

## Annual Shareholder/Investor Meeting

### Company Participants

- David Kling, VP, Deputy General Counsel & Corporate Secretary
- David M. Wehner, CFO
- Elliot Schrage, VP of Global Communications, Marketing & Public Policy
- Mark Zuckerberg, Founder, Chairman of the Board & CEO
- Sheryl K. Sandberg, COO & Director

### Other Participants

- Abigail Shaw, Operations & IT Manager, NorthStar Asset Management, Inc.
- Jesse Jackson, Reverend, Rainbow PUSH Coalition
- Maureen O'Brien, Shareholder, City of Philadelphia Public Employees Retirement System
- Natasha L. Lamb, Managing Partner & MD, Arjuna Capital
- Unidentified Participant, Analyst, Unknown

### Presentation

#### David Kling {BIO 19444861 <GO>}

Good morning. Welcome. And thanks for joining us for Facebook's 2017 Annual Meeting of Stockholders. I'm Dave Kling, Deputy General Counsel and Corporate Secretary and Chairman of this annual meeting, which I now call to order.

Here's today's agenda. First, we'll focus on the formal business set forth in our proxy statement. Mark will then spend a few minutes talking about how Facebook is doing and we'll then conclude with a Q&A session.

Before we begin the formal business, I'd like to remind you to please turn off all mobile devices and of the rules of conduct that were handed out when you entered the meeting, including the rule prohibiting photos and recording of any kind. To conduct an orderly meeting, we request that you follow these rules. Thank you for your cooperation.

Let me start by introducing members of our Board of Directors who are here today: Mark Zuckerberg, Sheryl Sandberg, Erskine Bowles and Sue Desmond-Hellman.

I would also like to introduce 2 other people who are in attendance: Alex Bender of Ernst & Young, 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 taken 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 7, 2017. 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 representing a stockholder and which list will be filed with the records of this meeting. I'm advised by the Inspector of Election that the holders representing at least the majority of the outstanding Class A and Class B common stock voting together as a single class are present and represented by proxy here today and the requisite quorum for each proposal is therefore present. Accordingly, this meeting is authorized to transact the business set forth in our proxy statement.

We have 7 proposals to consider at this meeting, each of which is described in the proxy. We will discuss these proposals momentarily. However, first, I remind you that the voting today is by proxy and written ballot. If you've already sent in a proxy 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. Any stockholder present who has not returned a proxy or who wishes to change your vote may cast a ballot at this meeting. Does any stockholder wish to cast a ballot today? If so, please raise your hand. And one of our volunteers will bring one to you. All right. Keep your hands raised high, please.

All right. It is now 11:07. 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 just raise your ballot in the air. And our volunteers will come and collect it.

I will now review the proposals to be voted on at the meeting. The first item of business is to elect our Board of Directors to serve until the next annual meeting or until their earlier death, resignation or removal. The director nominees are: Marc Andreessen, Erskine Bowles, Susan Desmond-Hellmann, Reed Hastings, Jan Koum, Sheryl Sandberg, Peter Thiel and Mark Zuckerberg. The qualifications for 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 appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2017. The Board of Directors recommends a vote for this proposal.

Finally, we received 5 stockholder proposals that complied with the requirements of our bylaws and SEC rules and therefore, are eligible to be voted on at this meeting.

Proposal #3 is a proposal regarding a change in stockholder voting. Proposal #4 is a proposal regarding a lobbying report. Proposal #5 is a proposal regarding false

news. Proposal 6 is a proposal regarding a gender pay equity report. And finally, Proposal #7 is a proposal regarding an independent chair. The Board of Directors recommends a vote against each of these proposals.

The proponent of each of the stockholder proposals may now make a statement in support of their proposal. I will call you up one by one to one of the 3 microphones. Please limit your statements to no more than 3 minutes. First, for Proposal 3, Abigail Shaw will be speaking on behalf of NorthStar Asset Management. Ms. Shaw?

## **Abigail Shaw**

Good morning. My name is Abigail Shaw from NorthStar Asset Management in Boston, the beneficial owner of over \$5.4 million of Facebook common stock. Fellow shareholders, I am here to represent Resolution #3, a good governance proposal about equal voting rights. Facebook's management and board have consistently minimized our input as shareholders by reducing our voting rights. When shareholders of common stock do not have an equal right to weigh in on significant governance matters, we subject ourselves to greater financial risk.

Facebook's voting structure is heavily weighed to favor insiders given that class B shares are granted 10x the voting rights of Class A shares. Last June, matters were made worse when Mr. Zuckerberg and other Class B insiders voted in a brand-new class of stock with 0 voting rights. This is particularly remarkable because 71% of Class A outside shareholders voted against this measure. How is it possible that an overwhelming majority of shareholders voted against a change in company governance. And yet this creation of Class B shares was still implemented? Well this is because Mark Zuckerberg, who owns only 14% of the outstanding shares of the company, has 53% of the voting power.

While it is certainly easy to ignore this reality when profits are up, this voting structure constitutes a considerable risk to governance and shareholder value. Our company's own 10-K states that Mr. Zuckerberg is entitled to vote his shares in his own interests, which may not always be in the interest of our stockholders generally. Furthermore, the 10-K notes that in the event of his death, the shares of our capital stock that Mr. Zuckerberg owns will be transferred to the persons or entities that he has designated. The board is quite aware of this risk. In fact, when news came out that Mr. Zuckerberg intended to give away a vast amount of Facebook stock in his lifetime, the board scrambled to create the 0 votes shares so that he can give away those shares and not his voting rights. We seek to remedy this problem before it becomes an unmitigated disaster for the firm.

It continues to be impossible for outside shareholders to have any meaningful input on company decisions. Mr. Zuckerberg has brought this company into fruition and led it into profitability. But the company's decision to offer common shares of the company in public exchanges, making Facebook a public company, brings with it a responsibility to shareholders to practice good governance. Shareholders, we urge you to vote for Proxy Item #3.

## **David Kling** {BIO 19444861 <GO>}

Thank you. Next, for Proposal 4, Maureen O'Brien will be speaking on behalf of the City of Philadelphia Public Employees Retirement System. Ms. O'Brien?

## **Maureen O'Brien**

Good morning, fellow shareholders and board members. My name is Maureen O'Brien. And I'm here to move Proposal #4, which asks Facebook to fully disclose the company's political spending. There's a large group of institutional investors that has been engaging with companies on political disclosure and accountability for many years. The results of that effort, which the Pension Funds of Philadelphia is a part of, is that there's over 300 companies that now disclose their political spending on their website. So you can go to their website and see their donations.

The second piece of that is the accountability piece, which is making sure that the board is aware of how the company is spending its money and that decision-making is centralized. As we all know, there's many ways you can influence public policy. One of those ways is through direct donations. Another way is through lobbying. And the company does not disclose that piece of information. So companies can lobby in their own name at the state and federal level. And all of that information is required to be reported. So we're simply asking that the information that's already compiled be also disclosed on the website.

