

Facebook Inc Annual Shareholders Meeting

Company Participants

- David Kling, VP, Deputy General Counsel & Corporate Secretary
- Elliot Schrage, VP of Global Communications, Marketing & Public Policy
- Mark Elliot Zuckerberg, Founder, Chairman & CEO
- Sheryl Kara Sandberg, COO & Director
- Unidentified Speaker, Unknown

Other Participants

- Christine Joann Jantz, CIO, NorthStar Asset Management, Inc.
- Jesse L. Jackson, President and Founder, The Rainbow PUSH Coalition, Inc.
- Justin Danhof, Analyst, Unknown
- Michael G. Verdone, Analyst, Unknown
- Natasha L. Lamb, Managing Partner and MD, Arjuna Capital, LLC
- Nell Greenberg, Analyst, Unknown
- Patrick Doherty, Analyst, Unknown
- Unidentified Participant, Analyst, Unknown
- Will J. Lana, Partner & Investment Manager, Trillium Asset Management LLC

Presentation

David Kling {BIO 19444861 <GO>}

Good morning. Welcome. Thanks for joining us for Facebook's 2018 Annual Meeting of Stockholders. I am Dave Kling, Deputy General Counsel and Corporate Secretary of Facebook and Chairman of this annual meeting, which I now call to order.

Let me run through today's agenda. First, we'll focus on the formal business set forth in the proxy statement. Then, Mark will spend a few minutes talking about how Facebook has been doing. And finally, we'll conclude with a Q&A session.

Before we begin with the formal business, I'd like to remind you to please turn off all mobile devices and of the rules of conduct that were provided to you when you entered the meeting, including the rule prohibiting photos and recording of any kind. Thanks for your cooperation.

Let me start by introducing the members of our Board of Directors who are here today: Mark Zuckerberg, Sheryl Sandberg, Erskine Bowles, Ken Chenault and Sue Desmond-Hellman. I would also like to introduce 2 other people who are in

attendance: Alex Bender of Ernst & Young LLP, our independent registered public accounting firm; and Kris Veaco, who will act as the Inspector of Election for this meeting and who will tabulate the results of the voting. Ms. Veaco has previously executed the oath of Inspector of Election.

Turning now to the formal business. I have a copy of the notice, together with the declaration as to the mailing, of the proxy statement made available to all Facebook stockholders of record as of April 6, 2018. I also have a list of stockholders entitled to vote at this meeting, which is available for inspection by any stockholder present or by any proxy holder who is representing a stockholder and which list will be filed with records of the meeting. I'm advised by the Inspector of Election that the holders of shares representing at least the majority of the voting power of our Class A and Class B common stock voting together as a single class are present or represented by proxy here today. And the requisite quorum to conduct business is therefore present. Accordingly, this meeting is authorized to transact the business set forth in our proxy statement.

We have 8 proposals to consider at this meeting, each of which is described in the proxy statement. We'll discuss these proposals momentarily. First, however, I will remind you that, today, voting is by proxy and written ballot. If you've already sent in a proxy, you do not need -- and do not intend to change your vote, there is no need for you to cast a ballot today. Your vote will be counted automatically without any further action on your part. However, any stockholder present who has not turned in a proxy or who wishes to change their vote may cast a ballot at this meeting. Does any stockholder wish to cast a ballot today? Great. If so, raise your hand. And one of our volunteers will bring one to you.

Okay. It is currently 11:06. And the polls are now open. You may vote at any time during our discussion of the proposals on the agenda. Once you filled out your ballot, please raise your hand in the air. And our volunteers will come and collect it.

I will now review the proposals to be voted on at this meeting. The first item of business is to elect our Board of Directors to serve until our next annual meeting or until their earlier death, resignation or removal. The director-nominees are: Marc Andreessen, Erskine Bowles, Kenneth Chenault, Susan Desmond-Hellmann, Reed Hastings, Sheryl Sandberg, Peter Thiel and Mark Zuckerberg. The qualifications of each proposed director are set forth in the proxy statement. No other director-nominees have been properly submitted for election pursuant to our bylaws or SEC rules. Therefore, no other nominations may be accepted at this time. The Board of Directors recommends a vote for the election of each of the nominated directors.

The second item of business is to ratify the...

Unidentified Participant

(inaudible) I'd like to urge shareholders to vote against the election of Mark Zuckerberg as the chair of the Board of Directors under (inaudible) Facebook...

David Kling {BIO 19444861 <GO>}

Thank you, miss. We're actually not doing question and answer right now.

Unidentified Participant

(inaudible) agenda Item #1, the election of directors...

David Kling {BIO 19444861 <GO>}

I understand. But if you can please sit down. We're actually going to run through the proposals and the proponent for each proposal. I can make statements right now.

Unidentified Participant

So I will be allowed to make a statement on Item 1?

David Kling {BIO 19444861 <GO>}

There is going to be -- there will be a Q&A session at the end.

Unidentified Participant

But then people who have voted (inaudible) now.

David Kling {BIO 19444861 <GO>}

I understand. But we haven't structured the meeting that way. If you could please sit down.

Unidentified Participant

This is the one day of the year that shareholders are allowed to face the Board of Directors (inaudible) and speak to each other and shareholders (inaudible) is already laughing at Facebook for this.

David Kling {BIO 19444861 <GO>}

Yes, please. I'm sorry. It's -- we structured the meeting to run through each of the proposals. And we also want to give each of the shareholder proponent the time to speak. There will be a Q&A session at the end after Mark makes his remarks. And we'll have management on the stage. And we do welcome everyone to ask questions or make statements at that time.

The second item of business is to ratify the appointment of Ernst & Young as our independent registered public accounting firm for the fiscal year ending December 31, 2018. The Board of Directors recommends a vote for this proposal.

Finally, we've received 6 stockholder proposals that complied with the requirements of our bylaws and SEC rules and, therefore, are eligible to be voted on at this meeting. The Board of Directors recommends a vote against each of proposals 3 through 8. Each stockholder proponent may now make a statement in support of their proposal. I will call you up one by one to one of the microphones. Please limit your statements to no more than 3 minutes. First, for Proposal 3, which is the proposal regarding a change in stockholder voting, Christine Jantz will be speaking on behalf of NorthStar Asset Management. Ms. Jantz? Oh, my gosh.

Christine Joann Jantz {BIO 18778582 <GO>}

Good morning. My name is Christine Jantz from NorthStar Asset Management of Boston, beneficial owner of 37,758 shares of Facebook common stock. Fellow shareholders, I am here to represent resolution #3, a good governance proposal about equal voting rights. This proposal has never been as crucial as this year given the highly concerning issues our company is currently facing. As shareholders, we do not like reading news that states, "Facebook believes that the data of up to 87 million people was improperly shared with a political consultancy, Cambridge Analytica." So if privacy is a human right, as stated by Microsoft's CEO, then we contend that Facebook's poor stewardship of customer data is tantamount to a human rights violation. We must remember that, as of last week, the EU General Data Protection Regulation went into effect, which will clearly affect Facebook's business in Europe. Government regulation is necessary. But it is not sufficient when management fails.

Facebook's management and board have consistently minimized our input as shareholders by reducing our voting rights. The Cambridge Analytica scandal is an egregious example of when a board is formed by a CEO to meet his needs, primarily insiders or other affiliated people rather than truly independent directors who will provide proper management oversight to protect shareholder investment. Given the existing share structure, the current status of shareholder outrage against the company board can have no corrective action. Despite the fact that board member Peter Thiel is directly connected to Cambridge Analytica, it's mathematically impossible for non-entitled shareholders to vote down Mr. Thiel's nomination. Shareholders cannot even assume that management will take action when it sees an overwhelmingly high vote by others and insiders against a management proposal or board member as evidenced by our company's attempt to create a third class of stock despite outsider common shareholders' vote against it in 2016.

