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Case No. 2022-0890-JTL

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

JAMES MCRITCHIE	:	
	:	
Plaintiff,	:	
	:	
v.	:	C.A. No. 2022-0890-JTL
	:	
MARK ZUCKERBERG, SHERYL K. SANDBERG, ROBERT M. KIMMITT, PEGGY ALFORD, MARC L. ANDREESSEN, ANDREW W. HOUSTON, NANCY KILLEFER, TRACY T. TRAVIS, TONY XU, and META PLATFORMS, INC.,	:	
	:	
Defendants.	:	

VERIFIED AMENDED COMPLAINT

Plaintiff James McRitchie ("Plaintiff"), brings this Verified Complaint against Meta Platforms, Inc. ("Meta" or the "Company") and Mark Zuckerberg ("Zuckerberg"), Sheryl K. Sandberg ("Sandberg"), Robert M. Kimmitt ("Kimmitt"), Peggy Alford ("Alford"), Marc L. Andreessen ("Andreessen"), Andrew W. Houston ("Houston"), Nancy Killefer ("Killefer"), Tracy T. Travis ("Travis"), Tony Xu ("Xu"), and Meta Platforms, Inc. ("Meta") (collectively, "Defendants").

Plaintiff's allegations are based upon his own knowledge as to those facts concerning himself and otherwise upon information and belief as to allegations developed through the investigation conducted by his undersigned attorneys, news reports, documents filed with the SEC, and other public information.

NATURE OF THE ACTION

1. This is an action to remedy breaches of fiduciary duty by Meta's directors and officers and controlling stockholder.

2. Meta is the largest social media network company in the world, with 3.5 billion users—43% of humanity. Its business decisions inevitably create financial impact well beyond its own cash flows and enterprise value and have significant impacts on the global economy. While defendants have a duty to operate the Company as a business for the financial benefit of its stockholders, those stockholders are often diversified investors with portfolio interests beyond Meta's own financial success. If the decisions that maximize the Company's long-term cash flows also imperil the rule of law or public health, the portfolios of its diversified stockholders are likely to be financially harmed by those decisions. As fiduciaries at a corporation with a business model that depends upon maintenance of a powerful global network, the directors and officers of the Company cannot willfully blind themselves to this reality: where there is great power there is great responsibility.[1]

3. For a corporation whose impact is so widespread, the well-established doctrine of stockholder primacy cannot be rationally applied on behalf of investors without recognizing the impact of portfolio theory, which inextricably links common

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[1] Sir Winston Churchill, Parliamentary Debates (Hansard), House of Commons (Feb. 28, 1906).

stock ownership to broad portfolio diversification. The economic benefits from—indeed the viability of— a system of corporate law rooted in maximizing financial value for stockholders would vanish if it forced directors to make decisions that increased corporate value but depressed portfolio values for most of its stockholders. But this is precisely how the Company has operated: Defendants have ignored the interests of all of its diversified stockholders, making decisions as if the costs that Meta imposes on such portfolios were not meaningful to stockholders.

4. This circumstance is particularly troubling because it favors the Company's CEO, Chairman and controlling stockholder, who possesses absolute control of the Company through high-voting common stock that comprises a majority of his $50 billion fortune, and who operates unilaterally and without board guidance on numerous critical issues affecting the interests of the Company's diversified stockholders without ever considering those interests.

5. Moreover, the Company's compensation programs for directors and officers provide them with Company shares that entice them to favor the controller's interests over the much broader economic interests of the Company's typically diversified shareholders. This practice encourages these fiduciaries to prioritize the value of the Company even when doing so means undermining the global economy, regardless of the real world impact such choices have on the wealth of a typically diversified stockholder. This conflict is exacerbated by Company policies that

require all directors and high-ranking officers to own Company stock, as well as the granting of initial and annual awards of stock to all directors. These compensation and ownership policies have no guardrails to ensure that they do not motivate these fiduciaries to manufacture share "value" by extractive practices that threaten the value of the systems that a diversified portfolio depends upon. As detailed below, these fiduciaries have chosen to maximize the value that matters to only to investors with heavy concentrations of Company stock, rather than the financial values that matter to the Company's diversified stockholder base. The interests of such concentrated holders are directly at odds with those of the diversified stockholders, who can only own only a minority voting stake due to the Company's dual class capital structure.

6. The Defendants have disregarded a core constituency— the Company's diversified stockholders— in favor of a blinkered (and outdated) approach to financial success. Through multiple high-visibility media reports in and around the Fall of 2021, the Board learned (but not for the first time) of the extremely high costs that Meta imposes on society and the economy; these costs imperil the holdings of Meta's diversified stockholders.

7. Every year, the Board elects to spend tens of billions of dollars on stock repurchases, while ignoring the costs it visits on diversified portfolios. In 2021, it used this tool to pay more than $44 billion to stockholders. The media reports make

it clear that there are opportunities for the Company to improve its economic impact (and thus the financial position of its diversified stockholders) by investing some of its cash flows in greater security or by changing certain practices in a manner that would reduce those cash flows. The decision to pay out these large sums— which favors directors and officers whose fortunes are concentrated at the Company— without any consideration of how some of those billions might be used to protect diversified stockholder interests shows utter disregard for the interests of diversified stockholders that cannot meet the requirement of good faith and avoidance of grossly negligent decision making incumbent upon fiduciaries.

8. These press reports were followed by multiple stockholder proposals to the investigate the types of risk articulated in the press reports. The Board rejected each proposal without giving any consideration to the benefits that limiting external costs would provide to the diversified stockholders to whom it owed duties of care, loyalty and good faith. In prior years, the Board has rejected similar proposals without considering the interests of diversified stockholders that diverge from the interest of the insiders whose portfolios are concentrated in Company stock.

9. Defendants have lost sight of the fact that their obligation to increase the value of the Company is to be undertaken for the benefit of all of the providers of its equity capital, not just stockholders with concentrated positions in Meta shares,

such as the controlling stockholder and the directors and officers who are incentivized by required investment in and equity awards of Meta stock.

10. Framing these events, the Company's corporate governance structure (which was adopted by the Board and can be changed by the Board at any time) specifically focuses the Board only on risk to the Company itself. Thus, the Board has expressly chosen to only consider risks to its users to the extent those risks impact the Company's enterprise value over the long-term. They have intentionally established a governance structure that does not permit them to separately consider the impact their activities might have on the diversified value of its stockholders' portfolios. By consciously ignoring these impacts, including in connection with affirmative decisions the Defendants have breached the duties of care and loyalty they owe directly to stockholders as directors of the Company.

11. Defendants Zuckerberg and Sandberg also owe duties directly to the stockholders of the Company as officers, and Zuckerberg further owes such duties as the Company's controlling stockholder, and they have made multiple decisions without board input and without accounting for the impact of those decisions on typically diversified stockholders, and have instead focused solely on increasing the Company's enterprise value, regardless of the costs that increase imposes on diversified portfolios. This conduct breaches the duties of care and loyalty they owe directly to stockholders as officers and controlling stockholder of the Company.

12. The Company's stock ownership and voting structure exacerbate the conflict between maximizing value of the Company without accounting for any costs the Company externalizes and the maximizing the financial values that matter to typically diversified stockholders, who re-internalize such costs. Chairman and CEO Mark Zuckerberg owns more than 350,000,000 shares of high vote common stock, giving him a majority voting interest in the Company (54%) and a $67.6 billion fortune dependent almost entirely on the enterprise value of Meta. In addition, the Company's stock ownership guidelines for directors and officers are designed to create distance, not alignment, between the interests of other insiders and typically diversified Meta stockholders. As a result of the guidelines, Meta's short-term profitability and annual distributions are of greater relative significance to Defendants than to diversified stockholders.

13. Modern stockholders have modern financial interests in the equity capital that they own, and the Defendants must account for those interests to uphold its duties to Meta's owners. It has not.

PARTIES

14. Plaintiff McRitchie has continuously held shares of Meta stock since August 2012. Plaintiff is a diversified stockholder of Meta, meaning that he has invested a sufficient portion of his portfolio in additional equity securities to ensure that he receives the higher market returns that accompany the risks of residual equity

securities without incurring the idiosyncratic risk associated with concentrated investments in such securities.

15. Nominal Defendant Meta is a Delaware corporation with its headquarters located at 1 Hacker Way, Menlo Park, California 94025. Prior to October 2021, Meta was known as Facebook, Inc. Meta trades on NASDAQ under the ticker symbol META.

16. Defendant Zuckerberg is the founder, CEO, Chairman of the Board and controlling stockholder of Meta.

17. Defendant Sandberg is a director of the Board and has served in that role since 2008. Her fourteen-year tenure as COO of the Company ended in 2022.

18. Defendant Kimmitt is the lead independent director of the Board and has served in that role since 2020. He currently serves on the Company's Privacy Committee.

19. Defendant Alford is a director of the Board and has served in that role since 2019. She currently serves on the Company's Audit & Risk Oversight and Privacy Committees. Previously, Ms. Alford served as the chief financial officer of the Chan Zuckerberg Initiative, the philanthropic organization of Zuckerberg and his wife, Priscilla Chan, an entity that, like Zuckerberg himself, is highly dependent on the performance of Meta stock. A recent filing with the Securities and Exchange Commission shows that the initiative holds over 2,500,000 shares of

Company common stock.

https://www.sec.gov/Archives/edgar/data/1326801/000132680122000128/a2022informationstatement-.htm

20. Defendant Andreessen is a director of the Board and has served in that role since 2008. He currently serves on the Company's Compensation, Nominating & Governance Committee.

21. Defendant Houston is a director of the Board and has served in that role since 2020. He is a "long-time friend and occasional Ping-Pong partner" of Zuckerberg. He currently serves on the Company's Compensation, Nominating & Governance Committee.

22. Defendant Killefer is a director of the Board and has served in that role since 2020. She currently serves on the Company's Audit & Risk Oversight Committee and is the chair of the Privacy Committee.

