Performance Review of Audit and Risk Oversight Committee

Resolved:

Shareholders request the Board commission an independent assessment of the Audit and Risk Oversight Committee's capacities and performance in overseeing company risks to public safety and the public interest and in supporting strategic risk oversight on these issues by the full board.

Supporting Statement:

The review should be conducted at reasonable expense, and a public summary published expeditiously. The summary may omit confidential information, including information that would undermine the company's position in pending litigation.

We recommend the review be informed by "Guidance on Corporate Risk Oversight" by the International Corporate Governance Network, which suggests, among other things, assessing whether the board is instilling throughout the company a culture of risk monitoring and accountability, and the extent to which board activities support a transition from current risk culture to desired risk culture. The review should recommend mitigation such as providing the committee with:

- additional access to internal and external experts on issues of significant societal risk and impact;
- an avenue for employees to anonymously report issues to the committee; and
- additional training to assess social impacts and risks.

Background

Following the Cambridge Analytica scandal, in 2018, a shareholder resolution calling for the creation of a risk oversight committee was supported by more than 45% of the company's independent shareholders and by Institutional Shareholder Services. In 2018 the company broadened the charter of the audit committee to review with management (a) at least annually, the Company's assessment of the major ways in which its services can be used to facilitate harm or undermine public safety or the public interest…as well as the steps the Company has taken to monitor, mitigate, and prevent such abuse, and (b) from time to time [review] risk exposures related to social responsibility as the Committee deems necessary or appropriate. These responsibilities complement the responsibilities of the full board for strategic oversight of risk.

Nevertheless, the stream of harmful revelations has continued including allegations that the company regularly breaks pledges to remove harmful content such as advertisements for alcohol and weight loss drugs targeted to minors as young as 13 years old, depictions of animal cruelty, and misinformation on the coronavirus and the 2020 presidential election. Facebook has allowed militia groups that advocate violence to proliferate on its site, and its own studies reveal 32% of girls who feel bad about their bodies feel worse after spending time on the company's Instagram platform.

In 2019, the FTC fined Facebook $5 billion, and in 2021, the DC attorney general added Mark Zuckerberg to a lawsuit regarding Cambridge Analytica and the Ohio attorney general sued Meta for over $100 billion alleging the company intentionally has misled the public and investors about the negative impact of its products on minors to boost its stock price.

Proponents are concerned that a lack of rigorous risk oversight and culture at the Company will ultimately result in further damage to shareholder value.