Soon, you will hear a shareholder proposal about risk oversight committee, an issue that is clearly vital to our company right now. But even if every single outside shareholder vote is in favor of that proposal, it will still fail if Mr. Zuckerberg votes against it. We are at a vital impasse for our company. We are faced right now with a situation for which Facebook clearly does not have the expertise to manage. Yet, if these crucial governance proposals fail, shareholders will have no assurance that management will be held accountable or the critical issues will be addressed. My firm and our colleagues have been bringing this issue to Facebook shareholders for years. And clearly, the recent scandals exemplify the need for the shareholder rights overhaul. Shareholders, we urge you to vote for proxy item #3.

David Kling {BIO 19444861 <GO>}

Great. Thank you. Next, for Proposal 4, which is proposal regarding a risk oversight committee, William Lana will be speaking on behalf of Trillium Asset Management. Mr. Lana?

Will J. Lana {BIO 18464073 <GO>}

Good morning, Mr. Chairman, members of the board, fellow shareholders. My name is Will Lana. And I'm here on behalf of Trillium Asset Management and Park Foundation to hereby move item #4, seeking a report discussing the merits of establishing a risk oversight board committee. Facebook could benefit from putting into place a board committee structure to meet the unique challenges and demands it faces. It is not necessary or helpful to read off a list of controversies facing Facebook. We all know what that list looks like. We have identified at least 15 distinct controversies. Suffice to say, the list is long. And the list is serious. Accordingly, the risk that the company and its shareholders face are profound and real. It is evident to us that Facebook's piggybacking of risk oversight onto the audit committee no matter how well utilized is not up to the task. The purpose of the audit committee is to focus on financial reporting processes, not on big-picture risk oversight. The board statement on the proposal says the audit committee has, "The appropriate time and resources to oversee risk exposure." But we must ask ourselves, if the audit committee does have the time and resources to oversee these issues, why is the list of controversies confronting Facebook so long and so serious? The proof of the current structure's inadequacy is on display in the daily headlines. It's worth noting that the lack of a board risk committee is just one of several signs that risk oversight is downplayed on Facebook's board. For example, conspicuously absent from lengthy corporate governance guidelines published to Facebook's website is any mention of risk. The board -- bios for the directors also do not mention risk, nor does any director have explicit risk management expertise.

Being put forward today is a commonsense fix to prioritize risk, an approach The Conference Board and Harvard Law School Forum generally considered good governance. ISS, the proxy adviser service, recommending a vote in favor of Item 4 calls our request reasonable, acknowledging the sheer volume of Facebook's controversies and observing that, "Shareholders would benefit from more information about proactive steps the board has taken to reform its risk management process to ensure the company is proactively assessing and mitigating risks."

I think it is apparent to everyone that 2018 is a pivotal year for Facebook. Considerable money and resources have been diverted to multiple efforts that address a litany of problems. This is all well and good. But to be effective, these reactive measures must be paired with a proactive improvement to Facebook's fundamental risk oversight. Let us not miss this opportunity to make a simple yet a powerful change that will go a long way towards laying a foundation for a successful future, a successful future not only for the company and its shareholders. But for Facebook's users and communities around the world. Thank you for your time and attention and for your support of Item 4.

David Kling {BIO 19444861 <GO>}

Thank you. Next, for Proposal 5, a proposal regarding a simple majority vote, (James McRitchie) will be speaking on behalf of the proposal.

Unidentified Participant

Super majority requirements are used to block initiatives supported by most shareholders. But opposed by board seeking entrenchment. Most S&P 500 and even S&P 1500 companies have no super majority requirements. Mark Zuckerberg and associates own 89% of Class B shares or 60% of total voting power. However, a provision of the charter specifies that when class B common shares represent less than a majority of total voting power, bylaw will still require at least 2/3 of the voting power of the company. Therefore, even if those shares are sold off or converted as requested by NorthStar's Proposal #3, super majority vote requirements could still impede shareholder action. A simple majority standard will give shareholders an equal and fair representation in the company by limiting the power of shareholders who own a large stake.

Facebook is clearly a trendsetting company with tremendous influence over our nation, as evidenced by the most recent presidential election. Will our country be increasingly headquartered to corporate dictatorships? Will corporate dictatorships support a strong, democratic government in here, in these United States of America? Or will they continue to seek short-term power and profits for the few at the expense of conditions that favor the long-term broader interests of all their shareholders and users? How shareholders -- how shares are voted today at Facebook on NorthStar's Proposal #3 to recapitalize the company and our Proposal #5 to move to a simple majority vote could send a clear message. Even if its votes were strictly tied to its economic stake, Mr. Zuckerberg and other class B shareholders would still wield considerable power. Turning around corporate governance at Facebook could dramatically enhance the reputation of our company and Mr. Zuckerberg as well as providing a higher probability that cumbersome regulations can be minimized. George Washington was encouraged to continue as president for life. But stepped down for the good of the country. Mr. Zuckerberg could take a page from history, emulate George Washington, not Vladimir Putin. Vote for Proposals #3 and 5 make Facebook more democratic and accountable.

David Kling {BIO 19444861 <GO>}

Thank you. Next, for Proposal 6, a proposal regarding a content governance report, Natasha Lamb will speak on behalf of Arjuna Capital. Miss Lamb?

Natasha L. Lamb {BIO 18796096 <GO>}

Good morning. Thank you. I just want to note that I think it was inappropriate, the woman who spoke originally. (Ms. Lindsay) was -- her microphone was taken away. And she was escorted out of the meeting. I don't think she was that disruptive.

My name is Natasha Lamb. I'm here to move Proposal #6 on behalf of Arjuna Capital and co-filers, including the New York State Common Retirement Fund and the Illinois State Treasurer. We're asking our company to publish a report on corporate content governance. From political subterfuge, fake news, hate speech and sexual harassment, it is clear that content that violates Facebook's own terms of service poses a risk to the company's market value and brand. Last year, at this very meeting, we highlighted the risk posed by fake news propagated over the platform. And while our board opposed reporting, we learned six months later and only through congressional testimony that 126 million Americans may have viewed Russian propaganda prior to the 2016 U.S. presidential election. Four months later, we learned that 87 million Americans' data was compromised by Cambridge Analytica with the intent to manipulate users for political gain. In the wake of that scandal, Facebook's market value dropped nearly \$100 billion. And while today's proposal is broader, I'm surprised to see a similar reaction from our board, a recommendation to vote against greater transparency and accountability to investors. Fines and regulation by governments, lost advertising revenue and a soured brand may further impact investment returns. In fact, users may leave the social media platform if they feel its content lacks integrity. A recent poll indicates fewer than half of Americans trust Facebook to obey U.S. privacy laws. And proxy adviser, ISS, has noted the company's failure to protect its users' privacy has eroded the level of trust among users, calling into question the company's business model and its governance.

Turning to the era of MeToo and TIME'S UP, Facebook has not adequately addressed the role of social media in perpetuating sexual harassment. According to Pew, 8 in 10 young women believe online sexual harassment is a major problem. And Facebook's platform has been criticized for sexual harassment policies that failed to protect women. Facebook's ability to proactively assess its content governance, reporting mechanisms and enforcement capabilities will inform how successfully the social platform will navigate a complex landscape. Yet, disclosures have been inadequate. And content policy is reactive, not proactive. In a recent interview, Mr. Zuckerberg admitted, "Frankly, we didn't spend enough time investing in or thinking through some of the downside uses of the tool." Today, we are asking for a more forward-looking, transparent and accountable approach.

David Kling {BIO 19444861 <GO>}

Thank you. And for Proposal 7, a proposal regarding median pay by gender, Ms. Lamb will again be speaking on behalf of Arjuna Capital.

