposal sets a very high bar for when management action would be required, focusing only on companies that "substantially contribute to genocide or crimes against humanity."
- The proposal would not be overly difficult to implement, would allow flexibility for the companies' range of businesses, and would not prevent them from assisting clients that choose to invest in companies that contribute to genocide. Other large financial institutions have implemented genocide-free investment policies thereby demonstrating that the proposal is feasible.

Many financial institutions are already supporting the genocide-free shareholder proposal

Why shareholders should vote for the genocide-free investing shareholder proposal in 2013

- The proposal is consistent with the stated values of the JPMorgan and Franklin Resources and with the statements of their respective CEOs.

These points are explained in detail below. Please contact us at 617-517-6310 or 2013Proxies@InvestorsAgainstGenocide.org to discuss.

Genocide-free investing is popular among investors, is good business, and would enhance the companies' image

Beginning in 2008, shareholder proposals for genocide-free investing have appeared on the proxy ballots of large mutual funds, including Fidelity,^{14,15,16,17,18,19} Vanguard,²⁰ Putnam,²¹ and American Funds.²² As a result, many millions of shareholders have been informed about the issue and large numbers have voted in favor of genocide-free investing. In one vote at Fidelity, 31%²³ of shareholders supported the measure despite active opposition from management. In the 2012 vote at JPMorgan, the genocide-free investing shareholder proposal received 9.14% shareholder support (compared with 7.69% in 2011).²⁴ Given that institutional investors hold 74% of the shares of JPMorgan²⁵ and that many institutional barriers operate against shareholder action, this result demonstrates a strong and significant level of support.

In 2012, shareholders at the ING Emerging Countries Fund approved our genocide-free investing proposal by a wide margin. The proposal passed 59.8% to 10.7% with 29.5% abstaining.²⁶ ING management did not oppose the ballot measure, allowing a decisive vote by investors. This win at ING matches market research affirming that the vast majority of Americans want to avoid investments tied to genocide.

Market research done by KRC Research in 2007²⁷ and 2010²⁸ highlights strong public concern for the issue:

- 84% of respondents say they will withdraw their investments from American companies that do business with companies that directly or indirectly support genocide.²⁹
- 88% would like their mutual funds to be genocide-free.³⁰
- 95% of those earning \$50,000 or more would like their mutual funds to be genocide-free.³¹
- 82% say they would advise friends, family and co-workers against buying products or services, or investing in American companies that invest in a foreign company that directly or indirectly provides revenue to a government that perpetrates genocide.³²

A new study by the Forum for Sustainable and Responsible Investment on responsible investing has confirmed that genocide-free investing is an increasingly important issue of shareholder concern. The report³³ found that Sudan, where genocide is ongoing, is the top ESG consideration for institutional investors. According to the report, Sudan-related investment policies are the most prevalent ESG criteria incorporated into investment management, affecting more than \$1.63 trillion in institutional assets, a 21 percent increase over 2010.

Other leading indicators of broad-based support for genocide-free investing include:

- Beginning in 2005, 30 states³⁴ have divested from companies supporting Sudan, as have over 60 colleges and universities.³⁵

The proposal is in line with the vast majority of Americans who want to avoid investments with ties to genocide

- In December 2007, Congress unanimously passed the Sudan Accountability and Divestment Act.³⁶
- During the 2008 presidential election, candidates from both parties³⁷ divested from mutual funds holding stock in one or more of the oil companies supporting the Government of Sudan, including President Obama³⁸ and Senator McCain;³⁹ and
- In November 2010, the House Financial Services Subcommittee on International Monetary Policy and Trade held a hearing⁴⁰ on “Investments Tied to Genocide: Sudan Divestment and Beyond.”