The more concerning piece of lobbying, which there is no disclosure of, is through political intermediaries. So for example, we know that Facebook belongs to the U.S. Chamber of Commerce and we know that the U.S. Chamber of Commerce has spent \$1.3 billion in lobbying spending. They are the largest lobbying spender. We don't know how much of that Facebook underwrote. There's absolutely no disclosure of that. There are 68 companies now that disclose that piece of information. You can go to their websites. You can see which trade associations and other groups they belong to. You can see the amount of money that they give to those associations and you can see the portion of that sum that is used for political purposes. We're asking Facebook to also provide that disclosure.

A second way to address that problem is by asking those trade associations and related entities not to use corporate dollars for political purposes. There's a large pharmaceutical company that's going to make an announcement that they have decided to do that soon. I assessed the proxy adviser has recommended that shareholders vote in favor of this. And they have pointed out that lack of transparency and that big portion of the company's political spending. So we urge you to vote in favor of it. We think that the most clear way that Facebook's stance on political issues, the most clear expression of that, is what they're funding, which candidates and which issues. And we think that transparency is good for the company and it's good for shareholders.

## **David Kling** {BIO 19444861 <GO>}

Thank you. Next for Proposal 5, Natasha Lamb will be speaking on behalf of Arjuna Capital. Ms. Lamb?

**Natasha L. Lamb** {BIO 18796096 <GO>}

Thank you. Good morning, Mr. Chairman, members of the board and fellow shareholders. My name is Natasha Lamb. And I'm here to move Proposal #5 on behalf of Arjuna Capital and Baldwin Brothers clients, asking the board to publish a report on public policy issues associated with managing fake news and associated hate speech, including the impact on the democratic process, free speech and a cohesive society. To be clear, we are not talking about -- we are talking about content that is posted and disseminated with the intent to mislead, not the mainstream media, which the President refers to as fake news.

Of note, research has shown that fake news has affected elections in the U.K., France and the U.S. Pew confirms broad misperception caused by fake news, noting 64% of U.S. adults say fabricated news stories cause a great deal of confusion about the basic facts of current issues and events, confusion that cuts across political lines. Fake news is not about spin or confirmation bias, it's about fabrication. And when fabrication is disseminated so easily at scale, the way we have seen through Facebook social media platform, it represents a threat to our democracy. And while our company defines Facebook's business as a neutral technology platform, it's simply not. With nearly 2/3 of adults getting their news from Facebook, it's clear Facebook is a media platform which now controls the conversation, a conversation that can be manipulated at scale through the propagation of fake news.

While our company has recently announced some steps to deal with the problem, they are a bit too little and too late. Facebook is at risk if it maintains a platform of confusion and distortion. In doing so, it could lose the trust of its users, who may simply move on to the next thing. Indeed, Facebook's challenge is how to deal with fake news without curbing freedom of expression for billions of users around the globe. A lack of self-regulation could also invite government regulation. Investors seek assurances that fake news, fabricated content and hate speech is being handled responsibly over time. We do not expect it will be solved through a simple algorithm tweak or better user education, although those are important pieces of a larger puzzle.

Fake news is a complex issue that needs to be managed systematically with transparency and accountability to investors and users. Investors need to understand the full scope of the issue. We expect annual reporting on public policy risk, impacts on free speech and analysis on how fake news is impacting a cornerstone of our democracy and informed electorate. Thank you. So much for your consideration of this proposal.

**David Kling** {BIO 19444861 <GO>}

Thank you. And for Proposal 6, Ms. Lamb will again be speaking on behalf of Arjuna Capital.

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**Natasha L. Lamb** {BIO 18796096 <GO>}

Thank you very much. Again, my name is Natasha Lamb. And I'm here to move Proposal #6 on behalf of Arjuna Capital and Baldwin Brothers clients, asking the board to publish a report on gender pay equity. This is the second year we have filed this proposal and it's gone to a vote. The median income for women working full time in the United States is reported to be 79% of her male counterpart and forecasts indicate that women will not reach pay parity until 2059, more than 40 years. Of note, the gap for African American and Latino women is wider at 60% and 55%, respectively. Gender pay disparity is not only one of the biggest social justice issues of our time, it poses a risk to company's performance, brand and investor returns.

This issue is particularly salient to the technology industry, which struggles to attract, retain and move women into positions of leadership. A 2016 Glassdoor study finds an unexplained 5.9% gender pay gap in the information technology industry after statistical controls for things like position and seniority, noting that many tech jobs topped the list for the largest gender pay gaps. And while Facebook has not reported its company-wide pay gap, Pay Scale reports the company has a mean pay gap of 18%, over \$20,000. Research indicates gender-diverse teams are more productive, innovative and drive better results. So clearly, a failure to attract and retain qualified female employees is detrimental to Facebook's ability to innovate and compete.

Facebook has disclosed that 33% of our company's workforce is female, yet only 27% of our management team is female. Our company is best served by a proactive approach to addressing the structural biases, including pay inequities, that prevent women from moving into positions of leadership. Given the material business risk gender inequity presents, investors expect quantitative, transparent and honest disclosures and goals. Employees expect a new level of structural support that addresses root causes and empowers fair negotiation, promotion. And ultimately, equal pay. Implementing the proposal would represent a proactive step towards closing the gender pay gap. We believe the company would benefit from taking a leadership position on this issue, along with technology peers, including Intel, Apple, Expedia, Adobe, Amazon, Microsoft, GoDaddy and eBay.

As research indicates, attracting and retaining diverse teams yields strong financial performance benefits. Proxy adviser, Institutional Shareholder Services, agrees, they state, "A vote for this resolution is warranted as Facebook lags its peers in addressing gender pay disparity at the company. By not keeping pace with its peers, Facebook is put at a competitive disadvantage in the recruitment and retention of employees." Thank you, again for your consideration.

**David Kling** {BIO 19444861 <GO>}

All right. Thank you. Finally, for Proposal 7, Reem Solomon [ph] and Lisa Lindsay -- Linsley [ph], excuse me, will be speaking on behalf of some of us. Ms. Solomon and Ms. Linsley?

## Unidentified Participant

Thank you, Mr. Chairman. And thank you, shareholders. First of all, I'd like to say that the fact that our company's lead Director, if I understood correctly, Susan Desmond-Hellmann, is not present today. Is that correct?

## David Kling {BIO 19444861 <GO>}

She is present today. She's in the front row.