Natasha L. Lamb {BIO 18796096 <GO>}

Again, my name is Natasha Lamb. And I move Proposal #7 on behalf of Arjuna Capital and Baldwin Brothers, Inc. asking for a report on gender pay equity. This is the third year this proposal has gone to a vote. Yet, reporting remains limited to qualitative assurances rather than a quantitative approach adopted by peers. In Arjuna Capital's recent gender pay disclosure scorecard, Facebook earned a failing grade across 9 metrics. The median income for women working full time in the United States is 80% of that earned by men, a gap that is not expected to close for 40 years. Of note, the gap for African-American and Latino women is wider at 60%

and 55%, respectively. Gender and intersecting racial pay inequity represent a structural barrier to diverse leadership, posing a risk to company's performance and investor returns. Of particular note, the United Kingdom now mandates disclosure of median gender pay gap. In the U.S., investor engagement has thus far led to disclosures not on median pay but statistically adjusted equal pay for equal work numbers, assessing the pay of men and women performing similar jobs. Facebook says they pay men and women fairly on this basis. But unlike peers, they do so in the absence of quantitative backing. And while U.S. peers have taken a good first step towards disclosure, the equal pay for equal work number alone fails to address how discrimination affects differences in opportunity. That is, it does not reflect the bias in the jobs women hold. The median pay gap reflects a structural deficit when men hold the majority of higher paying jobs.

Facebook published and reported the median pay gap for its United Kingdom operations that it's near 10%. But it has not published the global median pay gap requested by today's proposal. PayScale reports Facebook has a mean pay gap of 18%, over \$20,000. Top proxy adviser, Institutional Shareholder Services, recommend support for this proposal noting, "The equal pay for equal work statistic does not address the reported systemic bias that has resulted in the low number of women compared to men employed at the company, particularly the low number of women compared to men in technical and senior leadership roles, which tend to have higher pay. A vote for this resolution is warranted by reporting gender pay gap statistics similarly as is required to do in the U.K. Facebook could provide shareholders with a better gauge of how its diversity initiatives are improving opportunities for women." Our company is best served by a proactive approach to address this structural bias, quantitative reporting and goals to close the median gender pay gap. Thank you.

David Kling {BIO 19444861 <GO>}

Thank you. Finally, for Proposal 8, a proposal regarding tax principles, (Gary Coleman) will be speaking on behalf of the AFL-CIO Reserve Fund. (Mr. Coleman)?

Unidentified Participant

Actually, it's (Richard Phillips) presenting. But I'm here to present on Item 8 on behalf of the AFL-CIO, a proposal to request that the board articulate a set of responsible global tax principles that ensure that the company pays taxes where value is actually created, ensure that these tax principles are aligned with Facebook's stated goals regarding sustainability and consider the economic and reputational impact of Facebook's global tax strategies. The company's stated principle of complying with existing tax law is noble. But a commitment to leave a compliance alone is clearly not enough to ensure that the company's tax principles are aligned with the desired sustainability and transparency goals, nor has it resulted in tax practices that do not cause reputational harm to the company. The company has already been caught up in multinational tax scandals in the U.K. and the U.S. and is investing significant time and resources into a legal battle with the IRS. In fact, Facebook has already acknowledged that it could owe somewhere between \$3 billion and \$5 billion in additional taxes.

Scandal is not good for the company's bottom line. Trying to increase profit through tax-avoidance strategies provide an inaccurate picture of the company's financial performance and health and doesn't make up for the reputational damage and losses resulting from the scandals. Growth in new membership and engagement are currently expected to decline. The loss of young users in recent years and loss of U.S. users' trust in following the Cambridge Analytica scandal has been widely covered in the media. Another tax scandal could result in even greater losses of users and reputation, which reduce the attractiveness of the platform to advertisers, the company's almost sole source of revenue.

The tax-avoidance strategies used by Facebook and other companies have attracted attention from governments and policymakers here and in Europe, who face rising public pressure to end such practices. As tax laws change and enforcement increases, the possibility of large fines and interest payments may also increase. A set of responsible tax principles will help, the board more easily adapts strategies as laws change, avoiding or limiting fines and interest payments and putting the company ahead of the curve by reducing uncertainty caused by changes in tax laws and enforcement. Corporate tax avoidance has resulted in the loss of tens of billions of dollars from U.S. revenue and across countries around the world, which has devastating impact in many communities. Facebook is about building and connecting communities. Shouldn't its tax practices contribute to that goal? We urge you to vote in favor of this.

David Kling {BIO 19444861 <GO>}

Thank you for your statements. The company will not be providing statements at this meeting as the company's position on each proposal has already been set forth in the proxy statement.

We will now be collecting any remaining ballots. Please raise your ballots. And our volunteers will come around to collect them.

It will just take a minute or 2 -- or a second or 2 to collect the ballots. Got one over there, I think.

One more. One more.

(Voting)

Okay. All votes have been cast on the proposals to be considered at this meeting. And as of 11:28, the polls are now closed. I will now confer with the Inspector of Election and report on the preliminary results of the voting.

So based on the preliminary report from the Inspector of Election, the vote required to approve Proposal 1 is a plurality of the voting power of our Class A and B common stock voting together as a single class. And again, based on the results tabulated on a preliminary fashion by the Inspector of Election, each of the 8 nominees has been

elected to the Board of Directors. The vote required to approve Proposals 2 through 8 is the majority of the voting power of the Class A and Class B common stock voting together as a single class, in each case, properly cast for or against the proposal. Based on the preliminary results tabulated by the Inspector of Election, Proposal 2 has been approved by at least the requisite majority of the votes cast. And Proposals 3 through 8 have been rejected by at least the requisite majority of the votes cast. Final results of the voting will be filed with the Securities and Exchange Commission on a Form 8-K within 4 business days.

There are no other items of business on the agenda. So this concludes the formal part of our meeting. The annual meeting is now adjourned.

Now before I ask Mark to come to the stage, I want to remind you that Mark's remarks and the Q&A that follows may contain forward-looking statements regarding future events and the future financial performance of the company. We caution you to consider the important risk factors that could cause actual results to differ materially from those in the forward-looking statements. These risk factors are more fully detailed under the caption Risk Factors in our quarterly report on Form 10-Q filed with the SEC on April 26, 2018. In addition, any forward-looking statements that we make today are based on assumptions as of this date. And we undertake no obligation to update these statements as a result of new information or future events. Mark?

Mark Elliot Zuckerberg {BIO 15103277 <GO>}

All right. Thanks for all coming out. How are you doing this morning? Thank you. So this is -- a lot has happened since the last year when we were here. And we faced a number of important issues I want to get through in just a minute. But before talking about that, despite the important issues that we faced, our continue -- our community and our business continued to grow really well. Now more than 2.2 billion people use Facebook every month around the world. More than 1.4 billion people use Facebook every day. And that doesn't even include the work that we're doing with WhatsApp and Instagram as well on top of that. In addition, the business continues to grow. In Q1, the business grew by about 49% in revenue to more than \$12 billion in revenue. So that shows a lot of good continued momentum and that we're continuing to serve a lot of businesses around the world well.

Now when I think about where we are now as a company, the big theme that we're focused on is making sure that we take a broader view of our responsibility to everyone we serve, the people in our community, the businesses we serve, the communities around us. And when I look back at the company's focus for the last decade or so, we've often focused on all the good that connecting people and technology can bring. And there's a lot, right? As these services have grown around the world, people have gotten powerful new tools to stay connected with people they care about, right? In terrible situations, like in Hurricane Harvey, people were able to come together and raise tens of millions of dollars to -- for the relief efforts and to help their fellow people in their community. And one of the things that we're most proud of is that there are more than 70 million small businesses around the world who use our tools to grow and to create jobs. And in polls that we've done,

more than half of folks have told us that they're now hiring more people because of their use of Facebook's tools. So that's all good.

But at the same time, I think it's also clear that over the last several years, we didn't do enough to be proactive in looking at how people could try to abuse these tools as well. And that goes for a lot of the things that we've all been reading about and thinking about, whether that's fake news or interference in elections or having app developers making sure they don't misuse people's information in ways that people don't want.

