

## Investment Stewardship Group

# Voting Bulletin: Facebook, Inc.

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our [engagement priorities](#) based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted on select resolutions, and (where relevant) provide information around our engagement with the issuer.

Company	<b>Facebook, Inc.</b>
Market	United States
Meeting Date	27 <sup>th</sup> May 2020
Key Resolutions <sup>1</sup>	<b>Item 1.2:</b> Elect Director Marc L. Andreessen <b>Item 4:</b> Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share
Board Recommendations	The company recommends shareholders vote <b>FOR</b> all management proposals and <b>AGAINST</b> all shareholder proposals.
BlackRock Vote	BIS voted <b>AGAINST</b> Mr. Andreessen as he serves on the Audit Committee and we do not consider him independent. We voted <b>FOR</b> the shareholder proposal asking for a recapitalization plan as we generally support one share one vote capital structures. BIS supported management on all remaining agenda items.

<sup>1</sup> The full meeting resolutions and agenda can be accessed at: <https://investor.fb.com/annual-meeting/default.aspx>

## Overview

Facebook's stated mission is to give people the power to build community and bring the world closer together, with over 1.7 billion daily active users. People use Facebook's apps and technologies to connect with friends and family, find communities, and grow businesses.

BIS regularly reviews Facebook's governance structure and risk profile. In prior engagements with the company's board and management, we have discussed a range of material issues driving long-term shareholder value, including corporate governance practices, privacy issues, sustainability and human capital management.

During our most recent engagement, we addressed several topics including director compensation, efforts to increase transparency and enforce their policies. Although the pay outcomes under the proposed director compensation plan are at the high end, they are within the range offered in its peer group. Facebook has increased transparency regarding its policy enforcement by publishing reports such as its Community Standards Enforcement Report and Ad Library.

We recognize that our vote in support of the shareholder proposal to introduce a one share, one vote capital structure is not likely to effect a change in approach by the company given our vote is diluted under the current dual class structure. Nonetheless, we believe it is important to send a clear signal that proportionate voting rights are, in our view, integral to good governance and accountability.

We will continue to engage with the company regarding the governance of and reporting on material business risks and opportunities. We will monitor closely the company's progress on independent board leadership and policy enforcement, amongst other factors critical to Facebook's ability to generate sustainable long-term returns. If the company's progress falls short, we will signal our concerns in future voting on management and shareholder proposals.

### The 2020 Annual General Meeting

Facebook's annual meeting included management proposals to elect directors, ratify the company's auditors, and approve executive compensation. The company also had eight shareholder proposals for consideration across a number of environmental, social, and governance topics. BIS voted as described below:

#### Rationale for BlackRock's Vote

##### Item 1.2: Elect Director Marc L. Andreessen (AGAINST)

BIS voted AGAINST Mr. Andreessen as we do not consider him independent and he serves on the audit committee. BIS considers Mr. Andreessen to be affiliated as he is a founding partner at Andreessen Horowitz which has held significant stakes in companies acquired by Facebook (e.g. Instagram, Oculus, and wit.ai). We believe all members of key committees, including audit, should be independent.

##### Item 4: Shareholder Proposal to Approve Recapitalization Plan for all Stock to Have One-vote per Share (FOR)

The proposal asks that Facebook's "*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.*"

As we note in our [U.S. proxy voting guidelines](#), we strongly prefer a "one vote for one share" capital structure for publicly-traded companies. We prefer this capital structure as it provides control proportionate to shareholders' capital at risk and is thus more aligned with our clients' interests. While we recognize the potential benefits of

dual class shares to newly public companies as they establish themselves, we believe that these structures should have a specific and limited duration for well-established public companies such as Facebook.

### **Additional Ballot Items**

The company also received the following shareholder proposals:

**Item 5:** Stockholder proposal regarding an independent chair

**Item 6:** Stockholder proposal regarding majority voting for directors

**Item 7:** Stockholder proposal regarding political advertising

**Item 8:** Stockholder proposal regarding human/civil rights expert on board

**Item 9:** Stockholder proposal regarding report on civil and human rights risks

**Item 10:** Stockholder proposal regarding child exploitation

**Item 11:** Stockholder proposal regarding median gender/racial gap

#### **Item 5: Stockholder proposal regarding an independent chair**

Although BlackRock remains concerned about the apparent lack of robust deliberation and independence within the Facebook boardroom, we did not support the shareholder proposal regarding an independent chair, given that a new Lead Independent Director was appointed in March 2020. This is consistent with our position that in the event that the board chooses a combined chair / CEO model, we generally support the designation of a lead independent director unless there are significant governance concerns. However, we will continue to engage the company to assess the independence of judgment demonstrated by the board with Mr. Kimmitt in the role of Lead Independent Director. Other governance enhancements provide additional rigor with the establishment of the Independent Privacy Committee and the additional oversight by the Federal Trade Commission.

#### **Item 6: Stockholder proposal regarding majority voting for directors**

Consistent with our vote last year, we did not support the shareholder proposal to require a simple majority vote standard for director elections. Given Facebook has a dual class, controlled structure we believe supermajority voting may better protect minority shareholder interests. Should the company recapitalize to create a one share, one vote structure we would support simple majority voting.

#### **Items 7-11**

BlackRock determined that Facebook is taking steps to address material issues raised in the shareholder proposals items 7-11. Item 7 is addressed through the Ad Library and other transparency tools, which we engaged the company on as noted above. The company is addressing the human rights issues raised in items 8-10 through actions in support of its membership of the Responsible Business Alliance (RBA), which it joined in 2018. Facebook requires that its priority suppliers, which are identified using a risk-based methodology, conform with the RBA standards on labor, health and safety, the environment, business ethics, and the establishment of management systems.<sup>2</sup> Additionally, the company's internal Civil Rights Task Force meets monthly for the purpose of surfacing, discussing, and addressing civil rights issues. Facebook's Community Standards are updated periodically based on feedback from the online community and the advice of experts in fields such as technology, public safety, and human rights. With respect to diversity and inclusion disclosure as raised in item 11, Facebook began in 2014 to publish its global gender diversity and U.S. ethnic diversity workforce data annually on its website.<sup>3</sup>

---

<sup>2</sup> <http://www.responsiblebusiness.org/code-of-conduct/>

<sup>3</sup> <https://diversity.fb.com/>