## Unidentified Participant

Thank you. My name is Lisa Linsley. And together with my colleague, Reem Solomon, representing proposal 7, the shareholder proposal for an independent board chair. The chair who's not also the CEO. On behalf of our organization, some of us. And our 12 million member global community, which includes over 1,500 individual Facebook shareholders and 1,600 individuals who wrote to their pension and mutual funds regarding this proposal. The Board of Directors is supposed to represent us, the shareholders. And oversee management. So it does not make sense to have the top manager, the CEO, also chair the board. Evidence has proven that when the firm separate the CEO and board chair roles, it eliminates the conflict of interest that inevitably occurs when the CEO is responsible for self-oversight. 48% of S&P 500 companies have separated the roles of chair and CEO. We don't think you should be your own boss, Mr. Zuckerberg. And we're not alone.

Proxy advisory firm, ISS, says, "Shareholders would benefit from a more independent board oversight in the form of an independent chair. The company has a multi-class capital structure, which is not in the best interest of all shareholders. The board is not substantially independent and there is no formal nominating committee. An independent chairman would serve as a more effective counterbalance to the current leadership structure and provide unaffiliated shareholders with a stronger form of independent board oversight and leadership."

Mr. Zuckerberg said in his February manifesto that, "Facebook stands for bringing us closer together and building a global community." Building community requires trust. So what kind of a community can Facebook really build if Facebook has all the market power and one person has all the power within Facebook? Having a CEO who is not his own boss is especially important as Facebook faces mounting criticism that the company sensors human and civil rights advocates when they are critical of government actors, including police officers, while failing to prevent violent threats and harassment by white supremacist hate groups and calls for our company to be regulated as a publisher.

Last year, Mr. Zuckerberg used his superior voting rights to approve yet another class of stock to perpetuate his outright control of the company's voting power for the remainder of his lifetime without maintaining his economic interest. This marks a new low in the corporate governance of our company. And if there were ever a time for an independent board oversight and implementation of best practices, that time is

now. We urge shareholders to please vote for this resolution. And we urge the board to adopt this policy. Thank you.

**David Kling** {BIO 19444861 <GO>}

Great. Thank you. The company will not be providing responses at this meeting as the company's position on each proposal is already set forth in the proxy statement. We'll now collect the remaining ballots. Please raise your ballot and our volunteers will come around and pick them up. A couple more in here.

Great. Okay. All votes have been cast in the proposals to be considered at this meeting. We've got 2 more -- 3 more. And as of 11:28, the polls are now closed. We can take that one, sir. I will now confer with the Inspector of Election and report on the preliminary results of the voting.

The vote required to approve Proposal 1 is a plurality of the voting power of our Class A and Class B common stock voting together as a single class, which means that the 8 nominees receiving the highest number of affirmative votes will be elected to the Board of Directors. Based on the results tabulated 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 7 is a majority of the voting power of our Class A and Class B common stock voting together as a single class. 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 casts. And each of Proposals 3 through 7 has been rejected by at least the requisite majority of the votes cast.

Final results of the voting will be filed with the SEC 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 the meeting. The annual meeting is now adjourned.

Now before I ask Mark to come to the stage, I want to remind you that his 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 any 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 May 4, 2017. In addition, any forward-looking statements 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 Zuckerberg** {BIO 15103277 <GO>}

All right. Hi. everyone. I'm taking the podium. All right. Thanks for all coming out today. So we've had a pretty intense year and have gotten a lot done since the last time that we were all here last year. We now -- our community is up to 1.9 billion people, who actively use our services every month. And more than 1.3 billion people who use them every day. Last year, the business performed really well. And we



reached \$27.6 billion in revenue, including in the last -- the First Quarter of this year, we reached \$8 billion in revenue. So a lot of good progress on a lot of fronts.

Now this year, we also just celebrated the 5-year anniversary of our IPO, which some of you remember was pretty rocky at the time. It's been a pretty good journey so far. I appreciate all of your support along the way. We have a lot more ahead that we're looking forward to doing. And reflecting on the five years so far, I had a chance to read the shareholder letter that I wrote when we first went public. And a lot of the principles that we were talking about back then are still the principles that we care about in running the company, giving everyone a voice, connecting people with friends and family and the people they care about. But one thing has, I think, shifted in our thinking which is, for the first 10 years of the company, we really focused primarily on connecting friends and family. And now I think we have this growing realization that, that is very important but is not enough to bring the world closer together.

In addition to connecting friends and family and trying to give everyone a voice, we also have to proactively work to build communities and bring people closer together to make it so that the discourse that we have is positive and that people, over time, aren't becoming more divided. But as we have the chance to share more, can also come together, in our view, is to make progress together as a society. So I wrote this letter in February, that some of you may have had a chance to read, that tried to outline some of the things that I think Facebook can do to help build communities around the world. And my point in that wasn't to say that Facebook is going to be the only company or institution doing this. Of course, we're not. But the job of building communities around the world is one that is shared by everyone and that -- but I do believe that we can play a role in this and have a responsibility to do our part.

So I laid out a few things that I feel like we have a particular opportunity and responsibility to help do. So one is around helping people connect with supportive communities. All right. So there's a lot of people on Facebook today who joined communities that are important parts of their support structure, right? So whether you're a new mother who just had a child and joined a group with new mothers. Or if you're a spouse of someone in the military and you want to connect with other people who are spouses of military folks when they're away. Or you're suffering from a rare disease and maybe there's no one in your community, physically around you who you know has that disease. But there are people -- maybe thousands of people around the world who have that, now you can share that experience with people. So what we found is that there are more than 100 million people on Facebook who are members of one of these meaningful groups and communities. And we've set a goal internally that over the next 5 or 10 years, we want to see if we can help a billion more people or more connect to meaningful communities to them. And we think that if we can do this, that can help provide people with more people with a support structure that they need in their lives.

A second important part of building community is helping to keep people safe, right? That's a real cornerstone of any community is that we all come together to

look out for each other and make sure that when things are going wrong, whether it's an urgent short-term crisis or ongoing issues that we have, that we look out for each other. And I think that Facebook and online communities have a unique opportunity to help people come together in new ways. So whether it's -- after an earthquake in 2015 when our community came together to raise more than \$15 million to support people rebuilding in India and Nepal. Or more recently, there are a number of issues and cases that we have seen with video where our communities come together to help save people who are thinking about suicide and get them the support they needed. There's a lot more here that I think that we can do. And recently, we announced that we're going to add 3,000 new people to our community ops team so that we can respond more quickly when we get reports from people that someone might not be safe in our community or someone might need help or someone is thinking about harm or there's some violence that is going on. We want to make sure that we can respond to that really quickly and we're going to continue growing the team that works on it. It's already thousands of people. But we're going to almost double it over the next year to continue working on this to keep people safe.

A third pillar of building community is making a -- is helping to create a well-informed community. And that's a theme that I know a lot of us are thinking about, right? The quality of discourse that happens in the world and -- there are billions of conversations that go on on Facebook. And making sure that people have access to good information is a really important part of what we care about in terms of making sure that there's good discourse, while making sure that people have the freedom to share what's important to them, right? Now a lot of opinions people may not disagree with. But we still think it's important that people have the ability to get that out there.