So the main thing that we need to do right now is make sure that we take a broader view of what our responsibility is to our community, not just reacting when issues come up but being more proactive about going out and making sure that there's less of bad content in the system, making sure that it's harder for any kind of nation-states interfering in anyone else's election and making sure that all of the app developers who signed up to use our system are getting reviewed before they -- their apps go live and that we'll work proactively auditing more of the work to make sure that all the people in our system are doing good work. So that's what we're going to do. And we've dramatically increased the investment that we're making in security and use different kinds of investment. So much so that we expect that the dramatic increase in security investments is going to affect our profitability going forward. But we believe that, that is the right thing to do for our community and will serve both our community and our business better over the long term. So we feel good about that and feel like that is clearly the right thing to do.

I want to walk through for a couple of minutes some of the specific things that we're doing to be more proactive. On the content side, we're -- whether we're talking about issues like fake news or hate speech or governments trying to interfere an election, the road map is to just be more proactive in reviewing the content. So instead of -- what we've done historically if people share what they want. And then people can -- if you see something bad in -- on the surface, you flag it and we look at it reactively. We're now investing a lot more in building AI tools to go out and be able to proactively find problematic content. And one of the areas that we're really proud of is that if you take terrorist content, for example, 99% of the ISIS and Al Qaeda-related content that we take down is flagged by our AI systems now before any person in our community gets to it and flags it for us. So we think that it's possible to have that kind of good result across a broader number of areas as well. We, by the end of this year, are going to have more than 20,000 people at the company working on security and content review. And we're rolling out other kinds of tools, like the terrorist-related tool that I just mentioned, to make sure that it's harder to spread fake news and for governments to interfere as well. And in rolling those out, we've already started to see better results in different elections, including the French presidential election, the German election, the Alabama special election in the last year, where we've been able to take down tens of thousands of fake accounts that could have been trying to do sketchy things.

In addition to being more proactive about governing and managing the content, we're also very focused on being more transparent. So that way, we can, on a regular

cadence, be reporting to the world on the types of bad content that we're finding, whether it's violent content or hate speech or fake accounts. We started rolling out these transparency reports, including one in the last month that just highlighted the dramatic increase of attempts that we're seeing to create fake accounts on the service. In the last quarter alone, we took down more than 500 million fake accounts that were created, mostly the vast majority of which within minutes of being created or during the process to create them. So it's a big effort that we need to do to push on that and make sure that the community stays safe and that we can keep people safe. And we think that working on transparency is going to be a good way to how people in the community judge our progress towards this and hold us accountable for what we're doing. We also think that transparency is going to be helpful for holding advertisers and other folks in our ecosystem accountable, too. So one of the things that we're doing, especially on the political side to make sure that people aren't trying to advertise in elections in ways that violate the law or our community standards, we're going to make it so that here, now, every person who's trying to advertise and run political ads or issue ads needs to be verified. Or if you're running a big page that has a lot of followers, you'll need to have your identity verified by sharing with us a government ID. So that we know you're not a fake account who is trying to spread bad content. So those kind of transparency efforts, verifying and making sure that the ads, content that people run, that now anyone can go look at all the ads that a page are running, those kind of steps are going to make it harder for bad actors in the system to interfere or spread bad content. And we think that that's going to have a very positive effect in making the service better for people who use it and having a broader and more positive impact on society overall.

So I wanted to make sure I hit those points upfront because that's so important and it's so much of what we're focused on now. And I'm happy to take more questions on that when we go to Q&A in a minute.

But before we do that, I also want to talk about some of the things that we're doing to keep building going forward. Because right now, I feel like our biggest responsibility is keeping people safe and interrupting some of these issues. But we also have a responsibility to keep building new ways for people to connect in new meaningful ways. I mean, that's what people ultimately rely on us for and why they come to our services and the unique value that we provide. So we need to make sure that we keep doing that, too. So we're doing that across all of the apps and things that we're building.

In Facebook, for the app, the main focus is on helping people connect more with their friends and family and building communities. We've changed the way the News Feed works to highlight more friends and family content and prioritize interactions and conversations rather than just passively consuming viral videos and content that can take a lot of your time. We're focused on building communities and helping people find communities on Facebook that are going to be meaningful to them, whether that's a group for new parents or people who might share a disease that you have or some other interest you have, whether that's around volunteering or coming together in some way. A lot of the groups that people join on Facebook are - a lot of people tell us they're some of the most meaningful parts of their experience there.

On Instagram, a lot of the focus is on just helping people capture any moment that they want. Stories on Instagram are growing incredibly quickly. It's been extremely successful. I think that there's a huge opportunity to continue growing that new format for just sharing video and photos throughout your day. And in general, that's going really well.

WhatsApp around the world is just -- it continues to grow extremely quickly between WhatsApp and Messenger, our 2 messaging services. People now send almost 100 billion messages every day. So that is dramatically bigger than the global volume of SMS. People love these services. People love the security and the encryption on WhatsApp. People really like the features and the ability to share in rich ways on Messenger. And we're going to keep building those out as well. And while we focus on messaging, a big part of the trend that we're seeing is that people don't just like texting each other, they really like video chat, right? That's, I think, a really important trend for the future and across WhatsApp and Messenger and now Instagram, where we're rolling that out, too. It's going to be billions of minutes every day. People are going to be able to not just call someone, hear their voice. But be able to see the person that they're talking to. And I don't know about you guys and how you've used this. But I know when I'm traveling, it just makes a huge difference to me to be able to see my kids when I call home at night. And that just makes a big difference to me. And we hear similar feedback from a lot of people around the world who use this.

So I want to make sure we have enough time to get to Q&A. So I'm going to wrap up. But it is a really important time for our community and our business and for the company. We face a number of important issues. We're going to make sure that we take a broader view of our responsibility, a more proactive approach to managing and making sure that the content and app developers who are interacting in the community are abiding by our standards. And at the same time, we also feel a responsibility to keep building the next generation of new experiences that are going to help us all connect in meaningful new ways. And that's going to be the plan for the next period of time. And I thank you all for being our shareholders and supporting us and being along for this journey to do something that I think is really important in the world. So thank you.

Questions And Answers

A - David Kling {BIO 19444861 <GO>}

Thanks, Mark. I'd now like to invite Sheryl Sandberg, our COO; Dave Wehner, our CFO; and Elliot Schrage, our VP of Communications and Policy, to join Mark and answer some questions.

We'll now open the floor for questions from the audience. We anticipate taking questions until approximately 12:15. So we can answer as many questions as possible. We request that you ask only one question and limit your question to no more than 1 minute. If you have a question, please line up behind one of the microphones, 2 sets of microphones here. If you can't get to a mic, please raise your hand. And someone will bring one to you. As stated in the rules of conduct, please,

stockholder should not address the meeting until they're recognized. All right. Let's take the first question from Reverend Jackson.

Q - Jesse L. Jackson {BIO 14009902 <GO>}

Good morning. Let me express my thanks to you, Mark. And to Sheryl. Today, we respect your integrity and your intent, question of judgment (is -- connect to) inclusion. We've globalized technology. But not globalize human rights, workers' rights, women and children rights, (environmental security) must globalize. Unless we do, we'll find ourselves in a big hole. The leadership more diverse on boards of election -- on boards a few years ago, going from 3 to 20 in the last five years. I want to thank you for putting tension on the most able businessmen on the board, brings about a lot of experience that will be a value to the company. But beyond the board, the C suites, the top 15 employees are white. And that does not represent a random. It represents some lack of intention now to be inclusive. We now know that at stake here is elections. And while there's a big focus on the national election out of Washington, many of us lose or win based on 5,000 votes, not 5 million votes. The question becomes, are we secured in the next -- in the 2018 election and congressional elections and then state elections? We know that the Russians sought to undermine the system last time around. And that had some impact. Has that impact been eliminated this time around? And it seems that everybody seem to accept the present. We all must care about this. We really brought dialogue today. There's a sense of urgency now about the integrity of our election, the integrity of our election that we globalize human rights as we have globalized technology. Thank you very much.