Genocide-free investing is popular

Shareholder votes and Sudan divestment measures have raised the profile of the problem of investments tied to genocide. In addition to the financial institutions that have taken steps to avoid investing in genocide, private pensions have also taken significant steps. For example, in May 2010, the Unitarian Universalist Association (UUA) announced⁴¹ it was moving its \$178 million pension account from Fidelity to TIAA-CREF because of “Fidelity’s persistent refusal to consider human rights in their investment choices.” Further, the national and financial media have written extensively⁴² on the topic, thereby helping to build awareness of the problem.

Financial institutions have suffered extremely unfavorable publicity in the wake of the recent financial crisis. They can build positive public opinion by demonstrably taking affirmative action on the genocide-free investing proposal.

Current policies are not addressing investments tied to genocide

The companies claim that their existing policies and procedures appropriately address the concern raised by the shareholder proposal. However, their investments show that existing policies do not adequately respond to the problem of investments in companies that help to fund genocide.

Genocide and crimes against humanity continue in Sudan

Genocide is an ongoing problem that must be addressed. For example, the government of Sudan has waged genocide against its own people for decades, not only in the western region of Darfur, but in other regions as well. Sudan’s President Omar al-Bashir and other government leaders have been indicted by the International Criminal Court for genocide and crimes against humanity, but they are still in power in Sudan and in positions that allow them to continue to perpetrate similar crimes. Although South Sudan gained its independence in July 2011, the government of Sudan continues its campaign of ethnic cleansing north of the border with South Sudan, in the Nuba Mountains of South Kordofan and Blue Nile State of Sudan.⁴³ The UN estimates that new government-sponsored violence and obstruction of aid has displaced 400,000⁴⁴ civilians in South Kordofan and Blue Nile and killed thousands. Hundreds of thousands have scattered to safer terrain, but are suffering from near famine conditions and ongoing aerial and artillery bombardments by the Sudan Armed Forces and militias.⁴⁵ The government of Sudan is employing the same method of attacks on civilians and systematic ethnic cleansing as it used earlier in Darfur and South Sudan.

Foreign oil companies, such as PetroChina/CNPC operate in Sudan and provide the primary source of income to the government

Although U.S. sanctions prevent American companies from operating in Sudan, many financial institutions continue to invest in one or more of the four foreign oil companies partnering with the government of Sudan and providing its primary source of revenue, thereby helping fund the government of Sudan's genocide. These four companies are PetroChina/CNPC⁴⁶ (China), China Petroleum & Chemical Corporation/Sinopec⁴⁷ (China), ONGC (India), and Petronas (Malaysia).^{48,49}

PetroChina, through its closely related parent, China National Petroleum Company (CNPC), is internationally recognized^{50,51} as Sudan's largest partner in the oil industry which provides funds used by the government to commit genocide. In their responses to the shareholder proposals, the companies do not dispute PetroChina's connection to funding genocide. Numerous investment companies and governments have tried engaging with PetroChina over the last decade. These efforts have proven futile. For example, TIAA-CREF made a statement on January 4, 2010⁵² indicating that it was terminating its fruitless efforts to engage with PetroChina and divesting its shares. The PetroChina example is a red flag highlighting the need for a clearer and more effective investment policy to avoid investments that fund genocide.

However, the companies' existing human rights and good governance policies do not result in avoiding investments in PetroChina. In fact, JPMorgan has continued to buy shares of PetroChina even after becoming aware of the connection. A December 13, 2012 filing⁵³ shows that the company held 1,488,726,803 H-shares of PetroChina worth \$2 billion, a 25% increase over the company's reported⁵⁴ PetroChina share holdings as of September 14, 2011. Franklin Resources' filing⁵⁵ on December 31, 2011, shows the company held 1,479,642,253 H-shares of PetroChina, a 16% increase over the company's share holdings as of January 20, 2011.⁵⁶