Now we do have a special focus on trying to reduce the prevalence of false news in the system. And there are a bunch of different ways that we're going about this. A lot of the folks who spread hoaxes and false news aren't actually doing it for an ideological reason. They're doing it because they basically spammers who are trying to make money. I'd say they know that what they're saying isn't true, they're just trying to come up with the most outrageous thing that they can so that way they can post links to it and get you to click on it because it sounds crazy. Then you click on it. And they show you ads on the landing page. So we have focused a lot on disrupting the economics for these folks. If we can make it so it's no longer profitable for them to do this, then they'll stop. And one of the things that we can do is making it so when this content gets shared, it gets shared a little bit less in news feed, that we can make sure that these kind of spammers aren't using our ad systems and monetization tools to make money. And those things are already having a pretty good result in terms of cutting down on the amount of hoaxes and false news.

There's a lot of other work that we can do by people who, I think, often mean well but are sharing content that is inaccurate in the system. So one of the things that we've done recently is made it so that when a number of people flag that they think that something might not be true, we send it to fact checkers. And if a couple of fact checkers say, this isn't true, then we'll also append a notice to some of the content saying that fact checkers dispute it. Again, because we care about giving everyone

the freedom to share what they care about, we don't want to block that content from being shared. But we do want to -- I believe that the right way to go about this problem is to try to fight information with more information, right? And the best way to make sure that people are informed is by getting more information out there so -- make it so people share what they want. But also share the information that credible third-party fact checkers think that the story isn't accurate.

Then there's a lot more that we can do. There's a lot of research that shows, as I wrote about in my letter in February, that one of the best things that you can do to help people understand the full breadth of a topic is to not just show them a counterpoint. But show a whole range of different opinions, right? So if someone -- take any issue that you might care about. A lot of people say, "Hi. if they're going to see an article on one side of the issue, why don't you show them something on the other side?" But there's a lot of research that actually shows that if you show them just the opposite opinion, that just entrenches people's opinions further. And the real thing that you need to do, if you want to help people get a broader perspective, is to show a number of different opinions along the spectrum and let people decide for themselves. People are smart, right? We can figure this out when we have access to the full story. So I think the big issue that we face today is having just one side of the story at a time or false information at the time. But when there's -- we have the opportunity to see the whole side of the story and lots of different perspectives, I think we find that we'll often come to the right perspective. So we're working on a number of different things there around informed community.

The fourth pillar around building communities is civic engagement and making sure that the community can be very engaged civically in the issues that matter to them. One of the things that we're doing there, in addition to just giving people the freedom to share what they care about is helping people connect with local officials, right? There's -- in our society, a lot of attention is paid to national and broader elections. But a lot of stuff happens at the local level. And people tend to connect a lot less with people at the local level, who may actually affect some things in their life even more. So one of the things that I've been proud about recently is after the recent U.S. elections, we gave people an option. In one click we sent a notification that said here are all your elected officials, from the President down to your school board members. And in one click, you could connect to all of them at once so you can receive updates and communicate with them and comment. And overnight, we doubled the amount of connections that people had to their elected officials. And that was just one program. So the idea is that we can continue doing this around the world, not just in the U.S. and not just in one election. And dramatically increase the amount of civic engagement and communication that happens between people and the electorate and the officials who serve them.

So that's one part of what we're focused on now around building community. That's an increasing part of our mission and what we care about doing as a company to make sure that our service lives up to its responsibility to help build community and bring the world closer together. In terms of our strategy in building product, I often talk about this 3 time horizons of the different investments and products that we're building. So I talked about products that are making a big difference and driving the business now and over the near term, the next few years. We talk about things over

the next five years that are already products at scale, like Messenger and WhatsApp. But aren't really contributing meaningfully to the business today. They're not driving a meaningful amount of revenue. Then there are things that are 10 years out, like our investments in Internet connectivity to help make sure everyone has accessed opportunity through the Internet, things like artificial intelligence and virtual and augmented reality. And the goal there is to develop foundational technology that is going to be necessary to, over time, realize the mission of helping everyone share and connect in all the ways that they want. Inventing foundational technology that's not possible today.

So when we talk about, over the next few years, right, what's going to have the biggest impact, the thing that I'm most focused on now is video. It's just the -- it's this huge trend as mobile networks get better, as cameras on our phones get better, we can all have the opportunity to take videos throughout our day, upload them without a big lag, click on a video to watch it without having to take a couple of minutes to watch. And because of that, video is just absolutely taking off in lots of different formats, right? People taking videos with cameras on their phones, people consuming videos and news feed, people sharing stories. That's a new important format that now -- on Instagram there are more than 200 million people who look at and watch stories every day.

WhatsApp is not far behind that. And Messenger and Facebook Stories are growing quickly, too. That's an important part of video consumption going forward. And that's going to be just an important part of the strategy that I'm sure we'll talk more about over the coming years.

Over the next five years, probably the thing that I'm most excited about is messaging, right? So WhatsApp and Messenger, there are already tens of billions of messages that people send every day through these services. Messenger and WhatsApp both have about 1.3 billion people using each of them every month. And they are growing really quickly.

So these are some of the largest networks in the world. And we're only in the very beginning of starting to turn them into businesses. And I'm really optimistic about this because I know that most people don't like calling businesses for support, right? They want to message them. They want to not have to sit there and wait for a response. But just get pinged back when the business has the answer that they need.

So I'm very confident that this is going to be a big business and something that is -- that's going to be a really good user experience for all the people who are using these products. And there's just a lot of passion and excitement inside the company to build that out. I think the best -- just one of the most exciting opportunities in the technology landscape when I look out and see what's out there.

Then of course, over the longest period of time that we focused our strategy on the 10-year period, one of the things that I just remain extremely excited about is getting

more people on the Internet, right? Today, still more than half of the world does not have the opportunities that come with being on the Internet. And for a lot of us who probably live in the U.S., that's probably not a reality that all of us have to confront every day because most of the people you know are probably on the Internet. But around the world, more than half of the people aren't. And the Internet's not just about accessing your friends. It's also, for a lot of people, the primary way that they get access to education information and health information and opportunities about jobs and financial information on how they should manage their families' finances. This is incredibly important.

And as a company, we're one of the organizations in the world that I think is well positioned to partner with telcos and governments around the world to make sure that billions of more people can get access to all of those opportunities over the next decade. So we're doing a lot to do that from working with operators on different business models, to supporting local entrepreneurs and selling Wi-Fi and building the technology that they need to have hotspots. And we've already connected 50 million people or more to the Internet through these programs over the last few years alone. And there's a lot more that we can do that I'm excited about.