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Thank you. We appreciate your commitment as a shareholder and always coming to our meetings. The -- I'm going to talk about the election issue. And then I think we have an announcement today that we want to make on diversity, which Sheryl will speak to. On -- the election integrity issue is one of the most important issues that we face and that we need to make sure that we deliver on. There's no doubt that in 2016, we were slow as a company in identifying the kind of misinformation operations that Russia tried to run. We were looking for more traditional types of cyber attacks, like traditional kinds of hacking and phishing of people's accounts. And we found a lot of those. And we notified people. But we weren't tracking this new threat. And since then, it has been a big wake-up call. And we've invested a huge amount in building AI tools and stepping up the new content review and making a lot of the systems more transparent around the ads that people run. And the thing that gives me a lot of confidence going into 2018 is that there have been a number of important elections since the 2016 election where we've seen adversaries try to do similar attacks. And we've been much more successful at being able to thwart them. So I mentioned in my opening comments the French presidential election, the German national election, the Alabama Special Election in the last year. And those were all elections where we saw people trying to spread bad content and where our AI systems were able to identify and proactively take down tens of thousands of fake accounts before they can do anything that would be a problem. At the same time, we're taking more proactive steps as well around partnering with election commissions and countries. So a lot of the issues that we noticed in Germany were flagged by the German government and the election commission

there. So that's an important part of the playbook going forward. And increasing transparency. So now around advertising, overall, if you're an advertiser and you're running ads to different people and different audiences, anyone can now -- will be able to go to -- when we roll out this tool, the advertiser's page, whether it's a business or a political actor, can be able to see every single message that, that advertiser is sending out to different audiences. So that will make it much harder for anyone to be disingenuous and say different things to different people. That will hold people more accountable. And on top of that, we're also going to verify the identities of anyone running political or issue ads, starting in the U.S. and a couple of countries but then spreading more broadly beyond that, to make sure that it's much more difficult to have any repeat of the kind of issues that we had seen in the past. So this is an incredibly important issue. 2018 is a very big election year, not just in the U.S. for the midterms but around the world. There are big elections in Mexico, in Brazil, in India coming up in the next year, Indonesia. A number of big elections around Europe. The EU elections in 2019 coming up. So we are on this. And this is a really big focus of ours to make sure that now that we're aware of this security threat, we're going to make it significantly harder for anyone to do that in the future. And the last thing that I do want to say is that these kind of security issues, you never fully solve them, right? So security is an arms race. And we're going to keep investing in order to make sure that we stay ahead of these adversaries. But some of the adversaries that we face are very well funded and very motivated. And it's going to be a constant battle that we're going to need to keep on pushing on. And we're never going to be able to just rest on our laurels or say that we've done enough. And what we're going to do is just need to keep on pushing on. But this is definitely a huge focus for us. And given some of the recent results, we feel more confident about the path going forward.

Q - Jesse L. Jackson {BIO 14009902 <GO>}

Are there consequences when people break the law or try to break? Are there consequences when people break the law or get caught trying to break the law?

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Well those consequences would be more of the governments to enforce. But we certainly don't want to let them advertise on our platform.

A - Elliot Schrage {BIO 16033194 <GO>}

But of course, we work very closely with law enforcement when we find problems, or they come to us. We collaborate with them, not just in the United States but around the world. Sheryl, do you want to talk a little bit...

A - Sheryl Kara Sandberg {BIO 15339456 <GO>}

Yes. And I would just share, we agree with you, Reverend. (I thought I'd lost you). We agree with you that we need more diversity. It's something we're very committed to. In the last year, we appointed a Chief Diversity Officer, who's here. Maxine's here somewhere. Yes. There she is. And we also have an announcement to make today. We announced today in partnership with the SEIU leaders who are here and then also with your encouragement, that we're officially adopting the diverse slate

approach for board members going forward, which means we -- yes. Thank you. We followed this approach for our last 4 members. We're also doing this increasingly around the company. So this is really codifying and making a public commitment to something we were already doing. But we wanted to make that commitment publicly both to maintain it going forward. But also because we think that's a good thing for people in our industry and other companies to do. So thank you for your support of that. And thank you to all of our partners who are here who worked with us on that.

A - David Kling {BIO 19444861 <GO>}

Great. Thank you. Let's move to the other aisle and take first questions from this side.

Q - Patrick Doherty {BIO 14001405 <GO>}

Yes. Mr. Chairman, fellow shareholders, my name is Patrick Doherty. And I'm here today on behalf of New York State Comptroller; Thomas DiNapoli as sole trustee of the New York State Common Retirement Fund, holder of over 6.6 million Facebook shares valued at over \$1 billion. It's one of our largest holdings. As previously noted, our fund was a cosponsor of Proposal #6, calling on the company to review and report on the efficacy of its content management policies. Comptroller DiNapoli recently pointed out that, "Hundreds of millions of social media users are at risk of being exposed to fake news, hate speech and sexual harassment if the company cannot enforce its own user agreements. Unless safeguards are put in place, the company is at risk of financial losses, lawsuits and serious reputational damage. Facebook needs to confront that its customers and its investors want protection against abusers of the platform. The company can receive -- can reassure millions of users by clearly explaining how it will enforce its own terms of service to prevent sexual harassment, fake news, hate speech and other prohibited behavior on the platform." Thank you.

A - Elliot Schrage {BIO 16033194 <GO>}

So why don't I respond to that? Mark alluded to that in his remarks where he talked in 2 dimensions, first, about the broader sense of responsibility that we have towards protecting the community that we serve. And the way that we do that is really through the mechanism that he described. And that was introduced in the resolution, which is this concept of transparency about telling people what's happening on our platform and telling people what we're doing about it across all of these dimensions. And we've taken a lot of steps over the course of the last year. And particularly even the last few months, in being much more explicit so that people can see what we're doing and frankly hold us accountable. The 2 biggest steps that we've really taken have to do with our community standards in terms of -- up until, I think, April of this year, we published a more general sense of our community standards. It's really our principles by which we define what a safe environment is on Facebook. But what we did more recently was we went into much greater detail of specifying the particular kinds of behaviors, whether it's with respect to incitement or hate speech, whether it's with respect to other forms of content that we evaluate and determine are not permitted on our platform. And we didn't stop there. What we did -- so that was in April. But just earlier this month, just a couple of weeks ago, we released a transparency report. Now we've done that before where we talk about all of the work that we're doing to take down content, for

example, as a result of government requests or law enforcement-related. But for the first time ever, we introduced this idea of being transparent about precisely what you're asking, how many pieces of content or how much content is prevalent on our service with respect to hate speech, nudity, violence or other objectionable content that violates our standards. And we introduced for the first time methodologies so that people can understand how we examine this problem and how we assess our performance. Now to be sure this is the first time the methodologies are evolving and adapting. And we'll be changing those. But we thought it was essential so that our shareholders, our users and all of the members of the Facebook community can understand the steps that we're taking and how we're doing it.

A - David Kling {BIO 19444861 <GO>}

Great. Thanks, Elliot. Let's come back to this side.

Q - Nell Greenberg

My name is Nell Greenberg. I'm a member of Avaaz. And I'm here representing millions of people around the world who are concerned by this information. And this is specifically a question about false accounts. I really hear you guys trying. I hear that you're genuine about it. But in your own quarterly report, it shows that false accounts rose from 3% last year to 4% this year. In 2012, there was a court case that came out last year that said that your own engineers say that it was a no-brainer to detect and delete those accounts and that the board directs them not to because of revenue. I know that your revenue model would incentivize you not to remove all accounts or bots or duplicate accounts. I know that you -- because governments don't understand your platform, because citizens don't, you can put forward halfway measures that halfway deal with this problem. I am asking you, will you direct your engineers to delete as many of those false accounts as possible to get that number from 4%, where it's at now, to as close to zero, as you can? And I'm not just talking about the new accounts that you delete every second. I'm talking about the old existing accounts. Just 6 Russian accounts were able to influence billions of people. So I'm directly asking you, what are you directing your engineers to do now about all the false accounts still on your site? Thank you. So much. And I really do appreciate the steps that you've taken so far.