The companies emphasize⁵⁷ that they fully abide by the "letter and spirit" of U.S. government legal restrictions. However, through their investments in PetroChina, they undermine the objective of U.S. economic sanctions. Since 2002,⁵⁸ U.S. law⁵⁹ includes a provision that the "President should take all necessary and appropriate steps to deny the Government of Sudan access to oil revenues." President Bush's Executive Order #13412⁶⁰ explicitly prohibited "all transactions by United States persons relating to the petroleum or petrochemical industries in Sudan, including, but not limited to, oilfield services and oil or gas pipelines." Therefore, ExxonMobil is precluded from supporting the government of Sudan by helping to develop its oil industry, but JPMorgan and Franklin Resources each have more than a billion dollars invested in PetroChina, the publicly traded arm of CNPC that provides these same services to the government of Sudan.

The proposed policy is needed to align investments with shareholder values

Some might argue that there are other ways for shareholders to address concerns about the companies' investments. They might, for example, elect new directors or move their investments to another firm. The reality is that neither of these approaches are satisfactory alternatives for many investors.

In theory, an approach for addressing human rights concerns would be to hold directors of the fund accountable through the election of trustees. However replacing a majority of the trustees by shareholder action is an overly broad approach and has a remote chance of success. By contrast, the approach taken by the proposal is straightforward – it asks shareholders to support reasonable procedures to guide the firm's investment approach.

Investing elsewhere is also an unattractive option since investors face multiple hurdles when attempting, on their own, to make genocide-free investments. Few people research the details of their investments and banking relationships; they simply trust their investment company to make sound choices on their behalf. Individual investors who do attempt this research discover that it is a daunting task to determine which companies have ties to genocide, so that they can avoid those companies. Further

Large investments in PetroChina highlight the need for more effective policies

The proposed investing policy is needed to align investments with shareholder values

Investors need assistance making genocide-free investments

complicating the task are the facts that even “recent” reports of a company’s portfolio holdings are likely to be months out of date and individuals have no assurance that investment managers will not invest in the problem companies in the future.

Only if management makes a commitment to genocide-free investing and implements supporting procedures can investors be confident that they are not inadvertently complicit in supporting genocide and crimes against humanity.

No sound reasons prevent having a genocide-free investing policy

The shareholder proposal focuses on a small, well defined, and non-controversial segment of the investing universe. It sets a very high bar for when action by management would be required, focusing only on companies that “substantially contribute to genocide or crimes against humanity.” These few companies are a tiny fraction of the universe of available investments, and Gary Brinson’s classic asset allocation study⁶¹ showed that avoiding a few companies need not have a significant effect on investment performance.

Some might express concern that adopting such a proposal would lead to a “slippery slope” that would force the company to adopt divestment policies against inappropriate and unintended targets. However, the genocide-free investing proposal was carefully constructed to focus only on the most extreme human rights abuses, genocide⁶² and crimes against humanity,⁶³ both of which are defined terms in international law, both of which are universally recognized as egregious human rights abuses, and neither of which applies to lesser order problems on the imagined “slippery slope.”

Reasonable people may not agree on the definition of “socially responsible” and “ethical investing” but few want to invest in companies complicit in genocide. The proposal focuses on these few worst offenders. It gives management control and flexibility in defining the supporting procedures and in applying the procedures to particular companies by asking for a policy to address only companies “that, in management’s judgment, substantially contribute” to genocide or crimes against humanity.

Implementing the genocide-free investing proposal can have a significant positive impact now and in the future. It is generally accepted that divestment pressure was critical in achieving positive change in South Africa.⁶⁴ Similarly, many experts believe that divestment pressure helped end Sudan’s war against what is now South Sudan.⁶⁵ The proposed genocide-free investment policy would have a positive effect, not only on current crises, but may also prevent future crises by limiting the interest in stock and bond offerings of companies tied to the most serious human rights abuses. Financial institutions, by instituting a simple investment policy, would exert their considerable influence to encourage companies to demonstrate good records regarding the most severe human rights problems.