23. Defendant Travis is a director of the Board and has served in that role since 2020. She currently serves as the chair of the Company's Audit & Risk Oversight Committee.

24. Defendant Xu is a director of the Board and has served in that role since May 2022. He currently serves on the Company's Compensation, Nominating & Governance Committee.

25. Ms. Alford was added to the board in 2019 in connection with a board shake-up that stripped "Facebook of two of its longest-serving directors without historical investment stakes or close ties to the company's leadership."[2] Those two departures were part of a larger series of exits in 2019 and 2020: "former White House chief of staff Erskine Bowles, Netflix Inc. CEO Reed Hastings, former Genentech executive Susan Desmond-Hellmann, former American Express chief executive Kenneth Chenault and now Mr. Zients—[which were followed by replacements] in some instances with people who have pre-existing social or business relationships with Mr. Zuckerberg."[3] These departures have allowed Mr. Zuckerberg, who has full control over the election of directors, to select board members who will act in a manner consistent with his interests as a highly concentrated owner.

JURISDICTION

26. This Court has subject matter jurisdiction over this action pursuant to 10 *Del. C.* § 341.

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[2] https://www.wsj.com/articles/facebook-shakes-up-board-erskine-bowles-reed-hastings-to-step-down-11555105224

[3] https://www.wsj.com/articles/facebook-names-former-deputy-secretary-of-the-treasury-to-its-board-11585256495

27. Pursuant to 10 *Del. C.* § 3114, this Court has personal jurisdiction over Defendants Zuckerberg, Sandberg, Kimmitt, Alford, Andreessen, Houston, Killefer, Travis and Xu because they have consented to jurisdiction in this Court when agreeing to serve as directors and/or officers of Meta. Moreover, jurisdiction exists over Defendant Zuckerberg pursuant to 10 *Del. C.* § 3104 in his capacity as controlling stockholder of Meta.

28. Pursuant to 8 *Del. C.* § 321, this Court has personal jurisdiction over Meta because it is a Delaware corporation.

FACTUAL ALLEGATIONS

A. The Company's Business Model

29. Facebook was founded in 2004 by Zuckerberg and quickly became the number one online social media platform in the world, with four critical platforms: Facebook, Instagram, Messenger and WhatsApp (the "Platforms.") The Platforms are used by 3.59 billion people every month and 2.82 billion people every day, with 140 billion messages sent daily.[4] The Company directly touches the lives of 35% of the earth's human population every day--no institution has greater global influence.

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[4] https://about.facebook.com/company-info/.

30. Meta's ubiquity has driven its top and bottom lines spectacularly. Its 2021 revenues were $118 billion, a 66% increase from just two years earlier.[5] In that same time period, its profits more than doubled, growing to $39.3 billion. In 2021, the Company distributed an extraordinary $44.81 billion to stockholders through share repurchases, and as of the end of that year the Board had authorized an additional $38.79 billion for repurchases. On or around the date of filing, Meta has a market capitalization of $494.73 billion, making it one of the top five companies in market capitalization in the world. Its share price closed opened on February 6, 2022, at $186.63.

31. The extent and breadth of Meta's economic impact was acknowledged in the Federal Trade Commission's $5 billion penalty against Facebook in July 2019.[6] This penalty represented the largest civil penalty ever levied against any company and was justified by the fact that Facebook generated $55.8 billion in revenues in 2018.

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5 https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680122000018/fb-20211231.htm#i0e2f35c4e2f2407493e331b6cc85a047_88.

6 https://www.ftc.gov/news-events/news/press-releases/2019/07/ftc-imposes-5-billion-penalty-sweeping-new-privacy-restrictions-facebook. The FTC case was a joint investigation with the US Department of Justice to address consumer privacy violations.

32. Meta discloses that it "generate[s] substantially all of our revenues from advertising."[7] In order to generate those advertising revenues, the Company must maintain its high user base, and keep those users engaged. That is why the first risk factor that the Company lists in its Annual Report filed with the SEC is the loss of users and engagement.: "***If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results, and business may be significantly harmed.***"[8]

B. Corporate Governance at the Company

33. The Company has adopted Corporate Governance Guidelines, through the Board, "with a view to enhancing long-term value for Meta shareholders."[9] That policy sets forth the composition, committees and qualifications for members of the Board. Nothing in the guidelines indicates any regard for the effect that the Company's global impact has on the diversified portfolios of its stockholders. Upon

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7 Meta Platforms, Inc. Form 10-K at 15 (Jan. 28, 2022), https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680121000014/fb-20201231.htm.

8 https://www.sec.gov/ix?doc=/Archives/edgar/data/0001326801/000132680122000018/fb-20211231.htm#i0e2f35c4e2f2407493e331b6cc85a047_22 (emphasis added).

9 Corporate Governance Guidelines (amended Apr. 3, 2022), https://investor.fb.com/leadership-and-governance/corporate-governance-guidelines/default.aspx.

information and belief, the Board and management interpret "long-term value for Meta shareholders" solely in terms of the financial value of Meta itself.

34. The Company has also published the Stock Ownership Guidelines that require that officers and directors of Meta own a minimum number of shares in the Company.[10] The levels of "Target Ownership" required of officers is the equivalent of $4 million in shares and a requirement of $750,000 for directors. The shares must be owned directly by or on behalf of the individual or immediate family members; shares held through index funds, mutual funds or any other pooled investment vehicles do not count, even though these are the types of diversified investments that would align the interests of directors and officers with those of more typically diversified stockholders. These ownership requirements give directors and senior executives a personal interest in maximizing Company enterprise value, even if doing so threatens diversified portfolio value for most of the Company's stockholders. In this respect, the Stock Ownership Guidelines also create an inherent conflict of interests for Defendants. The Board recommendations detailed in this Complaint, which demonstrate a focus on the Company's social impact solely from the perspective of the Company's financial performance and the absence of any

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[10] Meta Platforms, Inc. Stock Ownership Guidelines (updated May 27, 2020), https://s21.q4cdn.com/399680738/files/doc_downloads/governance_documents/2021/11/Meta-Stock-Ownership-Guidelines-(5.27.2020).pdf.

consideration of the Company's significant impact on the portfolios of its highly diversified stockholders, demonstrate that each of the Defendant directors lack the independence to prioritize the interests of the overwhelming majority of its stockholders who, unlike directors, are not required to hold substantial positions in Company stock. Zuckerberg and Sandberg have especially significant interests in the performance of Meta stock. Zuckerberg owns over 350,000,000 shares, with a market value of $67.6 billion as of a recent date, and is the controlling stockholder of Meta. Sandberg has been compensated with stock over a 14-year period; in just 2021, she received $93 million in value upon the vesting and settlement of RSUs, while retaining $115 million in unvested shares or share equivalents with a value greater than $115 million.[11]

35. The Company has designed a risk management strategy that focuses on risks from environmental and social issues such as community safety and human rights, but only to the extent these issues ultimately pose risks *to the Company itself.* It has reserved oversight of those matters to the full Board, but also delegated oversight to the Audit & Risk Oversight Committee (the "Audit Committee"):

> The full board of directors has primary responsibility for evaluating ***strategic and operational risk management*** . . . . Our audit & risk

11 https://www.sec.gov/Archives/edgar/data/1326801/000132680122000128/a2022informationstatement-.htm

> oversight committee has responsibility for overseeing certain of ***our major risk exposures***, including in the areas of financial and enterprise risk, legal and regulatory compliance, environmental sustainability, ***social responsibility (including content governance, community safety and security, human rights, and civil rights)***, and cybersecurity, as well as risks in other areas as our audit & risk oversight committee deems necessary or appropriate from time to time. . . . Our board of directors also may exercise direct oversight with respect to these areas or delegate such oversight to committees in its discretion.[12]

The Company describes the Audit Committee's oversight role as follows:

> Overseeing ***our major risk exposures*** (including in the areas of financial and enterprise risk, legal and regulatory compliance, environmental sustainability**,** ***social responsibility (including content governance, community safety and security, human rights, and civil rights), and cybersecurity)*** and the steps management has taken to monitor and control such exposures, and assisting our board of directors in overseeing the risk management of our company.[13]

36. The highlighted language shows that the Board has determined that the Company should monitor risks that human rights, community safety and other social issues pose to the Company, its operations and strategies, but there is no independent mandate to monitor or mitigate the risks the Company's operations and strategies pose to human rights and community safety; no value is accorded to the risks these issues pose to the global economy or diversified stockholders, unless they also pose

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12 Meta Platforms, Inc., Schedule 14A Proxy Statement at 72 (Apr. 8, 2022), https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm (the "2022 Proxy Statement") (emphasis added).

13 *Id.* (emphasis added).

risks to Company enterprise value; and there are no parameters for balancing these risks that may be viewed as minor to the Company but material to Meta's diversified stockholders and the broader economy. The failure to address whether a focus on share value at a corporation that touches the lives of 35% of humanity on a daily basis could negatively impact typical diversified portfolios is grossly negligent conduct and constitutes a conscious decision to ignore information critical to making decisions that are in the best interests of all stockholders.

37. The Compensation, Nominating & Governance Committee (the "Compensation Committee") "is responsible for overseeing all aspects of [the Company's] executive compensation program." The Company's 2022 Proxy Statement includes a report (the "Compensation Report")[14] of the Compensation Committee that demonstrates that the members of the Compensation Committee and Board have affirmatively chosen to incentivize Company executives to focus solely on Company financial performance, even if such focus has a negative impact on the broader economy and, consequently, the portfolios of its diversified stockholders. The Compensation Report states that the Company's compensation program "continues to be heavily weighted towards equity compensation," which the Company believes to be "the best vehicle to focus our executive officers on our

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[14] *Id.* at 40.

mission and the successful pursuit of company priorities, and to align their interests with the long-term interests of our shareholders."[15] Read in context, the reference to "shareholders" excludes diversified stockholders, since the equity program does not reflect any variation in compensation due to financial market impact. In assessing the risk of the compensation program (including its heavy reliance on Company equity) the Compensation Committee relied on a report that assessed the risk of the compensation program to the Company only; the Compensation Report stated that "The objective of the assessment was to identify any compensation plans, practices, or policies that may encourage employees to take unnecessary risks ***that could threaten the company***."[16] In other words, Board affirmatively decided not to investigate whether its compensation program, by awarding millions of dollars in equity to its executives, might be incentivizing them to damage the economy, and thus the portfolios of an average diversified stockholder.