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Yes. Just to be clear, we want to delete all of the fake accounts that we see. So I don't know what the quote was that you just pulled out around saying that we somehow find fake accounts and don't want to delete them. But there's no way that, that's right. And I want to make sure that, that's clear to people here. And it's going to be clear -- and it's clear to the people inside our company as well. People don't like fake accounts. It doesn't help our product. It doesn't help our business. Getting rid of them is good. We need to do that. And the reason why there is some % of fake accounts, it's because it is actually quite hard to be perfect at this. As we released in the transparency report, we were able to take down and stop more than 0.5 billion fake accounts from being created. The ones that get through, we also have efforts to try to find them once they're in the system. But this is hard stuff. And we have a large team that's focused on doing this, that's working on very sophisticated AI techniques to be able to identify what the fake actors are in the system. And when we find them,

we take them down. But I don't want there to be any question about the motives or the way that we think about this because I think we absolutely agree this is a big issue. It's a product issue. And it doesn't serve our community when those are there. And we're going to take a lot of measures as we continue to do to make sure that we get rid of them.

A - David Kling {BIO 19444861 <GO>}

Great. Over here.

Q - Unidentified Participant

Good morning. My name is (Andre Kranell). And I'm a senior at Berkeley High School. My question for you, Facebook's impending 750,000-square-foot deal of all Park Tower will make you one of San Francisco's largest tech tenants. How will you help build housing for your workers since the inventory is low already?

A - Elliot Schrage {BIO 16033194 <GO>}

Let me take that. But that's -- it's a great question. We talk about bringing people together as a corporate mission and building communities. It's also something that we take incredibly seriously as a company in the real world in terms of the physical communities. We've been really focused in addressing issues of housing, economic opportunity. And frankly, also transportation. That began as we built out our corporate headquarters here in Menlo Park. And it's exactly for that reason that we're expanding, partly because the space here has been tight. But partly also because we view the challenges of expanding our headquarters, not as a challenge for Menlo Park. But it's a real challenge for the Bay Area. And we've really spearheaded -- I'm actually very proud of the efforts we've made to address housing issues. We've spearheaded an initiative that began in Menlo Park with our partners right across the way at East Palo Alto to put together a housing fund focused on affordable housing. That started out at \$18.5 million -- with an \$18.5 million commitment from us. That's now with a partnership of LISC. It is now up to \$75 million. We've just added in the last couple of months a partnership with the San Francisco Foundation. We've got an additional \$1 million from them. Our goal is to address 3 sets of issues. One, to bring in additional partners on affordable housing from the private sector because we think the private sector has a huge responsibility. If we are employing people, we also have to create an environment where they can live and commute easily. So that's absolutely one. Transportation is another issue, where we've been working both in the community here. Anybody who lives in Menlo Park knows that traffic is a challenge. We've been working very closely with the city here. It's an issue that we've work with, frankly, in San Francisco as well with respect to our shuttle buses and making sure that the shuttle buses cooperate with the SFMTA. And also an economic opportunity. Because even as we bring the people in for high tech and more sophisticated jobs, we also want to have people across the income spectrum be able to benefit from the economic opportunities that are created by us and other tech companies. I think you'll see that with our new facilities in San Francisco, we will become even more active in the communities there. Some of the investments and the funds that we have created for the local area around here are going to expand, not just for housing. But for community service across the board.

A - David Kling {BIO 19444861 <GO>}

Thanks. On this side.

Q - Unidentified Participant

Mark, I'm -- my name is (Eric Sprague). I'm a shareholder from the Sacramento area. Last earnings call, you said that messaging is more transactional than feed. And there was a Bloomberg article this week saying that WhatsApp payments could transition soon from a pilot program such that it's fully live. So I'd like to know your thoughts on the landscape there with competitors like Google Pay. But also more broadly, you've said the goal isn't necessarily payments but helping businesses be more efficient using messaging. The Philippines example is nice. I'd like to know about more examples, if you can't go too in depth today, if there's some sources you could cite that I could read about. Thanks.

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Sure. So overall, we think that news feed is good for sharing information broadly. But in general, if you, as a business, are sharing something in news feed or you're putting an ad there, then a lot of people are going to see your content. Whereas, messaging is more one on one, right, by its nature. So if news feed is good for generating awareness about what your business is doing, then we think that messaging could be an ideal surface for closing the loop and actually completing transactions or doing customer support after a transaction or buying more things after you've already bought something and continuing a relationship that you have with the business. Payments, they're going to be one part of that. So we don't view payments as the business itself. But payments are one tool for people and businesses to be able to do what we think they want to do in these threads, which is interact around and do transactions. We're certainly working on rolling that out more broadly. We've gotten good feedback so far on the pilot program in India around WhatsApp and are optimistic about that. Then -- and for specific cases around businesses having success in Messenger, we should follow up and make sure you get to see this video that we produced for F8 in which -- where we have a number of our partners talking through F8 at our developer conference, with a bunch of the business that you are building these experiences in Messenger walk through the success that they have had. And we can certainly send you the resources on that.

A - David Kling {BIO 19444861 <GO>}

Great. Up here.

Q - Unidentified Participant

Good morning. My name is (Dween Silliman) from SumOfUs. We're a corporate accountability non-profit with millions of members worldwide. And my first question is about whether the voting percentages for the board position confirmation, will those be available?

A - David Kling {BIO 19444861 <GO>}

Yes. Yes. Those will be published on our SEC site within 4 business days. So we publish a full report of all the voting.

Q - Unidentified Participant

Great. And the main question I had is, will the board commission a study to evaluate the impact on shareholder value in breaking up Facebook's business lines and this in light of the recent inquiry opened up by the FTC?

A - David Kling {BIO 19444861 <GO>}

Great. Thank you. I think we do not anticipate issuing a report like that right now. But we thank you for your question.

Over on this side.

Q - Justin Danhof

Good morning. My name is Justin Danhof, General Counsel with the National Center for Public Policy Research. Mr. Zuckerberg, you mentioned you have 20,000 or so employees working on content. You stated before Congress that you don't know the politics of those individuals and that politics plays no role in hiring decisions here at Facebook. However, you also said that you are well aware that Silicon Valley is primarily populated by liberals. You then suggested that you are aware of employee political bias and try to make sure it does not affect their work. How do you know their political bias if you don't know their politics? You also said that politics play no role in what content these individuals decide to remove. I just don't see how all those things can be true at the same time. In 2016, former employees told Gizmodo how the company was diminishing conservative voices on your platform. Before Congress, it was conservatives such as Ted Cruz who continued to complain about Facebook silencing their voices. And now a group of more than a dozen prominent conservative organizations have formed a coalition to combat what they see is Facebook censorship of their voices. Silicon Valley leads often preen about commitments to diversity inclusion. But I don't think many of you know what that means. Diversity isn't what someone looks like. It's the sum of what they think, feel and believe. Perhaps, you should consider actually talking with your employees and potential hires about their politics. Because when it comes to Silicon Valley, the region seems to suffer from a lack of viewpoint diversity. Hiring a few conservatives may help balance out the office and avoid potential groupthink problems. Will you commit to increasing viewpoint diversity amongst the ranks of Facebook? And what tangible steps can you take to commit to doing that?