The proposal would not be overly difficult to implement, would allow flexibility for any businesses, and would not prevent the companies from assisting clients that choose to invest in genocide

JPMorgan’s recommendation against the proposal⁶⁶ states that the “vast majority” of its PetroChina shares are attributable to its custody business “where we do not own the shares outright but instead hold them for our customers” and that they trade

Only a very few companies would be affected by the proposal

The proposal sets a very high bar for action - companies that “substantially contribute to genocide or crimes against humanity”

The proposal can have a significant positive impact now and in the future

them “only as directed by our customers.” While true, this argument glosses over the many opportunities the company has to guide and inform its investment decisions and those of its customers. In those cases where JPMorgan has influence, it can recommend genocide-free investments or at least provide information about the problem of investments tied to genocide and crimes against humanity. The proposed policy would not prevent the companies from assisting clients who knowingly choose to invest in companies funding genocide, but it would protect those who, against their values, are inadvertently doing so because of the companies’ decisions.

Numerous respected organizations such as the Conflict Risk Network, MSCI (including KLD, ISS and Risk Metrics), Sustainalytics, IW Financial, and EIRIS are able to provide management with the research they need to identify problem companies. There may be disagreement among these sources about the full list of offenders but there is widespread agreement about the worst offenders. For example, every major organization that has taken action to avoid complicity in the Sudan genocide divested from PetroChina. By saying that management need take action only on those “substantially contributing” to genocide, the proposal makes it easy to focus on just these worst offenders. Therefore, identifying the few companies that “substantially contribute” to genocide or crimes against humanity is not a complex task.

There is no need to invest in these few problem companies. Comparable investments can be found, even in index funds, since index funds need not invest in every security in the index in order to statistically track index performance. No sound financial, fiduciary, or legal reasons prevent the companies from having a genocide-free investment policy.

Unlike JPMorgan and Franklin Resources, thirty states, more than 60 colleges, and numerous other financial firms, have already demonstrated the feasibility of taking strong action. TIAA-CREF has established a leadership position by articulating and implementing a clear policy on investments tied to genocide.^{67,68} Other large financial institutions, such as American Funds,⁶⁹ Allianz’s NFJ, Berkshire Hathaway,^{70,71} and T. Rowe Price,⁷² have sold their complete holdings in oil companies involved with Sudan (though some have not publicly stated their reasons for so doing).

The companies have full flexibility and control over how to define the details of the requested genocide-free investing policy. One way to implement the proposal would be to build procedures based on U.S. sanctions, so that they could rely on the U.S. government to identify the few countries warranting special consideration while focusing its own research on identifying the companies to be targeted. For example, the policy could seek to restrict investments in countries targeted by U.S. sanctions if: 1) the sanctions prevent U.S. companies from doing business or making investments in those countries, AND 2) the sanctions are due at least in part to serious human rights violations. Note that this approach would go further than what is required by U.S. law, since U.S. sanctions often limit operations of U.S. companies, while rarely restricting foreign competitors from the same business. The US Department of the Treasury’s Office of Foreign Asset Control (OFAC) maintains and publishes the list and details of U.S. sanctions.⁷³ Today, the only countries that meet these criteria would be Sudan, Burma, Iran, Ivory Coast, and Cuba. This list of sanctioned countries could then be used to identify companies that are funding and furthering government-sponsored human rights abuses through their commercial involvement.

Service providers are able to identify the few problem companies

Many asset managers are already avoiding investments tied to genocide

The proposal allows management flexibility in how to implement, taking into account the range of its businesses

JPMorgan's special commitments

Many investors applaud JPMorgan for its environmental, social and governance (ESG) commitments, such as the company's Human Rights Statement, signing the United Nations Environment Program Finance Initiative, adopting the Wolfsberg Principles, supporting the Extractive Industries Transparency Initiative, and adopting the United Nations Principles for Responsible Investing (UN PRI).⁷⁴

As a signatory⁷⁵ to the UN PRI,⁷⁶ JPMorgan has agreed to:

- a) "incorporate ESG issues into investment analysis and decision-making processes" and
- b) "better align investors with broader objectives of society."