So there's a lot more that I could talk about. But I know we have a Q&A that we're trying to get to. So let's go to that. And as always, thank you for coming out to the shareholder meeting. It's great to have an opportunity to hear from you and answer your questions. Thank you, guys.

## Questions And Answers

**A - David Kling** {BIO 19444861 <GO>}

All right. Thanks. Great. And now I'd like to invite Sheryl Sandberg, Facebook's Chief Operating Officer; Dave Wehner, Facebook's CFO; and Elliot Schrage, Facebook's Vice President of Global Communications to the stage. And we'll take some of your questions. I think we'll take questions until about 12:15. So we can answer as many questions as possible, we request that you each answer only -- ask only one question. Please line up on one of the microphones. If you have a question but can't get to a mic, please raise your hand and someone can bring one to you.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Can we change the lights [ph]?

**A - David Kling** {BIO 19444861 <GO>}

I'm sorry?

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Can we change the lights a little bit just so we can see?

**A - David Kling** {BIO 19444861 <GO>}

Great. So for our first question, I'd like to welcome the Rev. Jesse Jackson, the founder of the Rainbow PUSH Coalition. Rev. Jackson?

**Q - Jesse Jackson** {BIO 14009902 <GO>}

Thank you, sir.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Rev. Jackson, thank you so much for being with us.

**Q - Jesse Jackson** {BIO 14009902 <GO>}

Since I received that applause, that's a recommendation that somebody could give Mark Zuckerberg a boss. I nominate myself. Can I get a second? At least an amen? Mark, you've got a new boss. Let me express my thanks to you for going to North Carolina A&T State University, my alma mater. I know that Erskine Bowles wants to take credit for your being there. But I was Student Body President of that school where Erskine Bowles could not get in is in Great Polynesia [ph]. But I really do want to thank you for going to North Carolina A&T. It produces more engineers than USC and UCLA and Cal Berkeley combined. Our students are not getting in, they're not getting out, except to play ball. So the HBCUs, North Carolina A&T and North Carolina Central (inaudible), Texas Southern and the like, are a great resource for the company. And thank you for opening up their eyes, it excited people. Just your presence there was a big deal to us. Secondly, I want to thank you for allowing me to share with you today, given what's about to happen in Washington the day of (inaudible). We need you and this company, this vehicle as never before. The impact of hacking and fake news and lies is about to destroy us. We need help on this issue of having information that is fair and accurate and helpful to us and not hurtful to us. The good news, Facebook has changed the global community in so many ways. This technology prepares us for unforeseen and unintended consequences. This technology collides head on with the social, cultural and political issues of our time. We talk about the violence in Chicago. 4,000 -- last year, 8,000 shot, 800 killed. And that's becoming a copycat for a number of live killings on Facebook. We need some help on that. We're going to Portland, Oregon tomorrow. Me and Mr. Christian [ph] (inaudible) our (inaudible) has been advertising on Facebook his Nazi schemes and his anti-Semitic and anti-black ravings. And it ended up with him slashing 2 people's throats to death as they tried -- as they sought to save 2 Muslim women. And so I appeal for some kind of an Independent Advisory Commission to develop that resolution important to us because the violence is expanding in so many ways.

We'll work with urban and (inaudible) communities to design a public campaign to respond and to report, to hold town halls and schools and community centers, to educate the public about its use. When I was here a few years ago, there were no Blacks or Latinos or Asians on the board in your C-Suites leadership. There's a gender imbalance, 2% employment. Today, three years later, no blacks, no Asians, no Latinos on the board or in the C-Suite. Please take that into account because it's a contradiction between what you stand for and the makeup of the board, C-Suites management and ideas. I hope you're disappointed in that lack of progress. I appeal to you to consider the change. There is no talent deficit. It's an opportunity deficit. The pipeline of C-Suite leaders and board leaders have never really had an

opportunity. And we plan to express our thanks by organizing -- we've organized 1,000 (inaudible) to put 50 to 60 laptops in those (inaudible) to teach those children apps and codes, financial literacy, stock market games to become a part of this since there's a growing gap between where you are going and where those who you want to take with you. Lastly, one of the largest citizen is a majority black and brown. In those areas, you have the most unemployment. In Chicago, there are 9 communities with unemployment of 22%. (inaudible) 45%. That's where the killing is coming from. People who lost hope, guns and drugs and jobs. We need help. Communication is a factor but so is investment. We need your leadership. The technology that you bring has created -- the facility. We need your minds. So you have taken the tour around the nation in my opinion. It's good for the healing of our nation. We need another level of leadership. And I want to express my thanks to you and the shareholders who support your efforts to broaden the base of a civil conversation. And let us give a special thanks today for the dignity expressed by LeBron James yesterday. He deserves better than what happened to him yesterday. I think it shouldn't carry over to the night to the game. But are there any Golden State fans in the room? So protect his -- on the real side, his dignity is being threatened. But if it applies to LeBron, no one is off limits until we resolve it now. I hope we will set up a commission on gender and racial equity and parity. And this time, we'll take the leadership on such a critical commission of agenda and racial parity. Thank you very much.

**A - David Kling** {BIO 19444861 <GO>}

Thank you, Rev. Jackson.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Thank you for (inaudible).

**A - David Kling** {BIO 19444861 <GO>}

Let's start off over on this row.

**Q - Unidentified Participant**

The annual report talks about average revenue per user being about 8x higher in the U.S. and Canada than Asia Pacific. It cites as a primary factor, the size and maturity of the app market. But it doesn't necessarily explain some of the other factors. You're going to focus on video in some geographies where the Internet speed isn't as high. That's going to be a factor. So -- and even just between like Europe and North America, it's 3x higher in U.S. and Canada, the average revenue per user. So why is there so much variance? And how do you see that looking in the 4 buckets over the next few years?

**A - David M. Wehner** {BIO 2419389 <GO>}

Yes. Sure. I'll take that. There's a -- one of the big reason. And we mentioned that in the filings, is that in the North America segment, you've got just U.S. and Canada. So it's really only very developed markets. If you look at our European segment, that includes both Western and Eastern Europe as well as Turkey, some of the areas where we're seeing higher growth in users. So you've got a basically different mix of

sort of ad market size per users, per population in those markets. So that explains a lot of the differential. But then you also look at the U.S. and it is a -- all of our ARPU are on an MAU basis. The U.S. has the highest DAU to MAU ratio, U.S. and Canada. So that brings up the amount of engagement and the amount of ad supply that we have. Then as well, there's more time spent in the U.S. and Canada relatively. So I think those things are a function of a lot of different things cultural. But also just speeds of the networks in the different areas. So there's, I think, opportunities to grow certainly outside the U.S., both the supply and the size of the ads business in those regions. When you start to look at APAC, Asia Pacific and the Rest of World, you've got some things that are going on that will actually work against ARPU growing because a lot of the growth that we're getting in users in areas like India, Indonesia, those are markets that are growing more quickly than the developed markets in APAC like Japan, Korea and Australia. So those are generally lower ARPU users coming on. And that actually will kind of weight down the average ARPU in those regions. And similarly, with Rest of World, you've got growth in Africa, which is lower ARPU that is going to bring down the mix. So we're kind of working to obviously grow the ads business across all of the different regions. And we see a lot of growth opportunity in regions outside of North America. But then we've also got a lot of great user growth. And a lot of that's coming at a lower ARPU level. So we're kind of pursuing both of those things. And those kind of blend out in the ARPU calculations that you see.