38. For all its Guidelines and Committees, Defendants fail (and have thus far refused) to understand and take into consideration a key stockholder interest: portfolio impact. Not a single Guideline or Committee mandate is designed to consider the diversified interests of the stockholders, but instead are structured to keep the Company's operations laser focused on short-term profitability. This

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[15] *Id.*

[16] *Id.* at 50 (emphasis added).

lacuna could be filled by the Board at any time, but change is unlikely while the Board is operating under the inherent conflicts those same Guidelines create, or while Zuckerberg is exercising absolute control over who sits on the Company's board of directors.

39. Through his ownership of high-vote stock, Zuckerberg has complete control over membership of the board of directors. In the recent past, he has exercised this control to ensure that the board is comprised of members less likely to disagree with him. Between 2019 and 2020, five of nine board members were replaced:

> *As a result, just four of the directors on Facebook's board at the start of 2019 — Zuckerberg, Andreessen, COO Sheryl Sandberg, and investor Peter Thiel — will remain pending the company's annual shareholder meeting in May. The moves were part of a campaign by Zuckerberg to further consolidate control over the company, sources told The Wall Street Journal.*[17]

40. The directors had been trying to properly oversee Zuckerberg. Erskine Bowles, for example, who had previously served as White House Chief of Staff, left in 2019, "privately criticized Facebook leadership for failing to take his advice on

[17] https://www.businessinsider.com/mark-zuckerberg-marc-andreessen-feuded-over-facebook-ftc-deal-report-2020-4?op=1

politics, his area of expertise."[18] In October of the same year, Susan Desmond-Hellman, the Board's lead independent director announced she was leaving. According to the Wall Street Journal, "Ms. Desmond-Hellmann conveyed to some people that she left Facebook in part because she didn't think the board was operating properly, and that Facebook management wasn't considering board feedback, a person familiar with the matter said."[19] In March of 2020, only 25 months he joined, the departure from the Board of Kenneth Chenault, the former American Express Co. CEO, was announced. According to a press report:

> *But Mr. Chenault had grown disillusioned. Soon after joining, he tried to create an outside advisory group that would study Facebook's problems and deliver reports to the board directly, circumventing Mr. Zuckerberg, according to people familiar with the matter.* [20]

Two weeks later, the Company announced the departure of yet another unhappy director, Jeffrey Zients, former director of the National Economic Council:

> *Messrs. Chenault and Zients were both unhappy for months with executive management and how the company handled misinformation, people familiar with the matter said.*[21]

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18 https://www.wsj.com/articles/mark-zuckerberg-asserts-control-of-facebook-pushing-aside-dissenters-11588106984

19 *Id*.

20 *Id*.

21 *Id*.

C. **<u>Portfolio Diversification</u>**

41. As of March 30, 2022, the top five institutional holders of the Company's stock were the well-known asset managers BlackRock, Vanguard, Fidelity, State Street and T Rowe Price, collectively owning 27.84% of the Company's outstanding stock.[22] These companies manage assets for mutual funds and institutional and other clients, who typically diversify their portfolios to optimize the balance of risk and return.

42. Portfolio diversification is crucial to optimize risk and return because it allows investors to obtain the increased returns available from risky securities while reducing their overall risk. This is the critical insight of Modern Portfolio Theory.[23] In other words, for most investors, diversification enables the ownership of common stock.[24] A pension fund with the obligation to meet liabilities far into the future (or a worker saving for retirement on her own) could not afford to "bet it all" (or even a large portion of it) on Meta stock without talking untenable risks—the privilege to

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[22] https://finance.yahoo.com/quote/META/holders?p=META.

[23] *See generally*, Burton G. Malkiel, A Random Walk Down Wall Street (2015).

[24] In many cases, the laws that govern institutional investors require such diversification. 29 U.S.C. § 404(a) (1) (C) (requiring fiduciaries of federally regulated retirement plans to "diversify[] the investments of the plan").

do so is in the province of wealthy individuals like Zuckerberg and Sandberg and others for whom the downside risk of high concentration is financially acceptable.

43. Once a portfolio is diversified, the most important factor determining an investor's return will not be how the companies in her portfolio perform relative to other companies ("alpha"), but rather how the market performs as a whole ("beta"): "According to widely accepted research, alpha is about one-tenth as important as beta. Beta drives some 91 percent of the average portfolio's return."[25]

44. A recent report from the international law firm Freshfields Bruckhaus Deringer explains how the reality of externalized costs reverberates in the fiduciary duties of investment trustees across jurisdictions:

> In recent years investors have increasingly focused on what must be done to protect the value of their portfolios from system-wide risks created by the declining sustainability of various aspects of the natural or social environment. System-wide risks are the sort of risks that cannot be mitigated simply by diversifying the investments in a portfolio. They threaten the functioning of the economic, financial, and wider systems on which investment performance relies. If risks of this sort materialized, they would therefore damage the performance of a portfolio as a whole and all portfolios exposed to those systems.[26]

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[25] Steven Davis, Jon Lukmonik and David Pitt-Watson, *What They Do with Your Money* (2016).

[26] *A Legal Framework for Impact: Sustainability Impact in Investor Decision-Making* (2021). The report, which ran to 558 pages, studied the law of jurisdictions significant to global capital markets, including the United States.

45. The value of diversified portfolios rise and fall with Gross Domestic Product (GDP), an indicator of the economy's intrinsic value. Negative externalities (indirect costs to an uninvolved party that arise as an effect of another party's activity) created by a company pursuing only its bottom line can and do have wide reaching impacts on GDP.

46. Such externalities have increased in relevance and importance over the last several years. The asset manager Schroder's has developed a methodology to measure externalities by "quantifying the positive contributions and negative impacts companies have on society." [27] In 2019, the Head of Sustainable Research for Schroder's published the following stark statistic: "The US $4.1 trillion earnings listed companies generate for shareholders [globally] would fall by 55% to US $1.9 trillion if all of the social and environmental impacts our research identifies crystallised as financial costs. One third of companies would become loss-making."[28]

47. Whether or not Meta's externalities impact its enterprise value, they reduce the value of the economy upon which its diversified stockholders depend.

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[27] Andrew Howard, *Sustainex* at 3 (April 2019), https://prod.schroders.com/en/sysglobalassets/digital/insights/2019/pdfs/sustainability/sustainex/sustainex-short.pdf.

[28] *Id.* at 6.

48. Meta directors fail to meet their fiduciary duties when they ignore these negative impacts on their own diversified stockholders by focusing only on the Company's bottom line or share price, which is only one aspect of the impact that Board decisions have on the investment returns of the Company's stockholders who are not among the limited class of stockholders able to accept the risks of highly concentrated ownership.

D. Press Reports: Putting Financial Returns Above All Else

49. On September 13, 2021, *The Wall Street Journal* began to publish "The Facebook Files," a series of articles that relied on internal Company documents obtained from Frances Haugen, a former Meta employee, that show that Meta knows its Platforms are riddled with flaws that cause harm to users and threaten the rule of law, but decided not to address them, because doing so would reduce cash flow. On information and belief, such decisions were made without any consideration of the costs such decisions imposed on diversified stockholders' investment portfolios.

i. XCheck: Giving VIPs a Free Pass

50. The first article reported that Meta built a system, known as "cross-check" or "XCheck," that "whitelisted" millions of high-profile users, exempting them from some or all of its rules that otherwise were designed to limit harmful traffic over its Platforms, leading to the very type of social costs its rules were

designed to limit.[29] On information and belief, no consideration was given to the impact of such practices on overall market returns for diversified stockholders.

51. The article noted:

> In 2019, it allowed international soccer star Neymar to show nude photos of a woman, who had accused him of rape, to tens of millions of his fans before the content was removed by Facebook. Whitelisted accounts shared inflammatory claims that Facebook's fact checkers deemed false, including that vaccines are deadly, that Hillary Clinton had covered up "pedophile rings," and that then-President Donald Trump had called all refugees seeking asylum "animals," according to the documents.[30]

52. Zuckerberg and Sandberg had and exercised direct authority over whether whitelisted accounts were given special treatment:

> At times, pulling content from a VIP's account requires approval from senior executives on the Communications and public-policy teams, or even from Mr. Zuckerberg or Chief Operating Officer Sheryl Sandberg, according to people familiar with the matter.[31]

For example, the question whether to leave up a controversial post from the President of the United States was left to Zuckerberg.

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[29] Jeff Horwitz, "Facebook Says Its Rules Apply to All. Company Documents Reveal a Secret Elite That's Exempt", *The Wall Street Journal* (Sept. 13, 2021), https://www.wsj.com/articles/facebook-files-xcheck-zuckerberg-elite-rules-11631541353?mod=article_inline.