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Sure. So it's really important to me and to the company that Facebook and our systems are platforms for all different ideas. And I know that there are a number of concerns about that kind of bias. Silicon Valley, I mean, generally, is a very left-leaning place, right? So without knowing or asking specific people at Facebook for their views, I think that, that's a reasonable assumption, is that a lot of the people who work -- and based on our Silicon Valley headquarters are going to be -- are going to skew that way. But the people who are doing content review are all around

the world. So I don't know that, that same leaning would exist. But regardless, we have very strict guidelines on how these policies need to be enforced. And if people aren't doing what the guidelines say, then they're not going to be able to continue doing that job. So we're very serious about that at the level of content review. Across the company, I do think that having different voices is incredibly important. And we have a number of people from all different political and ideological views on the board, on the management team and all of the different roles. And I do think that, that is an important aspect of making sure that we represent all the people in our community well. So we care about this. We're committed to being a platform for all ideas. I understand the concern that people have. Although I personally view, from the work that we've done so far and what I've seen in the results, that I don't think the concerns are necessarily founded, although I understand why -- if people might have them. And we're certainly committed to being a platform for all ideas.

A - David Kling {BIO 19444861 <GO>}

Great. Thanks. Over here.

Q - Unidentified Participant

I'd like to start off by thanking you guys. I think you guys have done a phenomenal job the last few months weathering the adversities. So keep up the good work. The CEO of Snapchat recently made a comment about how he wished Facebook would copy their data protection practices. As a shareholder and user of Facebook, I know you've stressed in recent months the changes you and your team are making to protect data and the privacy of the user. But I wanted to ask if you've explored other companies' policies and practices such as Snapchat's to use as a model going forward?

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

So yes, this is a major thing that we think about. And I can give you 2 examples just from within our own product, right? We can talk about WhatsApp on the one hand and then Facebook on the other, which have very different approaches to basically using data to deliver a service. There's a core tension, I think, that people face, which is, on the one hand, I think most people don't want a lot of their data to be out there. They don't want to give -- they want to give as little of their data to services as possible. And that's why a service like WhatsApp is built to be encrypted. So we don't see the message and content that's there. And that's a lot of the value that, I think, people perceive. At the same time, if people are going to see content and they're going to see ads, they want the ads to be good, right? So we recently went through this process of rolling out our flows and settings for GDPR compliance, first, in Europe. And we're going to do it around the world. And one of the settings that we ask people proactively to make a decision on is, do you want your ads, for how we do ad targeting, to be informed by the other apps and websites that you use? People have to proactively make a decision. Yes or no. Do they want that data used? And the majority, I think we can even say vast majority of people say, yes, they want that data used. Because if they're going to see ads, you want to see good ads, right? So I think that this is one of the core questions that society faces and individuals face across the different services that we use, are how do we want our data to be used and where? In some cases, we may want it to be encrypted so that companies can

see it, like with WhatsApp. And in other cases like what we're seeing with ranking for content in news feed and ads, what we're seeing is people generally want us to be able to use the full set of available data in order to give them the best experience possible. This is not a simple issue that's only going to have one answer, which is why I think that they're going to keep on being questions about this and as we define new products. This is going to be a core thing that we need to think about going forward. But we think about it very deeply as this is a -- just a core part of the value that we're trying to provide.

A - David Kling {BIO 19444861 <GO>}

Thanks, Mark.

Q - Michael G. Verdone

Michael Verdone. I am past President of San Mateo County Association of Realtors. And I'm a Director for the National Association of REALTORS on Public Policy. I almost sat down when I heard the young gentleman talk about housing, which is primarily my question. And yet, when I hear \$1 million here, \$1 million there, it doesn't really address the issue. I was thinking \$1 million doesn't buy a single-family home here on the Peninsula. I'd like to know, especially in light of -- you reported that you're going to be increasing your staff here by almost \$30,000 -- excuse me, 30,000 employees, which is pretty much the population of all of Menlo Park. I'd like to know, what are you going to do to be a lot more proactive in maybe building your own workforce housing so it takes off the pressure from housing prices, rentals, transportation? And I certainly applaud what you're doing with respect to the Dumbarton project that may be -- existing in transportation. But you need to do something locally for workforce housing, building your own housing perhaps to handle these employees. Thank you.

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Yes. And just to be clear, we're -- we bought a bunch of land for our offices. And we're dedicating a bunch of that land to housing. And we got a special allotment to be able to build housing on that instead. That way, there can be more housing in the community. And Elliot can take...

A - Elliot Schrage {BIO 16033194 <GO>}

Again, I can go on and on and on. It may be -- look, our position is that Silicon Valley has been this extraordinary engine of economic opportunity. And if we can't solve the housing and transportation issues, Silicon Valley won't be Silicon Valley. These companies, like ours, will expand elsewhere. So we feel a real sense of urgency around that. And you're right that some of the numbers are small. But that's just our piece contributing. Frankly, those numbers are primarily for affordable housing. We're working very closely with other developers. And we have the construction in Menlo Park. We are dedicating resources for mixed-use housing on our campus. Part of the reason that we've moved facilities to San Francisco is to have a broader catchment area for housing. But as you suggested with Dumbarton, we see real opportunities for helping address some of the housing issues by absolutely transforming the transportation nightmare that exists today. So if we can really get

the Dumbarton corridor to be a more effective mechanism for transportation, 50% of the people who come to Facebook's headquarters already in Menlo Park do not drive. They come either by shuttle bus. They come by other -- by Caltrans or other forms of transportation. If we can get a better public transportation, more different kinds of services, including, for example, ferry services, we feel that there are real opportunities to reduce the extraordinary pressure people feel. And the good news - - and then the good news is that people are coming together around this. I think there are -- Google is very focused on this. Genentech is another company we work extremely closely with. The industry is coming together. Governments are cooperating in ways they have not before. So again, if you want to talk bigger dollars, since some of the ballot measures that are up for California, even as regional measure 3, there are governments that are now focused on providing the resources necessary. We are late. And frankly, we have been slow. We are actually a relatively newcomer as a young company at only 15. But I think it is fair to say that we have really made an investment. And we consider this an existential issue if we're going to remain a company in Silicon Valley for the long term.

Q - Unidentified Participant

(Charles Aiken Hansen) from Atlanta, Georgia. And I'm a Ph. D. student in Instructional Technology there at Georgia State University. So regarding transparency, what qualitative -- sorry, what quantitative and mixed message research methodologies are you all currently engaging in, in response to the voted-down proposals which are pitched by or on behalf of the different stockholders? Adjectives and descriptive phrases like big jump, dramatic change are pleasant-sounding but ultimately meaningless on a grand or pragmatic scale. Although, I understand there are confidentiality and disclosure agreements, what can be said to reassure that we, stockholders, are being heard and having our salient concerns addressed again in response to the voted-down proposals? So I know you mentioned certain methodologies were being disclosed. So I would like to know either where are those and then what further disclosure will be made to let us know that we are being heard.

A - Elliot Schrage {BIO 16033194 <GO>}

Sure. With respect to the transparency -- with respect to the content issue, I think my point is we're doing what's already -- it's not that we're committing to doing it. We have already begun to do it. And we've done it in 3 ways. We've reported on the principles that guide our content decisions. We've given the details of the protocols of how we evaluate content decisions. And so what people -- people can know exactly what we take down and what we permit. And I have to confess that a lot of people are critical. They say, "You're going too far and taking down too much stuff here, or you're not going far enough in these places." But the step that we just went to in May was to actually give the numbers of the prevalence of these kinds of issues on our platform. All I was suggesting is it's the beginning. And even if we would have adopted the report, you have to start somewhere. So even if we had adopted the resolution, we would simply have begun a process of disclosing. What we're saying is we've already begun that process. The number is -- it's facebook.com/transparency (sic) (transparency.facebook.com), I believe, is the website. If you want to sit and -- if you want to chat afterwards, I can give you a long list of it. I should say. And again, these are my worlds. So I spent a lot of time on this.

It's not limited to the transparency report. We've committed to transparency in disclosing all of these things.

