Meta Platforms, Inc. (FB)
2022 Shareholder Proposals

INVESTOR ALLIANCE
FOR HUMAN RIGHTS
AN INITIATIVE OF ICCR

PROPOSALS:

- Assessment of Metaverse User Risk & Advisory Shareholder Vote
- Human Rights Impact Assessment on Targeted Ads
- Performance Review of Audit and Risk Oversight Committee
- Board oversight of Harmful User-Generated Content
- Child Sexual Exploitation Online
- Address Wealth Inequality Through an Ownership Culture
- Risks Associated with Use of Concealment Clauses
- Disclosure of Lobbying Policy and Activities
- Independent Board Chair

Human Rights Proposals

Assessment of Metaverse User Risk and Advisory Shareholder Vote
Arjuna Capital

Natasha Lamb (natasha@arjuna-capital.com)

Resolved: *Shareholders request the Board of Directors commission a report and seek an advisory shareholder vote on its metaverse project. The report should summarize results of a third-party assessment of:*

- *potential psychological and civil and human rights harms to users that may be caused by the use and abuse of the platform,*
- *whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.*

After the report's publication, the Company should seek a shareholder vote, expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate.

Arguments in favor of proposal:

- FB's track record- Company has yet to resolve known human and civil rights issues on **current** platforms[1]
- Investors question the validity of FB's social license to operate this emerging technology given poor governance and track record of current platforms (congressional testimony, whistleblower, WSJ Facebook Files, regulatory risk, anti-trust, brand risk)[2]
- Investment risk:
  - Dedicating 50% of CAPEX to project without full understanding of negative implications: 10,000 current employees, hiring 10,000 additional employees, $10 billion in 2021
  - Share value dropped 26% after publishing 4Q21 results; dropped 13% after whistleblower testimony[3]
- Opportunity to rebuild trust with investor and civil and human rights community

ARJUNA CAPITAL
ENLIGHTENED INVESTING

SHARE
SHAREHOLDER ASSOCIATION for RESEARCH & EDUCATION

SumOfUs

storebrand

1, 2 The Facebook Files – WSJ
3 Investing in European Talent to Help Build the Metaverse | Meta (fb.com); Meta - Facebook Reports Third Quarter 2021 Results (fb.com); Facebook stock plummets 26% in its biggest one-day drop ever (cnbc.com)

Human Rights Impact Assessment on Targeted Ads Policies & Practices

Mercy Investments Services

Lydia Kuykendal (lkuykendal@mercyinvestments.org)

Resolved: *Shareholders direct the board of directors of Meta Platforms, Inc. (formerly known as Facebook, Inc) to publish an independent third-party Human Rights Impact Assessment (HRIA), examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations. This HRIA should be conducted at reasonable cost; omit proprietary and confidential information, as well as information relevant to litigation or enforcement actions; and be published on the company's website by June 1, 2023.*

Arguments in favor of proposal:

- Facebook's business model relies on a single source of revenue – advertising was 98% of their global revenue in 2020. [1]
- Algorithmic systems are deployed to enable the delivery of targeted advertisements, determining what users see, resulting in and exacerbating systemic discrimination and other human rights violations. [2]
- Legislation in Europe and the United States is poised to severely restrict or even ban targeted ads. [3]
- A robust HRIA will enable the company to better identify, address, mitigate and prevent adverse human rights impacts that expose the company to reputational, legal, business and financial risks.

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1 https://www.statista.com/statistics/271258/facebooks-advertising-revenue-worldwide/

2: https://www.nytimes.com/2019/03/28/us/politics/facebook-housing-discrimination.html

3:https://www.brookings.edu/techstream/what-the-european-dsa-and-dma-proposals-mean-for-online-platforms/; https://mashable.com/article/filter-bubble-transparency-act-threatens-facebook-news-feed

Performance Review of Audit and Risk Oversight Committee

Harrington Investments, Inc.

Melanie Sloan (msloan@campaignforaccountability.org)

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.*

Arguments in favor of proposal:

- Risk committees are an important component of strong corporate governance
- Scandals led shareholders to propose a resolution calling for creation of risk committee in 2018
- FB opposed the resolution, arguing the audit committee already considered risk
- Proposal was supported by more than 45% of shareholders and ISS
- Public pressure led FB to rename the audit committee, Audit and Risk Oversight
- Research shows audit committees often don't have the time, skills, and the support to properly address risk
- Harmful revelations continue unabated, suggesting committee may be ineffectual
- Independent assessment is necessary to evaluate Board's performance in line with ICGN standards
- Continued failure to appropriately manage risk is detrimental to shareholder value

HARRINGTON
INVESTMENTS, INC.