**A - David Kling** {BIO 19444861 <GO>}

Thanks, Dave. Let's hit the center aisle.

**Q - Unidentified Participant**

In particular, I was interested in the thoughts for Sheryl and Mark regarding this Hillary Clinton at the recent Code Conference was discussing her thoughts in terms of social media and Facebook and the role in the election. And Facebook has a mission that is very important in terms of bringing communities together. But in terms of where certain communities might actively seek to attack and delegitimize other communities and that weighting between freedom of speech and the integrity of democratic institutions, I was curious what your thoughts are in terms of the revelations of the election and these recent developments, how that affects your perceptions of the mission of bringing communities together, in context, certain communities wanting others to be delegitimized and attacked?

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

I heard she said yesterday. But I haven't seen the full transcript so I can't react to this specific comment. We've thought a lot about what happens on Facebook and communities come together and the right of free expression, all of which we believe in very deeply. We also know that false news goes against what people want to see on Facebook. People want accurate news on Facebook. That's what we want them to have on Facebook. And so we're working across different media companies, with classrooms, with everyone from academics to the people who produce the news to our own teams, to make sure that people see accurate news on Facebook. It is going to be a long-term process we are working in. And we've had several announcements. And you'll continue to see more efforts from us.



**A - David Kling** {BIO 19444861 <GO>}

Thank you. (inaudible)

**Q - Unidentified Participant**

Good morning. My name is Mark Simon [ph]. I'm here today as a representative of the Southwest Carpenters Pension Fund, beneficial owner of 175,907 shares of Facebook common stock. Let me also say I have a terrible cough. And if I get into a coughing fit during this, I apologize to everybody. But give me a minute, I'll get through. And what I'm going to say is, I -- we believe, very important. We are long-term owners who applaud the success and direction our company is headed. Today, I want to raise somewhat of a dark issue with you that is a growing cancer in the construction industry, harms workers and local contractors and can occur on most any project, including the construction of data centers. And as you know, those projects are multibillion-dollar projects determining the quality of life, standard of living of many people who live in communities and who use Facebook. What we are seeing is an epidemic of payroll fraud across the construction industry. Payroll fraud is wage theft, illegal tax avoidance and workers' compensation premium fraud to the underreporting of payrolls to insurance carriers. On your upcoming project, west of Omaha, Nebraska, Facebook will be using a subcontractor named Allied, who often uses labor brokers to supplement its workforce. We have information that workers have been paid in cash and denied proper overtime on Allied projects. The Nebraska project is your project. You can take steps to ensure that it is free and clear of payroll fraud. You should know recently the local Omaha carpenters approached another owner of a large local project, this is Creighton University's dental school, with similar information about this contractor. The university took the very positive step of mandating that Allied not use any labor brokers on the project, that workers will be direct employees of Allied. Will Facebook take the same step? And furthermore, you should know that your general contractor, Turner Construction, does have language enabling it to fire subcontractors for cause. So that tool is there, too, to ensure that the data center project is free and clear of payroll fraud. We would love to follow up with you talking to the appropriate people about this issue. Thank you very much.

**A - Elliot Schrage** {BIO 16033194 <GO>}

I'll take that. Thank you very much for your question. We take the issue really quite seriously. We view our locating of data centers as an opportunity to demonstrate economic growth and create economic opportunity in the regions around the country and around the world where we do such construction. We take quite seriously the selection of the general contractor, in this case -- in the case of The Papillon Center, Turner -- very seriously. And we have great expectations and impose great obligations on them, including to perform due diligence. More -- and more specifically rather, as part of that due diligence, we expect them to examine for each of their subcontractors, whether there's any litigation, open or closed, as part of their review. And yes, if it's determined after the fact that they have not done adequate due diligence, they have the opportunity to terminate a subcontractor relationship for cause. The points that you're making are clearly a source of concern. And my understanding is from -- because we knew you were here and you reached out, that we want to understand better. And I think we're in the process of trying to schedule

a meeting with the appropriate people to get a better and deeper understanding of the details and follow up in a way that's responsible for the community and to ensure the best construction of our operation.

**Q - Unidentified Participant**

We appreciate that. That would be constructive. Thank you.

**A - Elliot Schrage** {BIO 16033194 <GO>}

Sure.

**A - David Kling** {BIO 19444861 <GO>}

Thanks, Elliot. And I'd like to ask stockholders if possible for you to keep your questions to 1 minute or less so we can get as many people through as possible. Come back to the near side.

**Q - Unidentified Participant**

This is Reem [ph] from (inaudible). My question is, with the majority of Americans consuming news through Facebook. And now we're in a point where oftentimes news breaks on Facebook with the onset of Facebook Live. My question is, how can Facebook continue to insist that it's a neutral tech company as opposed to a publisher? And what are the implications for shareholders if the FCC decides to regulate it as such?

**A - Elliot Schrage** {BIO 16033194 <GO>}

So I'll take that, too. As a regulatory matter, it's not clear that our obligations are legal obligations as a publisher versus as a host. I think the question that you're asking, though, goes to how do we determine what content is appropriate or is not or how we value the content. And there, we do make what others might call editorial decisions. But we call those decisions based around our community standards and our community guideline. We want to have a service where people -- our mission -- to go back to our mission, our mission is to give people the power to share and make the world more open and connected. You heard Mark earlier on talk about giving people a voice. It's really important for us to do that. But at the same time, it's essential that we do that in a manner that makes people feel safe and secure. And that's why we have community standards that are designed to protect those. And that's why we've been working aggressively to make sure that we have the capacity of people to review reports, to review the content that's there, to make sure that any content that makes people feel unsafe, that creates an unsafe environment, is either reported to us, is reported to law enforcement and comes off of our service. So I think, from a practical matter, our focus is not to be in the business of being an editor in the sense of determining what people should see that some things are more important for people, some content is more important for people than others. It's to help people share what they want to share, an environment that's safe, an environment that's secure. But that lets people express their opinion.

**A - David Kling** {BIO 19444861 <GO>}

Great. Thanks, Elliott. Go to the middle aisle.

