

Give Each Share an Equal Vote

RESOLVED:

Shareholders request that our Board take all practicable steps in its control to initiate and adopt a recapitalization plan for all outstanding stock to have one vote per share. We recommend that this be done through a phase-out process in which the board would, within seven years or other timeframe justified by the board, establish fair and appropriate mechanisms through which disproportionate rights of Class B shareholders could be eliminated. This is not intended to unnecessarily limit our Board's judgment in crafting the requested change in accordance with applicable laws and existing contracts.

SUPPORTING STATEMENT:

Facebook continues to be fraught by controversies that could be avoided with proper governance reforms.

Whistleblower Frances Haugen testified before the Senate on October 5, 2021, alleging that Facebook has consistently chosen to “maximize its growth rather than implement safeguards on its platforms, just as it hid from the public and government officials internal research that illuminated the harms of Facebook products.”¹ Referring to previously unpublished internal Facebook research, Haugen stated that the company addressed only a small fraction of hate speech and violence and incitement content.² She also alleged that Facebook is aware that its own algorithms pushes disinformation.³

Importantly, Haugen also noted that the company’s CEO and co-founder, Mark Zuckerberg, controls over 55% of voting shares (while owning only 13% of economic value of the firm) and therefore dictates the course of the company. Haugen noted that “there is no one currently holding Zuckerberg accountable but himself”⁴ – a role that shareholders cannot exercise through the proxy voting process due to the company’s unequal dual-class voting structure that prevents accountability;

This year’s scandal is just another in a long line of controversies that have threatened company value and have resulted in the loss of users, decline in user confidence, and included a one-day stock price drop that wiped off “more than \$119bn ... [from] Facebook’s market value” in July 2018. These controversies include election scandals, criticism “for its lax position on political lies,” its role in Russia’s misinformation campaign during the 2016 election, massive data breaches, incitement of violence, and more.

The Proponents believe that management and Board decisions are responsible for the public scandals that have threatened or caused losses in shareholder value and risks to the economy more widely. Without equal voting rights, shareholders cannot hold management accountable.

Governance experts support such recapitalization: the Council for Institutional Investors (CII) recommends a seven-year phase-out of dual class share offerings and the International Corporate Governance Network supports CII’s recommendation. Outsider shareholders have repeatedly widely supported this proposal, and the most recent scandal emphasizes the critical need for this governance reform.

We urge shareholders to vote FOR a recapitalization plan for all outstanding stock to have one vote per share.

¹ <https://www.npr.org/2021/10/05/1043377310/facebook-whistleblower-frances-haugen-congress>

² <https://www.axios.com/facebook-whistleblower-haugen-profits-over-safety-ceae4674-5352-40ea-a73c-fa5f1ae938cd.html>

³ <https://www.npr.org/2021/10/05/1043377310/facebook-whistleblower-frances-haugen-congress>

⁴ <https://www.nytimes.com/2021/10/05/technology/facebook-frances-haugen-testimony.html>