Board Oversight of Harmful User-Generated Content
***As You Sow* on behalf of Thomas Van Dyck**
Andrew Behar (abehar@asyousow.org)

Resolved: *Shareholders request the Board, at reasonable expense and excluding proprietary or legally privileged information, prepare a report analyzing why the enforcement of "Community Standards" as described in the "Transparency Center" has proven ineffective at controlling the dissemination of user content that contains or promotes hate speech, disinformation, or content that incites violence and/or harm to public health or personal safety*

Arguments in favor of proposal:

- Company faces censure and declining reputation because of its inability to control negative content
- Company continues to invest staff time, capital, and resources in tracking and removal of negative content - yet no discernible change has occurred
- Board needs to analyze why the Transparent Center effort continues to fail before investing more into this effort that appears to be "whack-a-mole"
- Board should consider simple solutions that solve the problem
    - Removal of accounts that post negative material rather than just remove the posts
    - Voluntarily defining itself as a broadcaster and following body of laws already in place for networks

AS YOU SOW

Child Sexual Exploitation Online

Proxy Impact
Michael Passoff (michael@proxyimpact.com)

Resolved: *Shareholders request that the Board of Directors issue a report by February 2023 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 report should address potential adverse impacts to children (18 years and younger) and to the company's reputation or social license, assess the impact of limits to detection technologies and strategies, and be prepared at reasonable expense and excluding proprietary/confidential information.*

Arguments in favor of proposal:

- In 2020 there were over 21.4 million reported cases of online child sexual abuse material (CSAM), 94% of which stemmed from Facebook. This represents an increase of 28% from Facebook's nearly 17 million reports in 2019.
- Facebook's plan to apply end-to-end encryption to all its platforms without first stopping CSAM could effectively make invisible 70% of CSAM cases that are currently being detected and reported.
- Facebook faces significant regulatory, legal and reputational risk from its role as the world's largest facilitator of child sexual exploitation online.
- Our 2021 shareholder resolution received nearly 980 million shares worth about $321 billion in stock value 17.25% of the vote. This represents 56% of the non-Zuckerberg controlled vote (up from 43% in 2020).

PROXY IMPACT
The power to change business as usual

Workers’ Rights Proposals

Address Wealth Inequality Through an Ownership Culture

James McRitchie (jm@corpgov.net)

<u>Resolved</u>: *Meta Platform Inc ("Company") shareholders request the Board's Compensation, Nominating and Governance Committee ("Committee") issue a report annually assessing the distribution of stock ownership incentives throughout the workforce (such as but not limited to performance share units, employee stock purchase plans, restricted stock units, and options). The report should include a matrix, sorted by EEO-1 employee classification or another appropriate classification scheme with four or more categories chosen by the Committee, showing aggregate amounts of stock ownership granted and utilized by all U.S Company employees and including associated voting power, if any. The report should be prepared prior to or concurrent with issuance of the next annual proxy statement.*

Arguments in favor of proposal:

- Wealth inequality in US is highest of all G7 nations.
- IMF finds **inverse relationship** between income share accruing to top 20% vs bottom 20% and economic growth (GDP).
- Widespread employee ownership is correlated with better firm performance, fewer layoffs, better employee compensation and benefits, higher median household wealth, longer median job tenure, and reduced racial and gender wealth gaps.
- Shareholder approval is required for equity compensation plans. How those incentive shares/voting rights are distributed may be material information. Do boards think only executives can be incentivized through stock?
- Use of employee stock purchase plans may be material information indicating if employees need all their pay for current expenses and/or if they think the company is a good or bad investment.
- Worker owners age 28-34 have almost twice the net average household wealth as non-worker owners.
- Low- and moderate-income worker-owners aged 60 to 64 had 10 times the wealth of no-worker-owner counterparts.