**Q - Unidentified Participant**

Hello, everyone. I learned from one of the website statement from Facebook's display, for each outstanding Class A and Class B share held by our shareholders, Facebook intends to issue 2 new class C share as a onetime stock dividend. If I am not mistaken, it has been approved. Could you please let us know the status of the approved proposal? When will it take effect?

**A - David Kling {BIO 19444861 <GO>}**

Yes. I can take that one. So we have currently agreed not to implement the new Class C structure while there's litigation that's pending in the trial court. The trial for that is currently scheduled for the end of September. We're also currently working on the implementation plan for how that would actually be implemented across our systems. So realistically, I think the earliest that we would think about implementing the Class C and paying the actual 2 for 1 dividend would be sometime in 2018. And of course, that's all subject to change depending on what happens with the litigation and other factors.

**Q - Unidentified Participant**

It's to [ph] Oculus. I see many advertisements out there for other virtual-reality companies. Is Oculus up and running? And are they making any money for Facebook?

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

It is up and running. We have a couple of products that we've built. One on the high end, it's called the Oculus Rift. We manufacture that ourselves. It connects to a PC. And it offers just the highest quality of virtual-reality experience that is available today. The other product, which you've probably seen more ads for is one that we built in partnership with Samsung called Gear VR. We've actually shipped 5 million of these. And a lot of people are enjoying it. They've made it so that when you buy a Samsung Galaxy phone, you can get one of these either for free or at a really affordable price in order to start getting those virtual reality experiences out in the world. Our strategy for VR is not to try to sell the products for a very large amount of money in the near term. But to try to get virtual reality to be something that 1 billion people or more use in the world. Then once we get to that place, we think that there are going to be a lot of good business opportunities for us on top of that building experiences that people want to use. But as a shareholder, you will not really see us monetize this very aggressively for the next 5 or more years. This is very early technology. 5 million units, I was just talking what Gear VR is, early success for them. Still very long way away from 1 billion units, which is I think where these platforms need to get before they really are mainstream. But I'm confident that between virtual and augmented reality, we will eventually get there may be a decade off. But that's what we're playing for, not to try to make a lot of money in the near term but to build this experience for the world and have the best position once it's possible.

**A - David Kling {BIO 19444861 <GO>}**

Great. Thanks, Mark. But let's come back to this side.

**Q - Unidentified Participant**

And could you please read the preliminary vote totals for agenda Items 3 through 7?

**A - David Kling** {BIO 19444861 <GO>}

We're not going to read them at the meeting. We're going to publish them on the 8-K. And we'll do that within the next 4 business days.

**Q - Unidentified Participant**

Okay. And could I ask a question -- another question?

**A - David Kling** {BIO 19444861 <GO>}

Sure.

**Q - Unidentified Participant**

Mr. Zuckerberg, you say you want people to be safe. And that's part of what Facebook's doing. If safety decisions are made by minimally-trained moderators. And it's in second window as detailed recently in The Guardian. It's no surprise that many users feel unsafe and targeted by hate speech. Will you lay out how you will address this problem?

**A - Elliot Schrage** {BIO 16033194 <GO>}

So I'll certainly respond. I think the disclosures in The Guardian were not complete. We have multiple systems for how we review and follow up concerns about hate speech. One of them, an important one comes from the direct reports from users. But we also have special dedicated support lines. We have a safety advisory board, which also alerts us to content that we should be particularly concerned about. We have relationships with the law enforcement that often reach out to us with respect to concerns. We have the dedicated teams around the world. We have, in fact, our employee base, often identify stuff that we turn out. We have technical systems that are used, including a growing body of machine learning that helps us identify stuff very, very quickly. Now we acknowledge that we have more to do. It's been very clear that the products we make, the products we deliver and the services we provide have become increasingly popular. And as a result of that, they get more and more used. And frankly speaking, we have not been able to keep pace as much as we thought we would be able to. And that's why we announced just in the past couple of weeks, as Mark mentioned, the idea that we would hire an additional 3,000 people, almost a substantial increase in our community operations force. So that we would be able to review the content in cases where people don't feel confident to evaluate in a short period of time, they escalate it to a more senior experienced reviewer. And we are in the process of trying to improve our service.

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

Yes. And I mean, I would just add to that, that there are tens of billions of messages and comments and pieces of content that are shared through our services every day. So long term, the only way that we will get to the quality level that we all want to is not by adding thousands or tens of thousands of more people to help review. But by building AI and technical systems that can look at the stuff more proactively. And that's something that we're starting to work on. It -- the technology is not 100% there yet. But to some of the questions that I think a lot of folks are asking about, "Why do we see ourselves as a technology company?" A lot of that is because the primary thing that we do is build technology and a lot of the problems that we need to solve, the primary answer to that is by building technology. And I think that that's going to be the answer here, too, over time. It's just going to take a little longer than I think we all want to get to the state-of-the-art -- to get the state-of-the-art advanced to the point that we need it to be.

**A - David Kling** {BIO 19444861 <GO>}

Great. Thanks, Mark. Middle?

**Q - Unidentified Participant**

My name is Deepak Kumar [ph]. First of all, I would like to thank you for making the whole world feel closer. I remember when actually in '94 when I came here in United States, that particular time like just to call back home, it was so difficult. Now it's actually so easy to connect to the whole family and the world, first of all, a really big applause for that -- making that.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Yay, Mark. Thank you. That was really nice.

**Q - Unidentified Participant**

And second thing is for WhatsApp. I have a question like I know you bought, like, 2, three years ago. But for the revenue point of view, like the 90% of the revenue is coming from the ad -- advertisement. So WhatsApp, like, I know if you added so many users and the community are everything. But as a Facebook, how actually do you have a plan to add revenue from WhatsApp?

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

Sure. I can -- oh, go for it. Finish your question.

**Q - Unidentified Participant**

(inaudible) job in Facebook, because there's a lot of brilliant minds in the whole industry. But it's very difficult to move inside into the start something like Facebook because to add value idea to help to the company. Because whenever we apply through the website, it's just going into the garbage. So what is the best way? This is true, actually. I'm sorry. But this is true like because not all the -- like the brilliant minds, we are not coming from Stanford or like Harvard. They are from different universities because of some reason. But they have a brilliant mind. So how they can

add value to the Facebook or other company? So this is just my suggestion. And the last question is...

**A - David Kling** {BIO 19444861 <GO>}

I think we need to...

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

We're just going to have to...

**A - David Kling** {BIO 19444861 <GO>}

We have a lot of people who have to ask questions. So I think we'll just try to keep it...

**Q - Unidentified Participant**

No, no. Just a personal thing. What is the secret behind for your t-shirt?

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

For the t-shirt, the secret? I don't know. What kind of t-shirt?

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Just a gray t-shirt.

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

It's a gray t-shirt.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

I would say great.

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

Plain t-shirt.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Publicly available.

