

PROXY IMPACT

SHAREHOLDERS: MAJOR NEW LEGISLATIVE & CONSUMER FALLOUT AHEAD FOR FACEBOOK IF IT ALLOWS ENCRYPTION TO HIDE 12 MILLION CASES OF CHILD ABUSE/EXPLOITATION

Potential "No-Go Zone" for Children? May 27th Vote Will Allow Shareowners to Seek Board Review of End-to-End Encryption's Risk of Triggering a New Surge in Online Child Abuse.

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NEW YORK CITY – May 20, 2020 – Even though most parents and grandparents may not have a clue about it, the Facebook platform used by America's youngsters – including Facebook Messenger, Instagram, and WhatsApp – is home each year to nearly 16 million known instances of child abuse and exploitation. Today, concerned shareholders and child-protection experts held a news conference urging others who own Facebook shares to insist on May 27th that the company weigh the potential for end-to-end encryption to make Facebook's pedophilia problem even worse than it is now.

Facebook shareholders are being urged to vote "yes" on a ballot measure that will be decided next Wednesday (May 27th) at the online giant's annual meeting. According to the resolution, Facebook should avoid further legal, regulatory, advertiser and consumer fallout by ["assessing the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption."](#) The resolution was filed by Proxy Impact along with investor Lisette Cooper, 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) -- are recommending that shareholders support the resolution. ISS (the largest service of its kind) noted: **"Given the potential financial and reputational impacts of potential controversies related to child exploitation on the company's platforms, shareholders would benefit from additional information on how the company is managing the risks related to child sexual exploitation, including risks associated with end-to-end encryption technologies."**

How bad is the child abuse and exploitation problem at Facebook? And how much worse could it get?

Facebook is [the world's #1 hub of reported child sexual abuse material](#) (CSAM) and it is not doing enough to stop the problem. In 2019, there were more than 16.9 million reports of child sexual abuse material 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. Reported incidents of child sexual exploitation and grooming (where someone builds a relationship of trust with a child or young person in order to

exploit and abuse them) increased dramatically from year to year over the past decade. The bottom line is that Facebook's efforts are not stopping these crimes against children -- including infants and toddlers -- on its platforms.

Facebook is about to make the problem of child sexual abuse material even worse. By moving to end-to-end encryption without first taking steps to stop child sexual abuse on its platforms, Facebook [could effectively make invisible 70 percent of CSAM cases – an estimated 12 million instances – that are currently being detected and reported.](#)

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. The concerned shareholders noted that privacy is important but it should not come at the expense of unleashing a whole new torrent of virtually undetectable child sexual abuse on Facebook.

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In a statement delivered during today's news event, Sarah Widman, a survivor of child sexual abuse on Facebook, said: **"My personal story is one that shows just how dangerous Facebook can be to children and why every parent and grandparent in America should be insisting that this company take every possible step now to shut down the abuse and exploitation of children. Until it takes the needed actions, Facebook, Facebook Messenger, Instagram and WhatsApp risk becoming a 'no-go zone' for children."**

Michael Passoff, founder and CEO, Proxy Impact, a shareholder advocacy and proxy voting service, said: **"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 prey on children. Not only is it the right thing to do, but it is in the best interests of the company which may otherwise face legislative, regulatory, legal, advertising and consumer backlashes."**

John Carr, secretary of the UK Children's Charities' Coalition on Internet Safety, said: **"Facebook is the 800-pound gorilla in the world of online child pornography. Facebook is proposing to turn its back on children. The company knows that going ahead with its encryption plans means they are giving up the ability to protect children from being enticed by sexual predators. And they will also be depriving themselves of the ability to prevent enormous volumes of child pornography being exchanged over their network."**

Lisette Cooper, vice chair, Fiduciary Trust International, a Franklin Templeton company, said: **"I run the impact investing practice at Fiduciary Trust international. Recently, we led events across the country with women investors and participants from many investment firms. A common theme was that these investors want to go beyond conversation and take action now, to align their investments with their values. As mothers, this issue of child sexual abuse online, resonates for many of us and we feel it's time to raise our voices for change, to make the world a safer place for children, while also making the companies we invest in stronger for the future. Facebook has a responsibility to ensure the safety of the**

environment that our kids are hanging out in on their social media platforms -- ensuring that it's a safe neighborhood."

ABOUT PROXY IMPACT

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

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