There are many footnotes in the actual proposal. Additional citations are linked in in the slide above and an internet post at https://www.corpgov.net/2022/02/incentive-shares-meta-amazon-repligen-refuse-to-say-how-distributed/

Risks Associated with Use of Concealment Clauses
Transparency in Employment Agreements Coalition

Ifeoma Ozoma (ifeoma.ozoma@gmail.com)/ Meredith Benton (benton@whistlestop.capital)

Resolved: *Shareholders of Meta Platforms, Inc. ("Meta") ask that the Board of Directors prepare a public report assessing the potential risks to the company associated with its use of concealment clauses in the context of harassment, discrimination and other unlawful acts. The report should be prepared at reasonable cost and omit proprietary and personal information.*

> *Concealment clauses are defined as any employment or post-employment agreement, such as arbitration, non-disclosure or non-disparagement agreements, that Meta asks employees or contractors to sign which would limit their ability to discuss unlawful acts in the workplace, including harassment and discrimination.*

Arguments in favor of proposal:

- **Shareholder lawsuits and settlements** - $50M settlement against Pinterest brought by RI Treasurer
- **Changing policy landscape** - SB331 allows CA workers to speak about unlawful conduct regardless of NDA. 8 State Treasurers asked SEC to issue recommendation on use of concealment clauses. Congress recently passed bill to end forced arbitration in sexual harassment/assault cases.
- **Best practices** - Expensify/Twilio

  > *"Nothing in this agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful."*

- **Governance -** agency risk, need for board oversight, transparency/accountability,
- **Risk** - state/federal legislative shifts, surge in claims, harm to employee relationship, brand perception
- **Accountability** - impunity for managers/executives, information withheld, limited claims
- **DEI** - arbitration for sexual harassment named unfair practice by AGs, EEOC, GAO, FINRA

For More: Marketwatch, New York Times, Fast Company, Aperio Group by BlackRock, Day One Project

Governance Proposals

Disclosure of Lobbying Policy and Activities

United Church Funds

Matthew Illian (matthew.illian@ucfunds.org)

Resolved: *Stockholders request the preparation of a report, updated annually, disclosing: 1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications. 2. Payments by Meta used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient. 3. Description of management's and the Board's decision-making process and oversight for making payments described in section 2 above. For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Meta is a member. Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels. The report shall be presented to the Audit Committee and posted on Meta's website.*

Arguments in favor of proposal:

- In 2020, Meta spent $19.6 million on U.S. federal lobbying, the most of any tech company.[1] In the same year, Meta spent €5,500,000 lobbying in Europe, the second largest lobbying spender across the continent.[2]
- Meta's lack of disclosure presents reputational risks when its lobbying contradicts the company's public positions. For example, Meta has taken some strong leadership positions on climate change with pledges to use renewable energy to power its operations and reduce its carbon footprint yet is a member of and contributes to the Competitive Enterprise Institute (CEI), a strong critic of climate science and opponent of legislation addressing climate change.[3]

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[1] https://www.opensecrets.org/news/2021/10/facebook-maintained-big-lobbying-expenses-senate-hearing-teen-social-media-use/.

[2] https://www.reuters.com/technology/google-facebook-microsoft-top-eu-lobbying-spending-study-2021-08-30/.

[3] https://cei.org/studies/a-citizens-guide-to-climate-change/

Independent Board Chair

Vermont State Treasurer's Office (co-filer)

Katie Green, VT Treasury (katie.green@vermont.gov) or Max Dulberger, IL Treasury (mdulberger@illinoistreasurer.gov)

<u>Resolved</u>: *Shareholders request the Board of Directors adopt as policy, and amend the bylaws as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, be an independent member of the Board. This independence policy shall apply prospectively so as not to violate any contractual obligations. If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair.*

<u>Arguments in favor of proposal</u>*:*

- **Best Practice –** An independent board chair is best practice, creating a governance structure with the benefits of genuine accountability and meaningful oversight of management.
- **Lack of Board Independence** – Based on a preliminary analysis, only two of Facebook's ten board members are completely independent (Ms. Killefer and Mr. Xu). Our threshold for support requires at least three-fourths of the Board be comprised of independent directors.
- **Governance Failings** – Past and ongoing controversies signal a need for a reformed board leadership structure that will both enhance corporate governance and help rebuild trust with investors, employees, users, and regulators.
- **Demonstrated Support Among Non-Insider Investors** – For each of the last three years, the same shareholder proposal received a majority vote of independent shareholders.