Q - Unidentified Participant

May I reclarify? So what I mean by transparency is, for instance, the CDC currently doesn't study gun violence. So what I'm saying is, for instance. And I don't know what can be said because I don't (inaudible) recording. So for instance, when they were discussing the gender pay and discrepancy, to my knowledge from reading the proxy statement, they were talking about just proper reporting and more disclosure and better analysis and like I said research. So -- but that got voted down. So that's what I'm trying to say as far as transparency and research into the issues that we are bringing to light what is happening. Because as of right now, it's just like, "Okay. Those are voted down."

A - David Kling {BIO 19444861 <GO>}

Yes. Let me just jump in real quick on that. Sometimes, some of these proposals are voted down. But that doesn't mean that we don't think that there are important issues that are discussed. Or in many cases, that doesn't mean that we don't agree with some of the things that are said on those proposals. Oftentimes, it's just that we don't necessarily agree or the Board doesn't agree that, that's the best way to actually implement some of those things. So for example, content governance report. Having the board issue a one broad report that covers every single content governance issue on Facebook, that's not necessarily the way that we think it's best to approach that. We've taken a whole bunch of different steps. Elliot has gone through some of them. He can go on all day. It's literally true. So we are doing things...

A - Elliot Schrage {BIO 16033194 <GO>}

He means that in the nicest possible way.

A - David Kling {BIO 19444861 <GO>}

I do want to move on, though. We're actually -- we're out of time. I was going to say one last question. Let's do 2 last questions, perhaps.

Q - Unidentified Participant

(inaudible) critical issue.

A - David Kling {BIO 19444861 <GO>}

We're actually -- we're trying to keep moving. So everyone will stay after...

Q - Unidentified Participant

I've been asking with Facebook for three years now with these issues. And you don't speak to me.

A - David Kling {BIO 19444861 <GO>}

I'll speak to you afterwards. I will let...

A - Unidentified Speaker

Get her a microphone.

A - David Kling {BIO 19444861 <GO>}

Yes. I'll let...

Q - Unidentified Participant

So I mean, we talked about you're implementing it, you're doing it. But you're not actually talking to your investors about these issues and asking, "Well what are you looking for?" Like, these aren't prescriptive proposals. These are fairly broad. Engage with us on these issues. And we're on the same team. We're looking for win-win here. So that's all I would say.

A - David Kling {BIO 19444861 <GO>}

And we agree with that. We do -- we actually -- and we do a number of the things that you've requested. We actually already do some of those things.

So I want to keep moving so that we can actually get some of the people who've been waiting in line for 0.5 hours here. I'm going to move over to this side because the gentleman in front of you just gave up his spot. But...

Q - Unidentified Participant

I'm (Ryan). I'm a senior in high school, proud owner of 2 whole shares. And I'm just -- I think it's amazing that Facebook's platform is used for so many different purposes and in so many different contexts. But I noticed the company, for some reason, hasn't made a lot of headway in the professional networking area. And I was wondering if you guys consider LinkedIn to be a competitor. And if so, in what ways are you chipping away at their market share?

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

So I would say -- I don't think -- I don't consider LinkedIn to be one of our more direct competitors. But we are trying to help people find jobs through Facebook. And I don't have the exact stats off the top of my head. But we started this effort in the last year. So basically, it makes us that -- all of the businesses have pages, right? And I mentioned before there are more than 70 million small businesses around the world that use the platform and have pages, can list the jobs that they want to hire for. And people can go search for those. And I think what we're seeing is something like -- it was a very large number. I don't want to get this wrong. Do you...

A - Elliot Schrage {BIO 16033194 <GO>}

I think it was hundreds of thousands.

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

Yes. That was what I remember, too. So hundreds of thousands, I think, in the U.S., right, of people who are basically finding jobs through these job listings. So that is -- we consider this to be an early product. It might not be exactly the same types of jobs that people network for on LinkedIn. But we think that this is a really important way that we can help small businesses. And businesses continue to grow, that we can help connect people with real opportunities and contribute to the economy and to the communities that we live in more broadly. So we're very focused on that. But more just as a way to provide value for the community than as some kind of competitive strategy that we have.

A - Sheryl Kara Sandberg {BIO 15339456 <GO>}

And I'll add one thing because it's one of the things I think we're most proud of, which is that all of these tens of millions of small businesses around the world, we've been surveying them both externally and internally for a long time. And about half of them will say that they are actually hiring people because of the growth they're getting from using our platform. So when you add that up, we put out report after report. But there are millions of jobs being created by these small businesses. And they're not tech jobs. This is your local bakery, your local florist, your local plumber, who is able to hire and grow and both find those people on Facebook to the product Mark was speaking. But more broadly, find the demand because they have customers who are going on Facebook. And so we believe very deeply in the responsibility we have to communities. You've heard about some of that in housing. Probably, the area we probably contribute the most is in creating small businesses and in helping businesses hire people all over the world. And that's the majority of jobs. The majority of jobs around the world is not large companies. It's small. So it's an area we are very focused and I think seeing real impact.

A - David Kling {BIO 19444861 <GO>}

Great. All right. Last question. I know there's a couple of people who are in line who didn't get a chance to ask a question. If you still want to ask a question, please find one of our volunteers. Write down your question. And we'll work to get an answer, or email it to investor@fb.com. And we'll work to get back to you.

Q - Unidentified Participant

Thank you very much for the -- let me start off by saying thank you. Thank you for the environment. Thank you for the opportunity to ask my question. For context, my wife was the first director of marketing at Facebook back into 2005. I spent the last 10 years teaching doctors how to use Facebook as a tool and how to teach their communities how Facebook can be healthy for you. My question is, it feels by watching what's been going on for the past year, let's just say, that most of the marketing, most of the messaging has been very defensive. And my question is, why not be more proactive to teach businesses how to create meaningful content and really teach consumers, users of the platform, how they really are in much more control of what they see in the news feed by choosing who they accept as friends, by

being able to curate it. So that much more responsibility gets back to them as opposed to what feels as both a shareholder and a consumer that the media just keeps punching Facebook as if it's all Facebook's fault, which I don't think it is. So my question is, why not more messaging to let people know that they have much more control of what they actually see in their news feed?

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

I think we need to do that. And that's certainly part of it. But we're a company that, I think, just takes a lot of responsibility when we see issues. And right now, there is a lot of criticism about the company. And I don't agree with all of it. But I think some of it is really fair in pointing out a lot of issues where we should have been doing a better job and where we're now committed to doing a better job. And as building -- it's kind of the culture that we want to build here. I want us to be a company that, first, takes ownership of issues and deals with our stuff before going out and asking other people to take responsibility for their part. But I do think you're right that this is shared. And I think that as we move towards the end of the year and into next year, we'll have really made a lot of progress on solving and really just moving forward on a lot of the issues that have been flagged. And that's our commitment and what we're going to focus on doing.

A - Sheryl Kara Sandberg {BIO 15339456 <GO>}

And we also have done, to your suggestion, many things that tell people the controls they have. So for example, we published into the top of News Feed, here are all the apps you're connected to and an easy way to delete them. Taking the GDPR controls. And we'll be rolling those out across the world, those do exactly what you're saying, which they give consumers the ability. When you look at our ad tools, you can go to any ad you see and you can see why am I seeing this ad and I don't want advertising from those advertisers. So you are right that while we're very focused on taking responsibility, we also are as part of that building tools that show consumers -- a lot of these are controls they've actually had for a long time. But we need to make them easier to use, easier to understand. You've seen a lot of that from us. And you're going to continue seeing it. So...

A - Mark Elliot Zuckerberg {BIO 15103277 <GO>}

And more.

A - Sheryl Kara Sandberg {BIO 15339456 <GO>}

And more. Good suggestion. And we are working on that as well.

A - David Kling {BIO 19444861 <GO>}

Thanks, everyone. That concludes the Q&A session. Thanks, everyone, for attending the annual meeting.

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