Given these significant commitments by JPMorgan, a company that prides itself on being "deeply committed to being good corporate citizens" and affirming that that commitment "is an essential part of what we do,"⁷⁷ we believe that JPMorgan should make an effort to avoid investments connected to genocide and crimes against humanity.

Franklin Resources' special commitments

Franklin Resources, known as Franklin Templeton Investments, proudly states⁷⁸ on its website, "At Franklin Templeton Investments, 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."⁷⁹ It further states, "integrity, trust and responsibility are essential to our continued success as a premier global investment management organization."⁸⁰

Franklin Resource also 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."⁸¹

We agree with these values, which is why we believe that Franklin Resources should make an effort to avoid investments connected to genocide and crimes against humanity.

Franklin Resources' recommendation against the proposal⁸² states that "fostering economic and business development through investment can often help in achieving reforms." We agree that may sometimes be the case. However, it is a surprising assertion to make regarding the genocidal regime in Sudan that has resisted international condemnation for 10 years and continues its genocide and crimes against humanity in Darfur and recently in the Nuba Mountains of South Kordofan and Blue Nile states.

Conclusion

JPMorgan Chase and Franklin Resources have been slow to adjust their investment policies in response to the well known and much publicized genocide in Sudan. The "genocide-free" shareholder proposal asks the companies to begin to make a reasonable effort "to avoid holding investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity." Acting

The proposal is consistent with JPMorgan's endorsement of the UN Principles for Responsible Investing

The proposal is consistent with Franklin Resources stated values

now, on this extreme situation will prepare the company to address humanitarian crises that may appear in the future.

Some investors believe that, in general, they should not support prescriptive shareholder proposals. However, in the face of long-term ongoing genocide and the companies' continuing practice of holding large investments tied to genocide, we believe that the 2013 proposal deserves support.

In conclusion:

- The proposal is in line with the wishes of the vast majority of Americans who want to avoid investments with ties to genocide.
- The companies' current policies are not adequately addressing the issue.
- The proposal allows management flexibility about how to implement the proposal, taking into account the range of its businesses and fact-specific evaluations of companies and crises.
- The proposal is consistent with the objectives and the spirit of U.S. economic sanctions in Sudan.
- The proposal is consistent with the stated values of the JPMorgan Chase and Franklin Resources and with the statements of their respective CEOs.

The genocide-free investing proposal deserves support and is needed to change existing investment policies at JPMorgan and Franklin Resources

About Investors Against Genocide

Investors Against Genocide is a citizen-led initiative, dedicated to convincing mutual funds and other investment firms to make an ongoing commitment to genocide-free investing. Investors Against Genocide works with individuals, financial firms, pension and endowment managers and government officials to encourage investment firms to change their investing strategy to avoid investments in companies that substantially contribute to genocide or crimes against humanity. Investors Against Genocide is staffed by volunteers and is a project of the Massachusetts Coalition to Save Darfur Inc., a 501(c)(3) non-profit charitable organization, incorporated in the state of Massachusetts.

Genocide-free Investing: Full text of the shareholder proposal at JPMorgan Chase

WHEREAS: We believe that:

