

Financial and operational risks related to a lack of civil and human rights oversight, such as reputational damage and litigation, can adversely affect shareholder value.

According to Investopedia, almost all of Facebook's revenue comes from advertising (<https://bit.ly/36A8nsZ>). Targeted advertising associated with civil and human rights violations presents financial, legal and reputational risk. In 2019, Facebook paid \$5 million to settle civil rights lawsuits claiming Facebook's advertising systems excluded people from seeing housing, employment and credit ads based on age, gender and race (<https://cnn.it/2RKXJLD>). This included lawsuits claiming violations of the Fair Housing Act by "encouraging, enabling, and causing housing discrimination through the company's advertising platform," as well as a gender discrimination complaint alleging Facebook posted biased jobs ads in violation of the Civil Rights Act.

While Facebook recently took steps to limit discriminatory targeting in advertising, concerns have been raised that the algorithm used to determine how ads are delivered to users is itself discriminatory (<https://bit.ly/2DERRUJ>). This may leave Facebook vulnerable to additional lawsuits for violations of the Fair Housing Act, Equal Credit Opportunity Act, and Title VII of the Civil Rights Act of 1964, among others. Many states also have anti-discrimination and equal opportunity laws, which may be more inclusive than federal statutes.

According to several experts, including the President and Executive Director of the Lawyers' Committee for Civil Rights Under Law, Facebook continues to engage in practices that target protected classes, making it vulnerable to further lawsuits. These practices can also lead to boycotts, which can reduce overall advertising revenue. For instance, in 2018 the National Association for the Advancement of Colored People launched a boycott of Facebook after a report revealed that a Russian influence campaign undertaken during the 2016 U.S. presidential elections explicitly targeted African Americans.

Although Facebook has taken steps to limit its civil and human rights risk exposure - such as beginning a civil rights audit in 2018 - Color of Change, a leading civil rights organization, has noted that "the permanent structure of civil rights work is woefully under-addressed" in the audit. We are concerned that these efforts have not received adequate attention from leadership. In testimony before the House Committee on Financial Services in October 2019, Mark Zuckerberg was questioned about Facebook's civil rights expertise and, according to *The Washington Post*, stumbled when asked to name the Civil Rights Audit's recommendations (<https://wapo.st/2LMemmc>).

RESOLVED: Shareholders urge the Board of Directors to oversee management's preparation of a report on Board-level oversight of civil and human rights risks. In doing so, Facebook might consider reporting on board level expertise in civil and human rights; board level responsibilities for advising on and managing civil and human rights risk; board level expertise pertinent to oversight regarding civil and human rights issues impacting Facebook's community of global users; and the presence of board level infrastructure ensuring ongoing consultation with leading civil and human rights experts.