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

All right. So on the recruiting question, I can assure you that when people apply, that does not go in the garbage. I mean, this is one of the biggest challenges for the company is getting the best people in the world to join us. And we look everywhere. We have internal referrals. We look for people who are showing initiative by applying to us. So we can follow up afterwards on what the process is there. But I want that to be clear that -- and I view this as one of the most important things that we need to do as a company is to get the best people to join. We're going to recruit a lot of

people over the next 5 to 10 years. We need to get -- we need to draw some very diverse pools in order to get the talent that we need into the company to build the things that we need to serve our community. WhatsApp. So the business strategy for WhatsApp is -- we have the standard playbook for how we build services. First, serve and build the community and get to scale. Second, allow businesses to come in. But not in a way that they're paying just make it so that people can interact with businesses in a way that's organic, right? So if people want to message a business to get customer support or message a restaurant to make a reservation or whatever they want to do allow that. Then step 3, is once you have a community at scale and you have a lot of businesses on the platform at scale, then you can start to make money from the businesses by offering for them to pay to accelerate and just -- and grow more of the interactions that they're having with people on the platform. So when WhatsApp joined us, they had a little more than about 400 million people in the community. They were charging \$1 a year to some people in the community to join and that the slowing down the growth rate. So we made the decision that the most important thing to do was actually grow the community really quickly. So we actually -- we took away the \$1 charge. That way it could grow quickly on -- with the belief that \$1 charge is going to slow down growth. And over time, we hoped to make much more money than \$1 per person through it. But first, we need to build the community. So we took that away. And now WhatsApp has 1.3 billion people using it. So in just that three years or so since they've joined, we've added almost 1 billion people to the service, which is, there aren't too many examples like that in the world of that happening. So we're very happy with that result. There are a lot of businesses that are starting to organically use WhatsApp. And that's the next phase, is starting to build that out. Then after that, build tools that those businesses can pay to have even more interactions with people. I would expect a lot more here over the coming years. But the most important thing is to do this in a high-quality way so that way we can keep on growing the community from 1.3 billion to 2 billion to 3 billion over time because that's the opportunity, right? Is serving people and building this community at unprecedented scale and then allowing businesses to come in. We're not going to ever, in any part of what we do, sacrifice that long-term opportunity or sacrifice serving our community the best we can in order to make a little bit of money in the short term. So we're going to focus on this for the long term. And I think this is one of the most exciting opportunities out there.

**A - David Kling** {BIO 19444861 <GO>}

Far out.

**Q - Unidentified Participant**

My name is Stephen Leigh [ph]. I just have a quick question on like a single aspect of the business, just a quick question. And that's on Instagram and the new recently Facebook Stories. And I know that platform originally came from Snapchat, where they had their Snapchat stories. And so when I originally saw people posting these stories, they were posting their Snapchat user names for people to go follow them on Snapchat and it was kind of counterproductive. And now I rarely see stories. I see a couple of stories from like celebrities or just a couple of people here and there and I was just wondering what your plan was. Do you have a competitive advantage over Snapchat in Stories? And is there any, like, legal issues that you guys can run into with Snapchat?

## **A - Mark Zuckerberg** {BIO 15103277 <GO>}

So Stories has actually grown quite well, right? So this all fits into the video strategy where -- and what we found is that in feed, a lot of the videos that people want to take -- or that you take on a day-to-day basis, you just take like a 5-second clip of something where your dog does something funny, your kid does something funny, your friend does something funny, you capture it. But it may not fit just a short, like 3-, 5-, 7-second clip. It may not fit as well in the feed when you're going through and you're looking at links or photos, stopping and looking at that. We decided it wasn't necessarily the ideal way for that to go. And we think Stories is actually a better format for some of this content around video because you can create a slideshow throughout your day of all these different moments and then people can go consume them whenever they want, right? So you could just stack them together. That's why we've added Stories to a number of our different products because we think that just like feeds, our pretty fundamental social format at this point. So pretty much every social company that's building an app has taken this idea of News Feed, which we started back in 2006. I think that there's going to be a lot of the different stories and video formats across these different apps. I don't think that that's -- that there's an issue with that. In terms of succeeding in getting people to use it, Instagram and WhatsApp are now the #1 and #2 most used story products in the world. So it's not that everyone in the world who's using Stories for video are using Instagram and WhatsApp. There are certainly people who are using Messenger and Facebook and Snapchat and I'm sure there are others, too, especially in other countries. But we're actually pretty happy with the growth there. I mean it's been less than a year since we launched them and they've quickly scaled more than 200 million people, consuming stories a day. Many tens of millions of people are sharing stories through this platform. It's growing very quickly. There's clearly going to be more that we can do, both in terms of improving the quality of the cameras. But there's network effect around these things in a community dynamic which is that the more people that you see sharing, the more likely people are to engage. So early on, some of the content may be public content from public figures who want to take advantage of the increased distribution that they can get from having 700 million people on Instagram who could see their content. But as more people get used to seeing stories and interacting with -- there, we're seeing more people sharing it as well. So let's check back in a year and see how we're doing.

## **A - David Kling** {BIO 19444861 <GO>}

All right. We're overtime so we're going to take one more question. I know there's a number of people out there. So if we didn't get a chance to answer your question, please feel free to grab one of the Facebook volunteers in the red shirts. Write down your question or you can email [investor@fb.com](mailto:investor@fb.com) and we'll work to get you guys an answer. Let's take the last question.

## **Q - Unidentified Participant**

So I'm Chai Gosen [ph]. This is a question for Mr. Zuckerberg. I know you are learning Chinese. Do you have any plans to get Facebook into Mainland China market? If you do have a plan, how do you think you will win over WeChat users, which is the most popular social media in China?



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

Over the long term, I think this is something we will need to think about. I mean when we talk about our mission of connecting everyone in the world, clearly, we cannot achieve that mission without also, at some point, connecting people in China. In the near term, there are a lot of other challenges to focus on, too. We also cannot achieve the goal of connecting everyone in the world if we don't help connect people who are not currently on the Internet, which is more than half of the world. So there's a lot of stuff that we need to go do. The regulatory rules in China are quite different. We need to figure out a way over time that we would be comfortable operating there and that's something that I think it will be an important thing to figure out. But we're also patient. And as I've tried to express in a number of the answers here, I think the most important thing for us is doing things in the right way that is going to set the community up to be best served over the long term. And we will wait to get the opportunity that we think is the right one here. In terms of how to compete once we're there, I think we'll figure that out -- over the long term. But I mean without knowing how we would go in the first place, then it's hard to know how we would compete once we were there.

**A - David Kling** {BIO 19444861 <GO>}

Great. Thanks, Mark. That includes the Q&A. Thanks, everyone, for attending the annual meeting and thanks for your support of Facebook.

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

Thank you.

**A - Sheryl K. Sandberg** {BIO 15339456 <GO>}

Thank you.

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