[30] *Id.*

[31] *Id.*

53. According to the article, an internal review conducted by Meta employees in 2019 found the Company's favoritism to high-profile users to be widespread and that "[u]nlike the rest of our community, these people can violate our standards without any consequences."[32] Internal documents show that XCheck grew to include at least 5.8 million users in 2020, but Facebook "review[s] less than 10% of XChecked content."[33]

54. When internal Company personnel raised concerns about the harm being caused by XCheck, the product manager replied that such concerns had to be balanced with the need to avoid risks to the Company's business: "The fairness concerns were real and XCheck had been mismanaged, the product manager wrote, but 'we have to balance that with business risk.'"[34] It is clear that the policy established by Zuckerberg was to sometimes permit harm to users in order to maximize Company returns. Such a cost benefit analysis is evidenced in an internal memo detailing that the Company had not put the presumably costly systems in place

[32] *Id.*

[33] *Id.*

[34] *Id.*

necessary to derisk XCheck: "We do not have systems built out to do that extra diligence for all integrity actions that can occur for a VIP."[35]

55. On information and belief, the impact of such trade-offs on diversified stockholders was never accounted for in the decisions made by Zuckerberg and Sandberg or the Board's risk analysis when it evaluated XCheck's whitelisting.

56. The article concluded that this was a broad pattern that the Company continued, along with other harmful practices, because it did not want to hurt its business:

> Time and again, the documents show, in the U.S. and overseas, Facebook's own researchers have identified the platform's ill effects, in areas including teen mental health, political discourse and human trafficking. Time and again, despite congressional hearings, its own pledges and numerous media exposés, the company didn't fix them.
>
> Sometimes the company held back for fear of hurting its business.[36]

ii. Mental Health Issues: Instagram and the Perfect Storm

57. On September 14, 2021, the second article in the series reported that the Company's own internal analyses show that the use of Instagram among teenage girls led to significant mental health issues, and that many users linked suicidal

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35 *Id.*

36 *Id.*

thoughts and eating disorders to their experiences on the app.[37] Even though mental health issues impose tremendous social costs, the Company did not account for the risk Instagram's mental health impacts posed to economic growth and thus the diversified portfolios of its stockholders. Internal documents made it clear that the Company was aware of the problem:

> For the past three years, Facebook has been conducting studies into how its photo-sharing app affects its millions of young users. Repeatedly, the company's researchers found that Instagram is harmful for a sizable percentage of them, most notably teenage girls.
>
> "We make body image issues worse for one in three teen girls," said one slide from 2019, summarizing research about teen girls who experience the issues.
>
> "Teens blame Instagram for increases in the rate of anxiety and depression," said another slide. "This reaction was unprompted and consistent across all groups."[38]

58. The one-third figure evinces a very significant impact, as more than 40% of the platform's users are 22 years old or younger, and 22 million teenagers log on every day. The article concluded that the Company was focusing on maximizing revenue without regard to the societal harm caused: "Expanding its

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[37] Georgia Wells, Jeff Horwitz and Deepa Seetharaman, "Facebook Knows Instagram Is Toxic for Teen Girls, Company Documents Show", *The Wall Street Journal* (Sept. 14, 2021), https://www.wsj.com/articles/facebook-knows-instagram-is-toxic-for-teen-girls-company-documents-show-11631620739?mod=article_inline.

[38] *Id.*

base of young users is vital to the company's more than $100 billion in annual revenue, and it doesn't want to jeopardize their engagement with the platform."[39]

59. The article reported that the Company executives, including Zuckerberg, were aware of the problem but chose to ignore it, and certainly did not undertake to determine whether the problem would undermine the portfolios of typical investors:

> In five presentations over 18 months to this spring, the researchers conducted what they called a "teen mental health deep dive" and follow-up studies.
>
> They came to the conclusion that some of the problems were specific to Instagram, and not social media more broadly. That is especially true concerning so-called social comparison, which is when people assess their own value in relation to the attractiveness, wealth and success of others.
>
> . . . .
>
> The features that Instagram identifies as most harmful to teens appear to be at the platform's core.
>
> . . . It warns that the Explore page, which serves users photos and videos curated by an algorithm, can send users deep into content that can be harmful.
>
> "Aspects of Instagram exacerbate each other to create a perfect storm," the research states.
>
> The research has been reviewed by top Facebook executives, and was cited in a 2020 presentation given to Mr. Zuckerberg, according to the documents.[40]

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39 *Id.*

40 *Id.*

60. But the Company hid this research because it wanted to grow its base of young users. As the article reported:

> "Instagram is well positioned to resonate and win with young people," said a researcher's slide posted internally. Another post said: "There is a path to growth if Instagram can continue their trajectory."
>
> In public, Facebook has consistently played down the app's negative effects on teens, and hasn't made its research public or available to academics or lawmakers who have asked for it.
>
> "The research that we've seen is that using social apps to connect with other people can have positive mental-health benefits," CEO Mark Zuckerberg said at a congressional hearing in March 2021 when asked about children and mental health.[41]

61. Even when requested by a bipartisan pair of United States Senators to be transparent about its impact on children's mental health, the Company refused:

> In August, Sens. Richard Blumenthal and Marsha Blackburn in a letter to Mr. Zuckerberg called on him to release Facebook's internal research on the impact of its platforms on youth mental health.
>
> In response, Facebook sent the senators a six-page letter that didn't include the company's own studies. Instead, Facebook said there are many challenges with conducting research in this space, saying, "We are not aware of a consensus among studies or experts about how much screen time is 'too much,'" according to a copy of the letter reviewed by the Journal.[42]

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[41] *Id.*

[42] *Id.*

62. Between 2011 and 2020, the total economic output loss associated with mental disorders will be an estimated $16.3 trillion, comparable to that of cardiovascular diseases or to that of cancer, chronic respiratory disease and diabetes combined.[43] Angela Guarda, director for the eating-disorders program at Johns Hopkins Hospital and an associate professor of psychiatry in the Johns Hopkins School of Medicine told *The Wall Street Journal* that Instagram and other social media platforms play a role in the disorders of about half of her patients.

iii. Meaningful Social Interactions: Turning Up the Algorithmic Heat

63. The next article in the series, published on September 15, 2021, showed how a change in the Facebook algorithm to emphasize "meaningful social interactions" ("MSI") drove more negative posting with harmful societal effects, but that Meta chose to preserve its business rather than protect its diversified stockholders from those effects, favoring concentrated insider stockholders over its large, diversified stockholder base:[44]

> The 2018 algorithm change affected Facebook's central feature, the News Feed . . . . It accounts for the majority of time Facebook's

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43 https://healthmed.org/economic-burden-of-depression-and-anxiety-disorders/.

44 Keach Hagey and Jeff Horwitz, "Facebook Tried to Make Its Platform a Healthier Place. It Got Angrier Instead", *The Wall Street Journal* (Sept. 15, 2021), https://www.wsj.com/articles/facebook-algorithm-change-zuckerberg-11631654215.

> nearly three billion users spend on the platform. The company sells that user attention to advertisers, both on Facebook and its sister platform Instagram, accounting for nearly all of its $86 billion in revenue last year.
>
> A proprietary algorithm controls what appears in each user's News Feed. It takes into account who users are friends with, what kind of groups they have joined, what pages they have liked, which advertisers have paid to target them and what types of stories are popular or driving conversation.
>
> Significant changes to the algorithm can have major implications for the company, advertisers and publishers. Facebook has made many algorithm tweaks over the years. The shift to emphasize MSI was one of the biggest.[45]

64. The article made it clear that the Company's decision-making process was dominated by Zuckerberg: "Mr. Zuckerberg announced he was changing Facebook product managers' goal from helping people find relevant content to helping them interact more with friends and family."[46] Another investigative report attributed the MSI metric directly to Zuckerberg:

> *In 2018, Zuckerberg defined a new metric that became his "north star," according to a former executive. That metric was MSI — "meaningful social interactions" — named because the company wanted to emphasize the idea that engagement was more valuable than time spent passively scrolling through videos or other content. For example, the company's algorithm would now weight posts that got a large number of comments as more "meaningful" than likes, and would use that information to inject the comment-filled posts into the news feeds of many more people who were not friends with the original poster, the documents said.*

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[45] *Id.*

[46] *Id.*

> *Even as the company has grown into a large conglomerate, Zuckerberg has maintained a reputation as a hands-on manager who goes deep on product and policy decisions, particularly when they involve critical trade-offs between preserving speech and protecting users from harm — or between safety and growth.*[47]

The same article reported that Zuckerberg was individually responsible for everything the Company does:

> *"The specter of Zuckerberg looms in everything the company does," said Brian Boland, a former vice president of partnerships and marketing who left in 2020 after coming to believe that the platform was polarizing society. "It is entirely driven by him."*[48]

65. It is also clear that that the relevant decisions by Zuckerberg prioritized the Company's financial returns over safety, regardless of the risks that Company practice posed to stable societies around the globe, or the impact such risks might have on the diversified portfolios of Meta's stockholders. The article explained that while the change was explained as a positive for users, it was actually designed to address a drop in user interaction, and that it degraded the Platform's content and interactions:

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[47] https://www.washingtonpost.com/technology/2021/10/25/mark-zuckerberg-facebook-whistleblower/

[48] *Id*.

> Facebook's chief executive, Mark Zuckerberg, said the aim of the algorithm change was to strengthen bonds between users and to improve their well-being. . . .
>
> Within the company, though, staffers warned the change was having the opposite effect, the documents show. It was making Facebook's platform an angrier place.
>
> Company researchers discovered that publishers and political parties were reorienting their posts toward outrage and sensationalism. That tactic produced high levels of comments and reactions that translated into success on Facebook.
>
> ***"Our approach has had unhealthy side effects on important slices of public content, such as politics and news," wrote a team of data scientists, ... "This is an increasing liability***," one of them wrote in a later memo.
>
> ***They concluded that the new algorithm's heavy weighting of reshared material in its News Feed made the angry voices louder***. "Misinformation, toxicity, and violent content are inordinately prevalent among reshares," researchers noted in internal memos.
>
> . . . .
>
> Facebook employees also discussed the company's other, less publicized motive for making the change: Users had begun to interact less with the platform, a worrisome trend, the documents show.[49]

66. But the Company rejected fixes that would have led to a healthier dialogue because doing so would have reduced user traffic, and thus revenue. Zuckerberg, with final control over every decision, would not permit the Company to "tradeoff" traffic in order to improve the Platform's social and economic impact, even if doing so would have benefitted its diversified stockholders:

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[49] *Id.* (emphasis added).