1. Investors do not want their investments to help fund genocide.
 - a) While reasonable people may disagree about socially responsible investing, few want their investments to help fund genocide.
 - b) KRC Research's 2010 study showed 88% of respondents want their mutual funds to be genocide-free.
 - c) Millions of investors have voted for genocide-free investing proposals similar to this one, submitted by supporters of Investors Against Genocide, despite active management opposition.
 - d) In 2012, a genocide-free investing proposal passed decisively, 59.2% to 10.8% with 29.9% abstaining.
2. JPMorgan exercises investment discretion over its own assets and, through investment management contracts, the funds it manages.
3. The example of PetroChina shows that current policies inadequately support genocide-free investing because JPMorgan and funds it manages:
 - a) Are large shareholders of PetroChina, reporting beneficial ownership of 1,270,814,386 shares, worth \$1.6 billion, on October 9, 2012. PetroChina, through its controlling shareholder, China National Petroleum Company, is Sudan's largest business partner, thereby helping fund ongoing government-sponsored genocide and crimes against humanity.
 - b) Claims its "business practices reflect our support and respect for the protection of fundamental human rights and the prevention of crimes against humanity" and use "extensive risk management processes and procedures to consider human rights," yet continues to increase holdings of PetroChina years after learning of PetroChina's connection to genocide, an inherent risk factor.
 - c) Made investments in PetroChina that, while legal, are inconsistent with U.S. sanctions explicitly prohibiting transactions relating to Sudan's petroleum industry.
4. Individuals owning JPMorgan and its funds, may inadvertently be invested in companies that help support genocide. With no policy preventing these investments, JPMorgan may increase holdings in problem companies without warning.
5. As a signatory to the UN Principles for Responsible Investment, JPMorgan agrees to:
 - a) "incorporate ESG issues into investment analysis and decision-making processes" and
 - b) "better align investors with broader objectives of society."Therefore, JPMorgan should seek to avoid investments connected to genocide.
6. No sound reasons prevent having a genocide-free investing policy because:
 - a) Ample alternative investments exist.
 - b) Avoiding problem companies need not have a significant effect on investment performance, as shown in Gary Brinson's classic asset allocation study.
 - c) Appropriate disclosure can address any legal concerns regarding the exclusion of problem companies.
 - d) Management can easily obtain independent assessments to identify companies connected to genocide.
 - e) Other large financial firms such as T. Rowe Price and TIAA-CREF have avoided investments connected to genocide by divesting problem companies such as PetroChina.

RESOLVED: Shareholders request that the Board institute transparent procedures to avoid holding or recommending investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed. In the rare case that the company's duties as an advisor require holding these investments, the procedures should provide for prominent disclosure to help shareholders avoid unintentionally holding such investments.

WHEREAS: We believe that:

1. Investors do not want their investments to help fund genocide.
 - a) While reasonable people may disagree about socially responsible investing, few want their investments to help fund genocide.
 - b) KRC Research's 2010 study showed 88% of respondents want their mutual funds to be genocide-free.
 - c) Millions of investors have voted for genocide-free investing proposals similar to this one, submitted by supporters of Investors Against Genocide, despite active management opposition.
 - d) In 2012, a genocide-free investing proposal passed decisively, 59.2% to 10.8% with 29.9% abstaining.
2. Franklin Resources, Inc. exercises investment discretion over its own assets and, through investment management contracts, those of Franklin and Templeton mutual funds.
3. The example of PetroChina shows that current policies do not adequately support genocide-free investing because Franklin Resources and the funds it manages:
 - a) Are large shareholders of PetroChina, reporting beneficial ownership of 1,479,642,253 shares (7% of the class outstanding) as of December 31, 2011. PetroChina, through its controlling shareholder, China National Petroleum Company, is Sudan's largest business partner, thereby helping fund ongoing government-sponsored genocide and crimes against humanity.
 - b) Claim to consider "social and political issues in their risk assessment of individual fund holdings," but maintained large holdings of PetroChina long after being made aware of PetroChina's connection to genocide, an inherent risk factor.
 - c) Excused holding PetroChina by saying "engagement is better than departure" while providing no evidence of effective engagement.
 - d) Made investments in PetroChina that, while legal, are inconsistent with U.S. sanctions explicitly prohibiting transactions relating to Sudan's petroleum industry.
4. Individuals, through ownership of shares of Franklin Resources and its funds, may inadvertently invest in companies that help support genocide. With no policy to prevent these investments, Franklin Resources may at any time add or increase holdings in problem companies.
5. No sound reasons prevent having a genocide-free investing policy because:
 - a) Ample alternative investments exist.
 - b) Avoiding problem companies need not have a significant effect on investment performance, as shown in Gary Brinson's classic asset allocation study.
 - c) Appropriate disclosure can address any legal concerns regarding the exclusion of problem companies.
 - d) Management can easily obtain independent assessments to identify companies connected to genocide.
 - e) Other large financial firms such as T. Rowe Price and TIAA-CREF have avoided investments connected to genocide by divesting problem companies such as PetroChina.
 - f) Investor action can influence foreign governments, as in South Africa. Similar action on Talisman Energy helped end the conflict in South Sudan.

