

PROXY IMPACT

43% OF NON-MANAGEMENT FACEBOOK SHARES VOTED FOR ACTION TO ENSURE ENCRYPTION DOES NOT ACCELERATE ONLINE CHILD ABUSE & EXPLOITATION

712-Million-Share "Vote for Compassion and Common Sense" Seen in May 27th Annual Meeting Vote Shaped by Facebook's Shocking No. 1 Role As Online Platform for Child Abuse & Exploitation; \$163 Billion Support Level is More Than 2X Vanguard, Black Rock Holdings.

MENLO PARK, CA. – June 9, 2020 – There are two ways to look at the May 27th vote on a shareholder resolution at Facebook asking the company to assess ["the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption."](#) On the one hand, the shareholder resolution got 12.64 percent of all shares voted. But, on the other hand, it got 43 percent of the shares not controlled by Facebook CEO Mark Zuckerberg and other management insiders. The resolution received the support of over 712 million shares valued at more than \$163 billion -- more than double the combined holding of Facebook's two largest institutional investors Vanguard and BlackRock.

This outcome was cheered as a "very strong show of support" by resolution sponsors Proxy Impact, investor Lisette Cooper, and members of the Interfaith Center on Corporate Responsibility including the Maryknoll Sisters, the Dominican Sisters of Caldwell, New Jersey, and the Stardust Fund.

Two major shareholder advisory services – Glass Lewis and Institutional Shareholder Services (ISS) – recommended shareholders supported the resolution. As the sponsors noted at the time: "Any level of non-management support for the resolution will be significant given the ... stranglehold on Facebook shares controlled by Mark Zuckerberg."

[During a news conference last month](#), resolution sponsors warned that the Facebook platform – including Facebook Messenger, Instagram and WhatsApp – is home each year to nearly 16 million known instances of child abuse and exploitation. They cited experts who have concluded that Facebook is [the world's #1 hub of reported child sexual abuse material](#): In 2019, there were more than 16.9 million reports of child sexual abuse material (CSAM) online and, of that, 15.8 million – or 94 percent – came from the Facebook platform. The shareholders said Facebook's efforts to date to address the problem are laudable but fall far short of what is needed.

Governments, law enforcement agencies and child protection organizations have harshly criticized Facebook's planned encryption, warning that it will cloak the actions of child predators and make children more vulnerable to sexual abuse. By moving to end-to-end encryption without first taking steps to stop child sexual abuse on its platforms, [Facebook will effectively make invisible 70 percent of CSAM cases – an estimated 12 million instances – that are currently being detected and reported](#). Shareholder proponents pointed out that pending legislation in

Congress could make Facebook legally liable for child sexual abuse material and that [the company is facing increasing regulatory, reputational and legal risk](#) due to this issue.

Michael Passoff, founder and CEO, Proxy Impact, a shareholder advocacy service, said: **"This is a very strong show of support for protecting children and shareholder value. When you oppose Mark Zuckerberg, you are squaring off with his enormous sway over both social media and the news media. But shareholders are legitimately concerned that Facebook's role as a facilitator of child abuse and exploitation will spiral even further out of control if it adopts end-to-end encryption without first stopping predators who victimize helpless children. Facebook's callousness to the plight of child victims will likely lead to consumer backlash and an even stronger response by Congress."**

Lisette Cooper, vice chair, Fiduciary Trust International, said: **"We are very gratified by the outcome, which we consider to be a vote for both compassion and common sense. Facebook cannot be allowed to use its brute strength and force to overpower those of us who are understandably concerned about its role as the leading online platform for child sexual abuse and exploitation. There is no reason why Facebook cannot be both compassionate and profitable ... and, in fact, there is a very real concern that its lack of compassion is what could cause it to suffer grievously at the hands of consumers, regulators, lawmakers and advertisers."**

Facebook's planned encryption has been harshly criticized by government and law enforcement agencies and child protection organizations. The [Eliminating Abuse and Rampant Neglect of Interactive Technologies Act](#) or "EARN IT Act," could make Facebook legally liable for CSAM.

A note on the vote and shareholder calculations: The 43 percent support level takes into account both the total number of votes cast ([712,472,002 FOR and 4,921,399,311 AGAINST](#)) on the child sexual abuse and exploitation resolution at Facebook as reported in Facebook's 8-K (the SEC calculates shareholder resolution results based on For and Against and does not include abstentions or non-votes). It then subtracts from the "against" column the 3,978,902,050 votes (397,890,205 Class B shares which get 10 votes per share) publicly identified in the Facebook 8-K as being controlled by CEO Mark Zuckerberg and other management insiders. (Facebook publicly recommended against supporting the resolution.) When the balance of against votes (943,497,261) is compared to the votes for the resolution, the support levels stand at 43 percent.

The 712,472,002 shares vote FOR the resolution equaled \$163,255,834,538 based on the closing stock price of \$229.14 on the day of the annual meeting.

Vanguard holds about 184 million shares and BlackRock about 158 million. The shareholdings of Vanguard and BlackRock are taken from page 46 of the [Facebook 2020 proxy](#).

ABOUT PROXY IMPACT

Proxy Impact provides shareholder engagement and proxy voting services that promote sustainable and responsible business practices. www.proxyimpact.com

MEDIA CONTACT

Alex Frank, (703) 276-3264 or afrank@hastingsgroup.com