Data scientists on that integrity team—whose job is to improve the quality and trustworthiness of content on the platform—worked on a number of potential changes to curb the tendency of the overhauled algorithm to reward outrage and lies. ***Mr. Zuckerberg resisted some of the proposed fixes, the documents show, because he was worried they might hurt the company's other objective—making users engage more with Facebook***.

Anna Stepanov, who led a team addressing those issues, presented Mr. Zuckerberg with several proposed changes meant to address the proliferation of false and divisive content on the platform, according to an April 2020 internal memo she wrote about the briefing. One such change would have taken away a boost the algorithm gave to content most likely to be reshared by long chains of users.

"Mark doesn't think we could go broad" with the change, she wrote to colleagues after the meeting. Mr. Zuckerberg said he was open to testing the approach, she said, but "***We wouldn't launch if there was a material tradeoff with MSI impact***."[50]

67. The article further detailed how the change to the algorithm led to harsher discourse:

In Poland, the changes made political debate on the platform nastier…

"One party's social media management team estimates that they have shifted the proportion of their posts from 50/50 positive/negative to 80% negative, explicitly as a function of the change to the algorithm," wrote two Facebook researchers in an April 2019 internal report.

[Political parties in Central and eastern Europe] now have an incentive, [a political scientist] said, to create posts that rack up

[50] *Id.* (emphasis added).

> comments and shares—often by tapping into anger—to get exposure in users' feeds.[51]

68. The issue extends to Western Europe and Asia as well:

> The Facebook researchers wrote in their report that in Spain, political parties run sophisticated operations to make Facebook posts travel as far and fast as possible.
>
> "They have learnt that harsh attacks on their opponents net the highest engagement," they wrote." …
>
> Facebook researchers wrote in their internal report that they heard similar complaints from parties in Taiwan and India.[52]

69. ***Critically, the article details the fact that the Company was consciously choosing traffic, revenue, and Company financial performance over global impacts***. When employees figured out how to tweak the algorithm to address the negative impacts, Zuckerberg vetoed the change because it would reduce traffic, the Company's stock in trade:

> Early tests showed how reducing [an] aspect of the algorithm for civic and health information helped reduce the proliferation of false content. Facebook made the change for those categories in the spring of 2020.
>
> When Ms. Stepanov presented Mr. Zuckerberg with the integrity team's proposal to expand that change beyond civic and health content—and a few countries such as Ethiopia and Myanmar where changes were already being made—***Mr. Zuckerberg said he didn't***

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51 *Id.*

52 *Id.*

***want to pursue it if it reduced user engagement, according to the documents*.**[53]

70. In other words, the change in the algorithm forced Zuckerberg to decide between Meta's increasing profits or having a positive impact on discourse around the world, and he chose the former. The Board members were not innocent bystanders either: even though internal reports, press coverage, and, as detailed below, shareholder proposals expressly addressed by the Board called attention to the negative externalities created by incentivizing politicians around the world to use "harsh attacks" on their opponents and other tactics that succeed at "tapping into anger," they consciously chose not to consider whether Zuckerberg's choices from the perspective of Meta's diversified stockholders.

iv. Sex Work, Cartels, Violence and Dictators: The Real Cost of Internet Clicks

71. While the first three articles in the series demonstrated the Company's traffic-at-any-cost mentality, the fourth article, published on September 16, 2021, showed that not only were social and economic costs ignored to boost revenue, but that cost-saving also was prioritized over addressing such costs. The article reported on Meta's weak and ineffective responses to drug cartels and human traffickers that

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53 *Id.*

use the Company's platforms to facilitate their illegal activities.[54] The article made it very clear that the Company prioritized its business and cash flow over any concern over the social and economic impact of the role it plays in degrading the rule of law outside of wealthy countries or the impact of that degradation on its diversified stockholders. The article made it clear that the Company simply was not spending enough money to police dangerous use cases of the platforms around the world:

> In some countries where Facebook operates, it has few or no people who speak the dialects needed to identify dangerous or criminal uses of the platform, the documents show.
>
> . . . .
>
> Facebook has focused its safety efforts on wealthier markets with powerful governments and media institutions, he said, even as it has turned to poorer countries for user growth.
>
> "There is very rarely a significant, concerted effort to invest in fixing those areas," he [a former Facebook vice president] said.[55]

72. The article explained that the Company must focus on these developing markets to grow its business:

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[54] Justin Scheck, Newley Purnell and Jeff Horwitz, "Facebook Employees Flag Drug Cartels and Human Traffickers. The Company's Response is Weak, Documents Show", *The Wall Street Journal* (Sept. 16, 2021), https://www.wsj.com/articles/facebook-drug-cartels-human-traffickers-response-is-weak-documents-11631812953?mod=article_inline.

[55] *Id.*

> The developing world already has hundreds of millions more Facebook users than the U.S.—more than 90% of monthly users are now outside the U.S. and Canada. With growth largely stalled there and in Europe, nearly all of Facebook's new users are coming from developing countries, where Facebook is the main online communication channel and source of news. Facebook is rapidly expanding into such countries, planning for technology such as satellite internet and expanded Wi-Fi to bring users online including in poor areas of Indonesia one document described as "slums."[56]

73. While Facebook responded to individual complaints, it would not fix the system:

> Employees flagged that human traffickers in the Middle East used the site to lure women into abusive employment situations in which they were treated like slaves or forced to perform sex work. They warned that armed groups in Ethiopia used the site to incite violence against ethnic minorities. They sent alerts to their bosses on organ selling, pornography and government action against political dissent, according to the documents. …
>
> When problems have surfaced publicly, Facebook has said it addressed them by taking down offending posts. But it hasn't fixed the systems that allowed offenders to repeat the bad behavior. ***Instead, priority is given to retaining users, helping business partners and at times placating authoritarian governments, whose support Facebook sometimes needs to operate within their borders, the documents show***.
>
> ***Facebook treats harm in developing countries as "simply the cost of doing business"*** in those places, said Brian Boland, a former Facebook vice president who oversaw partnerships with internet providers in Africa and Asia before resigning at the end of last year.[57]

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56 *Id.*

57 *Id*. (emphasis added).

74. A separate investigative report published by the *Washington Post* detailed global failures of the Company to address posts that led to ethnic violence:

> *Despite Facebook's assurances it would increase moderation efforts, when riots broke out in Delhi last year, calls to violence against Muslims remained on the site, despite being flagged, according to the group. Gruesome images, claiming falsely to depict violence perpetrated by Muslims during the riots, were found by The Post. Facebook labeled them with a fact check, but they remained on the site as of Saturday.*
>
> *More than 50 people were killed in the turmoil, the majority of them Muslims.*
>
> *"They were told, told, told and they didn't do one damn thing about it," said a member of the group who attended the meetings. "The anger [from the global south] is so visceral on how disposable they view our lives."*
>
> . . . .
>
> *In late 2019, the Next Billion Network ran a multicountry study, separate from the whistleblower's documents, of Facebook's moderation and alerted the company that large volumes of legitimate complaints, including death threats, were being dismissed in countries throughout the global south, including Pakistan, Myanmar and India, because of technical issues, according to a copy of the report reviewed by The Post.*
>
> *It found that cumbersome reporting flows and a lack of translations were discouraging users from reporting bad content, the only way content is moderated in many of the countries that lack more automated systems. Facebook's community standards, the set of rules that users must abide by, were not translated into Urdu, the national language of Pakistan. Instead, the company flipped the English version so it read from right to left, mirroring the way Urdu is read.*
>
> *In June 2020, a Facebook employee posted an audit of the company's attempts to make its platform safer for users in "at-risk countries,"*

a designation given to nations Facebook marks as especially vulnerable to misinformation and hate speech. The audit showed Facebook had massive gaps in coverage. In countries including Myanmar, Pakistan and Ethiopia, Facebook didn't have algorithms that could parse the local language and identify posts about covid-19. In India and Indonesia, it couldn't identify links to misinformation, the audit showed.

In Ethiopia, the audit came a month after its government postponed federal elections, a major step in a buildup to a civil war that broke out months later. In addition to being unable to detect misinformation, the audit found Facebook also didn't have algorithms to flag hate speech in the country's two biggest local languages.[58]

75. When the Company completed a civil rights audit in 2020, the final report made it clear that responsibility over the Company's response to violence by state actors rested with Zuckerberg and Sandberg:

Facebook has a long road ahead on its civil rights journey, and [the audit leadership] agreed to continue to consult with the company, but with the audit behind us, we are discussing what the scope of that engagement will look like. Sheryl Sandberg will continue to sponsor the work at the company. Mark Zuckerberg said that he will continue to revisit its voter suppression policies, as well as its policies relating to calls for violence by state actors.[59]

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[58] https://www.washingtonpost.com/technology/2021/10/24/india-facebook-misinformation-hate-speech/

[59] Facebook Civil Rights Audit, Final Report, July 8, 2020, available at https://muslimadvocates.org/wp-content/uploads/2020/07/Civil-Rights-Audit-Final-Report.pdf

76. While the human rights violations are themselves horrendous, they also sap the global economy of productivity over time, as human potential is wasted and the networks of trust that undergird a healthy economy are compromised.[60] As an example, the article detailed how Meta allowed its Platforms to be used as tools of a drug cartel in Mexico, threatening the rule of law that buttresses a healthy economy in that country:

> The ex-cop and his team untangled the Jalisco New Generation Cartel's online network by examining posts on Facebook and Instagram, as well as private messages on those platforms, according to the documents…
>
> The team identified key individuals, tracked payments they made to hit men and discovered how they were recruiting poor teenagers to attend hit-man training camps…
>
> … The former cop recommended the company improve its follow-through to ensure bans on designated groups are enforced and seek to better understand cartel activity.
>
> Facebook didn't fully remove the cartel from its sites.
>
> The investigation team asked another Facebook unit tasked with coordinating different divisions to look at ways to make sure a ban on the cartel could be enforced. ***That wasn't done effectively either, according to the documents, because the team assigned the job didn't follow up***.
>
> On Jan. 13, nine days after the report was circulated internally, the first post appeared on a new CJNG Instagram account: A video of a person with a gold pistol shooting a young man in the head while

[60] Cristina Bodea & Ibrahim Elbadawi, *Political Violence and Economic Growth* (2008) ("Although [political] violence is itself endogenous to a range of complex factors, once ignited, it can become the direct cause of untold human suffering, loss of life as well as massive economic decline and political instability.")