RESOLVED: Shareholders request that the Board institute transparent procedures to avoid holding or recommending investments in companies that, in management's judgment, substantially contribute to genocide or crimes against humanity, the most egregious violations of human rights. Such procedures may include time-limited engagement with problem companies if management believes that their behavior can be changed. In the rare case that the company's duties as an advisor require holding these investments, the procedures should provide for prominent disclosure to help shareholders avoid unintentionally holding such investments.

Genocide-free Investing: Endnotes

- 1 T. Rowe Price voting on 2012 JPMorgan proxy ballot -
http://www.sec.gov/Archives/edgar/data/1462712/000120677412003782/lcf_811-22293.htm,
http://www.sec.gov/Archives/edgar/data/923084/000120677412003766/psc_811-07173.htm,
http://www.sec.gov/Archives/edgar/data/313212/000120677412003769/inteq_811-02958.htm,
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http://www.sec.gov/Archives/edgar/data/775688/000120677412003795/eif_811-04400.htm
- 2 CalPERS voting on 2012 JPMorgan proxy ballot - <http://www.calpers-governance.org/proxyvoting/proxy/proxy-results?ticker=jpm&company=&proxysearch=Search>
- 3 CalSTRS voting on 2012 JPMorgan proxy ballot -
<https://viewpoint.glasslewis.net/GlassLewisWebDisclosure/webdisclosure/search.aspx?glpcustuserid=CAL090&WDFundGroupID=1303>
- 4 State of Connecticut Retirement Plans and Trust Funds voting on 2012 JPMorgan proxy ballot - -
<http://www.state.ct.us/ott/PDFs/Proxyvotesum2qtr2012.pdf>
- 5 Florida State Board of Administration voting on 2012 JPMorgan proxy ballot -
http://www.sbafla.com/fsb/portals/Internet/CorpGov/ProxyVoting/20120706_VoteSummaryReportAgendaLevel.pdf
- 6 Email correspondence with NYC Comptroller's Office on NYCERS voting on 2012 JPMorgan proxy ballot, March 12, 2012
- 7 New York State Common Retirement Fund voting on 2012 JPMorgan proxy ballot, article by Responsible Investing, May 8, 2012 - http://www.responsible-investor.com/home/article/iag_jpm_proposal/
- 8 Email correspondence with STRS Ohio, May 2, 2012
- 9 AFSCME voting on 2012 JPMorgan proxy ballot - <http://www.afscme.org/issues/pension-security/resources/afscme-pension-plan-proxy-voting-information>
- 10 ING Emerging Countries proxy voting results from June 28, 2012 -
<http://www.sec.gov/Archives/edgar/data/895430/000117152012001135/ex99-77c.htm>
- 11 "2012 Report on Sustainable and Responsible Investing Trends in the United States," Forum for Sustainable and Responsible Investment website, accessed January 27, 2013 - <http://ussif.org/news/releases/pressrelease.cfm?id=196>
- 12 Franklin Resources beneficial ownership of PetroChina as of December 31, 2011 -
<http://www.sec.gov/Archives/edgar/data/1108329/000003877712000098/petr11a1.htm>
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* Cover photo courtesy of Mia Farrow, Darfuri women displaced to IDP camps after the destruction of their villages.