

Facebook

Shareholder Meeting Presentation

May 27, 2020

My name is Susan Ozawa Perez and I am an economist and Portfolio Manager at Harrington Investments, Inc.

Today, shareholders are calling for a report on the implications of the new policy exempting politicians' posts and advertisements from platform rules, including the company's Community Standards and its fact-checking process. The report would assess the operational, reputational, and social license implications of this policy, as well as the potential impact on democracy, public discourse, and civil and human rights.

A functional democracy requires a free press. Journalism that is factual, not captured by political influence, is often referred to as the fourth pillar of democracy, because it informs the electorate. Media companies are held accountable by the FCC for airing false or misleading information; content that incites imminent lawless action and violent programming and required to identify the sponsorship of political ads. Although, management has made the case that social media platforms should not be regulated like media companies, the public impact is only magnified by our unique reach to 2.6 billion users and the vast troves of data used to target them.

We have seen how deceitful and fraudulent political content in this vacuum of regulation and sufficient moderation, has fomented historical antagonisms which have been weaponized by political entities to compromise the *purpose* of the social platform, which was to *facilitate* social connection. Instead these paid powerful political forces have used the platform to consolidate power with hateful and exclusionary rhetoric, *damaging* the social fabric of society, provoking violence and unrest and up-ending close elections.

Society's risk is also the company's risk.

On an earnings call last October, Zuckerberg said of the company's new policy, "the controversy this creates far outweighs the very small percent of our business that these political ads make up."<sup>i</sup> Is the upside of this controversial policy *immaterial*?

On the other hand, the materiality of this relaxation of standards subjects the company to legal costs, regulatory risk and reputational damage with negative publicity and scrutiny, the sum of which may prove existential for the company. The recent European Court ruling making national content-based legal decisions extraterritorial was indeed related to a lawsuit on the defamation of an Austrian politician.<sup>ii</sup> A DOJ investigation being handled by the FTC is being pursued to assess the widespread concern for harm caused to customers given the company's market power.<sup>iii</sup> Clearly, the regulatory and legal risks abound.

This policy gives politicians free reign to libel and slander others, undermine our elections, push conspiracy theories and promote xenophobic propaganda while the company profits.

Shareholders and society demand a full accounting of the risks of this policy. America and every democracy in the world hang in the balance of this corporate decision.

Thank you.

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<sup>i</sup> [https://s21.q4cdn.com/399680738/files/doc\\_financials/2019/q3/Q3-2019-FB-Earnings-Transcript.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/2019/q3/Q3-2019-FB-Earnings-Transcript.pdf)

<sup>ii</sup> <https://www.nytimes.com/2019/10/03/technology/facebook-europe.html>

<sup>iii</sup> <https://variety.com/2019/digital/news/https://www.politico.com/story/2019/07/24/facebook-discloses-ftc-antitrust-investigation-underway-1432927doj-antitrust-review-tech-giants-facebook-amazon-google-1203277266/>