> blood spurts from his neck. The next post is a photo of a beaten man tied to a chair; the one after that is a trash bag full of severed hands.[61]

77. In the same article, it was reported that the Company's lax attitude extended to ethnic cleansing, as the Company simply did not spend the money necessary to translate posts to determine whether vulnerable populations were being put at risk through its Platforms:

> In Ethiopia, armed groups have used Facebook to incite violence. The company's internal communications show ***it doesn't have enough employees who speak some of the relevant languages to help monitor the situation***. For some languages, Facebook also failed to build automated systems, called classifiers, that could weed out the worst abuses. Artificial-intelligence systems that form the backbone of Facebook's enforcement don't cover most of the languages used on the site. …
>
> In a December planning document, a Facebook team wrote that the risk of bad consequences in Ethiopia was dire, and that "***most of our great integrity work over the last 2 years doesn't work in much of the world***." It said in some high-risk places like Ethiopia, "Our classifiers don't work, and ***we're largely blind to problems on our site***."
>
> Groups associated with the Ethiopian government and state media posted inciting comments on Facebook against the Tigrayan minority, calling them "hyenas" and "a cancer." Posts accusing Tigrayans of crimes such as money laundering were going viral, and some people on the site said the Tigrayans should be wiped out.

61 *Id.* (emphasis added).

> As violence escalated, Secretary of State Anthony Blinken labeled the violence "ethnic cleansing." [62]

78. The article showed the Company simply did not want to spend the money required to address abusive use in all languages:

> Arabic is spoken by millions of Facebook users across what the company calls a highly sensitive region. Most of Facebook's content reviewers who work in the language speak Moroccan Arabic, and often aren't able to catch abusive or violent content in other dialects or make errors in restricting inoffensive posts, according to a December document. Facebook's enforcement algorithms also weren't capable of handling different dialects.
>
> "It is surely of the highest importance to put more resources to the task of improving Arabic systems," an employee wrote in the document.[63]

79. Meta's lax policies that threaten the rule of law around the world pose risks to economic growth (and thus diversified portfolios). One recent study concluded:

> Economic growth has been a dominant concern for senior global leaders and policy makers for the past century; understandably, the determinants of economic growth has preoccupied economists for the past several decades. We consider 134 countries during the period 1984-2019 and find a significant positive relation between Rule of Law (law and order provided by police and courts, respect

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[62] *Id.* (emphasis added).

[63] Id.

> for private property rights) and GDP per capita. Notably, this positive relation has improved over time.[64]

v. Vaccine Information

80. On September 17, 2021, the fifth article in the series was published, showing conclusively that Meta lacked the ability or willingness to manage the content on its Platforms, even with respect to topics on which the Company had committed to advancing a particular message. The article focused on repeated public commitments made by Meta and Zuckerberg regarding the use of the Platforms to communicate health guidance related to the COVID-19 pandemic. According to the internal documents, however, the Company completely failed in its purported efforts to manage such messaging and content. The article included the following quotes from Company personnel in internal documents:

- "We know that COVID vaccine hesitancy has the potential to cause severe societal harm…"
- "Vaccine hesitancy in comments is rampant."
- "Our ability to detect vaccine-hesitant comments is bad in English, and basically non-existent elsewhere."[65]

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64 https://www.hblr.org/2020/11/economic-growth-income-inequality-rule-of-law/.

65 Sam Schechner, Jeff Horwitz, and Emily Glazer, "How Facebook Hobbled Mark Zuckerberg's Bid to Get America Vaccinated," *The Wall Street Journal* (Sept. 17, 2021), https://www.wsj.com/articles/facebook-mark-zuckerberg-vaccinated-11631880296?mod=series_facebookfiles.

81. The article noted:

> In August 2020, a report by advocacy group Avaaz concluded that the top 10 producers of what the group called "health misinformation" were garnering almost four times as many estimated views on Facebook as the top 10 sources of authoritative information. Facebook needed to take harsher measures to beat back "prolific" networks of Covid misinformation purveyors, Avaaz warned.
>
> . . . .
>
> A Facebook employee also warned that antivaccine forces might be dominating comments on posts, possibly giving users a false impression that such views were widespread.
>
> "I randomly sampled all English-language comments from the past two weeks containing Covid-19-related and vaccine-related phrases," the researcher wrote early this year, adding that based on his assessment of 110 comments, about two-thirds "were anti-vax." The memo compared that figure to a poll showing the prevalence of antivaccine sentiment in the U.S. to be 40 points lower.
>
> . . . .
>
> A Unicef staffer said in an interview the group noticed its pro-vaccine posts faced "a huge deluge of antivax sentiment" when they reached a wider-than-normal audience, such as when they featured a famous spokesperson. Facebook's main advice to Unicef, the staffer said, was to "keep posting information that we know cuts through and targets our key audience."
>
> "Who knows how much more successful those campaigns might be if they weren't swarmed by anti-vax comments?" the staffer said.[66]

82. One former Vice President of the Company attributed the failures to Zuckerberg's focus on connecting users:

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66 *Id.*

> *He credits Mr. Zuckerberg with getting Facebook to work quickly on health initiatives during the pandemic but said his focus on connecting people created a blind spot for company leaders. "There was not a lot of discussion in our circles of, 'Hey, are people propagating harmful messages on the platform?' " he said.*[67]

The article said the blind spot left the Company "ill-prepared" to address vaccine misinformation:

> *Mr. Zuckerberg has long espoused the belief that Facebook's role connecting people makes it a tool to help solve the world's problems. Former executives say that optimism left him and his company repeatedly ill-prepared when people used the platform in ways it didn't anticipate.*[68]

83. It was Zuckerberg alone who made the final decisions with respect to curbing inaccuracies on the platforms:

> *Facebook has similarly struggled with how to handle the spread of inaccuracies on other issues, from QAnon conspiracy theories and other election falsehoods to hoax cancer cures and Holocaust denial. Mr. Zuckerberg initially permitted such denials on the platform on free speech grounds but last year changed his position, citing rising anti-Semitic violence.*
>
> . . . .
>
> *Mr. Zuckerberg wasn't ready to embrace a more interventionist approach against its users.*[69]

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67 *Id*.

68 *Id*.

69 *Id*.

84. The article called attention to internal divisions at the Company over the need to address the harm implicit in its business model; ultimately the reporters concluded that Meta's business model itself was harmful: "The vaccine documents are part of a collection of internal communications reviewed by the Journal that offer an unparalleled picture of how Facebook is acutely aware that the products and systems central to its business success routinely fail and cause harm."[70]

85. In July of 2021, United States Surgeon General Vivek Murthy warned that social media companies "have enabled misinformation to poison our information environment, with little accountability to their users."[71] The President of the United States specifically called out Meta on this question.

86. It is well-established that slowing down the efforts to fight COVID-19 can have severe effects on the economy. The International Monetary Fund (IMF) has estimated that an inadequate global vaccine supply could lead to global economic losses of up to \$9 trillion.[72] The Federal Reserve Bank of St. Louis

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70 *Id.*

71 Myah Ward, "Social Media Must Do More to Support Vaccination, Surgeon General Says", *Politico* (July 18, 2021), https://www.politico.com/news/2021/07/18/murthy-covid-vaccine-misinformation-facebook-499973.

72 Ruchir Agarwal and Gita Gopinath, *A Proposal to End the COVID-19 Pandemic,* IMF Staff Discussion Note (May 2021),

published research showing that the average country's GDP was reduced by 7.3% in 2020 due to the pandemic.[73] [74]

vi. Zuckerberg Decides to Comply with Hanoi's Demands

87. In another instance of prioritizing financial returns over broader systemic health, Zuckerberg unilaterally caused the Company to comply with the demands of Vietnam's ruling Communist Party to censor dissidents.

88. A news article captured the nexus between Zuckerberg's desire to maximize revenue and his decision-making power within the organization:

> *But in Vietnam, upholding the free-speech rights of people who question government leaders could have come with a significant cost in a country where the social network earns more than $1 billion in annual revenue, according to a 2018 estimate by Amnesty International.*
>
> *So Zuckerberg personally decided that Facebook would comply with Hanoi's demands, according to three people familiar with the decision, speaking on the condition of anonymity to describe internal company discussions. Ahead of Vietnam's party congress in January,*

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https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2021/05/19/A-Proposal-to-End-the-COVID-19-Pandemic-460263.

[73] Juan Sanchez, *COVID-19's Economic Impact around the World,* ST. Louis Federal Reserve (Aug. 11, 2021), https://www.stlouisfed.org/publications/regional-economist/third-quarter-2021/covid19s-economic-impact-world.

[74] Matt Viser, Rachel Lerman and Tyler Pager, "'They're Kiling People': Biden Aims Blistering Attach at Tech Companies Over Vaccine Falsehoods", *The Washington Post* (July 16, 2021), https://www.washingtonpost.com/politics/biden-vaccine-social-media/2021/07/16/fbc434bc-e666-11eb-8aa5-5662858b696e_story.html.

> *Facebook significantly increased censorship of "anti-state" posts, giving the government near-total control over the platform, according to local activists and free-speech advocates.*
>
> *Zuckerberg's role in the Vietnam decision, which has not been previously reported, exemplifies his relentless determination to ensure Facebook's dominance, sometimes at the expense of his stated values, according to interviews with more than a dozen former employees.*[75]

89. The same article reported that Zuckerberg's unilateral decisions put billions of users at risk:

> *But the former employees who spoke with The Post said his influence goes far beyond what he has stated publicly, and is most felt in countless lesser-known decisions that shaped Facebook's products to match Zuckerberg's values — sometimes, critics say, at the expense of the personal safety of billions of users.*[76]

vii. The Whistleblower Goes Public

90. On October 3, 2021, the Meta whistleblower revealed her identity during a televised interview on the CBS News program, *60 Minutes*. During the interview, Frances Haugen, a data scientist and former project manager at Meta, said that "[t]he thing I saw at Facebook over and over again was there were conflicts of interest between what was good for the public and what was good for Facebook.

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75 https://www.washingtonpost.com/technology/2021/10/25/mark-zuckerberg-facebook-whistleblower/

76 *Id*.

And Facebook, over and over again, chose to optimize for its own interests, like making more money" and repeatedly "has shown it chooses profit over safety."[77]

91. Ms. Haugen stated that Meta's algorithm optimizes for content that generates engagement, including more content that is angry, divisive, and polarizing because "they'll get more views."[78] Ms. Haugen reported that "Facebook has realized that if they change the algorithm to be safer, people will spend less time on the site, they'll click less ads, [and] they'll make less money."[79] Ms. Haugen, who previously worked at other big technology companies, stated that things were "substantially worse at Facebook."[80] She also asserted that Meta facilitated the January 6, 2021, deadly riot at the United States Capitol, some of which was coordinated through Meta's Platform, because the Company lacked the safety measures and financial incentive to thwart the spread of harmful content.

92. In describing her role as a member of Meta's Civic Integrity Unit, which worked on risks related to the spread of misinformation in connection with

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77 Scott Pelley, "Whistleblower: Facebook is Misleading the Public On Progress Against Hate Speech, Violence, Misinformation", *CBS News, 60 Minutes* (Oct. 4, 2021), https://www.cbsnews.com/news/facebook-whistleblower-frances-haugen-misinformation-public-60-minutes-2021-10-03/.

78 *Id*.

79 *Id*.

80 *Id*.

political elections but which the Company dissolved weeks after the 2020 United States Presidential election, Ms. Haugen stated that "I don't trust that they're willing to actually invest what needs to be invested to keep Facebook from being dangerous."[81]

93. In October 2021, *Time* ran an investigative piece entitled, "How Facebook Forced a Reckoning by Shutting down the Team that Put People ahead of Profits."[82] The story detailed the work of Meta's civic engagement team and its attempts to limit harmful social impact from algorithms used to drive more traffic (and thus more revenue). Among its conclusions:

> *But for many of the Facebook employees who had worked on the team, including a veteran product manager from Iowa named Frances Haugen, the message was clear: Facebook no longer wanted to concentrate power in a team whose priority was to put people ahead of profits…*
>
> *Facebook's focus on increasing user engagement, which ultimately drives ad revenue and staves off competition, [Haugen] argued, may keep users coming back to the site day after day—but also systematically boosts content that is polarizing, misinformative and angry, and which can send users down dark rabbit holes of political*

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81 *Id.*

82 Billy Perrigo, "How Facebook Forced a Reckoning by Shutting down the Team that Put People ahead of Profits," *Time* (Oct. 7, 2021), https://time.com/6104899/facebook-reckoning-frances-haugen/.

extremism or, in the case of teen girls, body dysmorphia and eating disorders.[83]

94. One former member of the team told *Time* that before it was dissolved, "[t]he team prioritized societal good over Facebook good. It was a team that really cared about the ways to address societal problems first and foremost. It was not a team that was dedicated to contributing to Facebook's bottom line."[84]

95. On October 4, 2021, Haugen testified before the United States Congress, explaining:

> The company's leadership knows ways to make Facebook and Instagram safer and won't make the necessary changes because ***they put their immense profits before people***… This is not simply a matter of some social media users being angry or unstable. Facebook became a $1 trillion company by ***paying for its profits with our safety***, including the safety of our children.[85]

96. Haugen also filed complaints with the Securities and Exchange Commission, which highlighted the control Zuckerberg exercised over decisions at the Company:

83 *Id.*

84 *Id.*

85 U.S. Senate Committee on Commerce, Science and Transportation, Sub-Committee on Consumer Protection, Product Safety, and Data Security, "Statement of Frances Haugen," (Oct. 4, 2021), https://www.commerce.senate.gov/services/files/FC8A558E-824E-4914-BEDB-3A7B1190BD49.

> *Haugen references Zuckerberg's public statements at least 20 times in her SEC complaints, asserting that the CEO's unique degree of control over Facebook forces him to bear ultimate responsibility for a litany of societal harms caused by the company's relentless pursuit of growth.*[86]

97. Despite the press reports detailing the threats the Company's practices posed to the community, the Compensation Committee determined that high ranking executive officers should receive 110% and 100% of their target Company performance-related bonuses for the first and second halves of 2021, respectively, even though one component of the determination is Company prioritization of "making progress on the major social issues facing the internet and [the] Company, including privacy, safety, and security." Such awards make sense only if the sole perspective of the Company is that of Company financial performance.

98. Haugen's testimony laid responsibility with Zuckerberg. One news article characterized him as the "master switch:"

> *Except, as Haugen points out, Zuckerberg's monster has a master switch. As she told Congress on Tuesday, "Mark has built an organization that is very metrics-driven. It is intended to be flat. There is no unilateral responsibility. The metrics make the decision. Unfortunately, that itself is a decision. And in the end, if he is the*

[86] https://www.washingtonpost.com/technology/2021/10/25/what-are-the-facebook-papers/

> *CEO and the chairman of Facebook, he is responsible for those decisions."*[87]

This same article specifically attributed the decision not to roll out protections to Zuckerberg:

> *The company's researchers subsequently recommended some fixes that might counteract this deleterious effect, but Zuckerberg declined to pursue some proposals out of fear that they would adversely affect user engagement. One crucial potential fix was to reduce an aspect of the new algorithm known as "downstream MSI," which promoted posts that were likely to receive likes and comments and proliferate on news feeds through reshares. Research indicated that dialing this back could hamper the spread of misinformation, and the change had already been made in Ethiopia and Myanmar, where Facebook was being blamed for inflaming ethnic violence. Zuckerberg opted not to roll out the change more broadly, however."*[88]

E. <u>The Stockholder Proposals</u>

99. As a publicly traded United States company subject to the Securities Exchange Act of 1934, Meta is required to include proposals made by stockholders in the proxy statement for its annual meeting if such proposals meet certain requirements established in Rule 14a-8. To make a proposal that would be voted on at the Company's 2022 annual meeting of stockholders (the "2022 Annual Meeting"), a stockholder had to deliver a notice to the Company by December 10, 2021 (the "Proposal Deadline").

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87 https://slate.com/technology/2021/10/facebook-scandal-zuckerberg-what-he-knew.html

88 *Id*.

100. Twelve stockholder proposals were presented at the 2022 Annual Meeting. The 2022 Proxy Statement included the Board's narrative response to each proposal and its voting recommendation. In the case of each of the twelve proposals, the Board recommended a "no" vote.

101. Companies that receive stockholder proposals have several options. They can ask the SEC to allow exclusion of the proposal by arguing that it does not meet the requirements of Rule 14a-8. They can accede to some or all of what the proposal requests to negotiate a withdrawal of the proposal. If the proposal is presented, they can recommend either a "yes" or "no" vote. One source calculated that in the 2021 proxy season, 18% of proposals were excluded in the SEC process, 29% were withdrawn by the proponent and 50% went to a vote.

102. A number of the proposals the Company received for the 2022 Annual Meeting related to the type of broad social harm discussed in the press reports detailed above. In opposing each of these proposals and specifically recommending that stockholders vote against them, the Board never accounted for nor considered the impact on the portfolios of diversified stockholders of the Company's failure to take more actions to guard against the risks raised by the press reports and the proposals. The following four proposals are among those that raised such issues (collectively the "2022 Stockholder Proposals"):

a. The external costs proposal

103. Prior to the Proposal Deadline, the Company received a stockholder proposal that specifically requested that the Company report on the external costs created by the Company's prioritization of its financial return over healthy social and environmental systems and how risks created by such prioritization would affect the Company's diversified stockholders (the "External Costs Proposal"). Specifically, the proposal stated:

> **RESOLVED,** shareholders ask that the board commission and disclose a report on (1) risks created by Company business practices that prioritize internal financial return over healthy social and environmental systems and (2) the manner in which such risks threaten the returns of its diversified shareholders who rely on a productive economy to support their investment portfolios.[89]

104. The External Costs Proposal was filed by H.E.S.T. Australia Ltd, Trustee of Health Employees Superannuation Trust Australia ("HESTA").[90] HESTA manages AUS$66 billion (about US$48 billion).

105. The Company did not negotiate a settlement with HESTA, although in the 2021 proxy season, a stockholder proponent had filed a similar proposal with YUM! Brands, another Delaware corporation, and that corporation agreed to prepare

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89 2022 Proxy Statement at 72.

90 *Id.* at 61.

and make public a report addressing the external costs of the use of antibiotics in its supply chain in exchange for the withdrawal of the proposal.

106. Instead, the Company submitted a letter to the SEC, arguing that the External Costs Proposal did not satisfy Rule 14a-8 because (1) it related to "ordinary business" and (2) it was vague and misleading.[91] On April 2, 2022, the SEC staff issued its response, stating it was "unable to concur" in either argument, so that the Company could not exclude the proposal and that, "In our view, the Proposal transcends ordinary business matters."[92]

107. The 2022 Proxy Statement included the Board's response to the External Costs Proposal and its recommendation that stockholders vote "no."[93] The response from the Board included the following statements:

- We believe that protecting our community is more important than maximizing our profits.
- We have also made significant investments in our safety and security efforts, and our actions demonstrate that we do not put profits ahead of safety on our platforms.

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[91] https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2022/shareholdermeta040222-14a8.pdf.

[92] *Id.*

[93] 2022 Proxy Statement at 73.

- We also spent approximately $5 billion on safety and security in 2021 alone.[94]

108. The Board's statement that community protection is prioritized over financial return flies in the face of multiple internal reports and employee statements cited in the press reports noted above, including testimony before Congress, to the contrary. The statement in support of the External Costs Proposal, which was reproduced in the 2022 Proxy Statement, expressly connected the press reports of social harm cited above to the need to report on external costs in order to protect stockholder interests. The absence of any acknowledgment by the Board in its response to the serious issues raised in the press shows gross negligence and a lack of good faith in the Board's decision not to prepare an external cost report and its recommendation that stockholders vote no on the External Costs Proposal.

109. Nothing in the Board's response reflects any contemplation of the trade-offs being made between Company profits and the external costs of safety lapses, or the broader impact of those trade-offs on the Company's diversified stockholders, despite the clear language in the External Cost Proposal addressed to those specific concerns.

110. The Board's response to the External Costs Proposal did not acknowledge, address, or account for the deliberate choice the Company made to

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[94] *Id.*

use an algorithm that harms public safety, rather than protecting it, or the impact those harms have on the global economy and the portfolios of its diversified stockholders.

b. The Metaverse Proposal

111. Prior to the Proposal Deadline, the Company received a stockholder proposal asking it to prepare and report on its "metaverse" project and to then submit the project to an advisory stockholder vote (the "Metaverse Proposal").[95] In particular, the report was to include a third-party assessment of:

- potential psychological and civil and human rights harms to users that may be caused by the use and abuse of the platform, [and]
- whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.[96]

112. The Metaverse Proposal was filed by Arjuna Capital, an asset manager that uses sustainable investing strategies on behalf of its clients. The Metaverse Proposal focused on the types of external costs detailed in the press reports and addressed by the External Costs Proposal but was focused on a new company strategy: Zuckerberg had said "I expect people will transition from seeing us

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95 Notice of Exempt Solicitation at 1 (Apr. 27, 2022), https://www.sec.gov/Archives/edgar/data/0001703208/000121465922005924/b427221px14a6g.htm.

96 *Id.*

primarily as a social media company to seeing us primarily as a metaverse company."[97]

113. The statement supporting the Metaverse Proposal expressly called attention to public reports of the damage being done by the Meta business model:

> A *Wall Street Journal* investigation, based on internal documents provided by a whistleblower, concluded: "Facebook...knows, in acute detail, that its platforms are riddled with flaws that cause harm, often in ways only the company fully understands." A third-party civil rights audit expressed concern about "the vexing and heartbreaking decisions Facebook has made that represent significant setbacks for civil rights."[98]

114. The statement detailed how these current concerns will only be multiplied as the metaverse technology grows:

> The same issues Facebook is reckoning with—discrimination, human and civil rights violations, incitement to violence, and privacy violations—may be heightened in the metaverse. . . .
>
> Meta is dedicating significant resources to the metaverse without fully understanding its potential risks and negative impacts. The Company employs over 10,000 people working on metaverse projects and plans to hire at least 10,000 more. It estimates spending

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97 Facebook Q2 2021 Earning Call at 4 (TRANSCRIPT) (July 28, 2021), https://s21.q4cdn.com/399680738/files/doc_financials/2021/q2/FB-Q2-2021-Earnings-Call-Transcript.pdf.

98 Notice of Exempt Solicitation at 1 (Apr. 27, 2022), https://www.sec.gov/Archives/edgar/data/0001703208/000121465922005924/b427221px14a6g.htm.

> 10 billion dollars on metaverse investments in 2021, approximately 50 percent of capital expenditures, with additional future spending.[99]

115. The Company tried to exclude the Metaverse Proposal, arguing that it only dealt with "ordinary business."[100] On April 2, 2022, the SEC staff responded that it was unable to concur with the Company's argument, and that, in the view of the staff, the Metaverse Proposal "transcends ordinary business matters."[101]

116. The Metaverse Proposal was included in the 2022 Proxy Statement, which included a Board response and a recommendation of the Board to stockholders to vote "no."[102]

117. The Board response recited a litany of areas where the Company "will work with others to anticipate and address risks" involving the metaverse.[103] It talked about researchers, experts and advocates that it was working with and about a $50 million, two-year investment, which is not clearly earmarked solely for

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99 *Id*.

100 https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2022/arjunameta040222-14a8.pdf.

101 *Id*.

102 2022 Proxy Statement at 77.

103 *Id*.

safety.[104] But again, nothing in the Board's response addresses the concerns that the Company has a history of sacrificing safety for profit, as well-reported in the press, and as specifically raised by the Metaverse Proposal.

118. The press reports had made it clear that the Company's business model sacrifices users' mental well-being and the human rights of communities around the world impacted by the Platforms in order to boost traffic, revenue, and profits. The requested third-party assessment would have given the Board better tools to determine the extent to which such sacrifices were being made and whether and how they effected the diversified portfolios of the Company's stockholders. But the Board response detailing its decision not to pursue such a report (and to advocate against stockholder support for the report) completely ignores those red flags.

119. The Board response to the Metaverse Proposal did not acknowledge, address, or account for the deliberate choice the Company made to use an algorithm that harms public safety, rather than protecting it, or the impact those harms have on the global economy and the portfolios of its diversified stockholders.

c. The Community Standards proposal

120. Prior to the Proposal Deadline, the Company received a proposal seeking a report investigating why the enforcement of the Company's "Community

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104 *Id.*

Standards" had been ineffective at controlling content on the platform that, among other things, "incites violence and/or harm to public safety or personal safety" (the "Community Standards Proposal").[105] Specifically, the Community Standards Proposal referenced continued harm from the Company's activities by citing the following examples:

- Millions of high-profile users exempted from its rules, permitting continued widespread, incitement of violence and harassment;
- Internal Company research demonstrating that Instagram is toxic for teen girls;
- Mental health crises among outsourced moderators due to viewing child pornography and animal cruelty;
- Lack of cooperation with authorities to prevent and detect child exploitation and abuse;
- Ignored employee red flags about the spread of election misinformation;
- Political advertisements containing deliberate lies and mistruths;
- Hate speech that continues to thrive;
- Anti-immigrant violence around the world.[106]

121. The proponent's statement supporting the Community Standards Proposal and included in the 2022 Proxy Statement suggested including the

[105] 2022 Proxy Statement at 74.

[106] *Id.*

following items in the report, all of which would inform Company decisions about how to weigh the impacts of the Company's failure to enforce its own standards on diversified stockholders:

- A quantitative and qualitative assessment by an external, independent panel of qualified computer scientists of the effectiveness of Meta's algorithms to locate and eliminate content that violates the Community Standards;
- An assessment of the effectiveness of Meta's staff and contractors in locating and eliminating content that violates the Community Standards;
- An examination of benefits to users and impact to revenue if the Company would voluntarily follow existing legal frameworks established for broadcast networks (e.g. laws forbidding child pornography and rules governing political ads);
- An analysis of the benefits of the Company continuing to conduct technology impact assessments focused on how Meta's platforms affect society.[107]

122. The Community Standards Proposal was submitted by As You Sow ("AYS") on behalf of an individual stockholder. AYS is a non-profit organization that has been advocating for the rights of stockholders since 1992. The Company again sought relief at the SEC but did not even attempt to argue that the Community Standards Proposal addressed ordinary business. Instead, Meta relied on a different objection—that the proposal repeated proposals received in prior years.

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[107] *Id.*

Specifically, the Company asserted that "the Proposal deals with substantially the same subject matter as prior proposals that have been included in the Company's proxy materials and voted on more than three times within the preceding five calendar years."[108]

123. The Company's request to the SEC staff included the following chart to demonstrate the similarity of the previous proposals:[109]

		Proposal	2021 Proposal	2019 Proposal	2018 Proposal
Subject Matter	**Allegedly harmful content on the Company's platform and its negative impact**	"incitement of violence and harrassment"; "Political advertisements containing deliberate lies and mistruths"; "Hate speech that continues to thrive"	"incited genocide"; "political advertisements that contain deliberate lies and disinformation"; "Hate speech linked to anti- immigrant violence"	"propagating hate speech"; "abuse and misinformation campaigns continue, implicating issues such as democracy, human rights, and freedom of expression"	"dissemination of violence through Facebook Live, broadcasting dozens of murders, suicides, and beatings"; "misuse of its platform to spread lies, propaganda, and hate"
	The Company's efforts to monitor and control the content	"creation of the "Transparency Center" that displays qualitative and quantitative reports on the elimination of posts that violate the 25	"Facebook successfully altered algorithms and took other actions to de-prioritize extremist postings and to instead emphasize	"Facebook's recent efforts to increase disclosures and enhance internal compliance and enforcement strategies"	"Facebook worked to block such targeted advertising"; "agree to address vulnerabilities that can be exploited for election interference and to

108 https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2022/asyousowmeta033122-14a8.pdf.

109 *Id.*

		"Community Standards"	mainstream news content"		make political ads more transparent"
	The effectiveness of those efforts	"the enforcement of "Community Standards" as described in the "Transparency Center" has proven ineffective"	"Management and the board have failed to take effective action to stem these abuses"	"concern over the Company's inadequate approach to governing content appearing on its platforms"; "Shareholders are concerned Facebook's approach to content governance has proven ad hoc, ineffectual, and poses continued risk"	"disclosures have been inadequate"; "Content policies appear reactive, not proactive"
	Types of additional reporting each of the proposals seeks	"analysis of the benefits of the Company continuing to conduct technology impact assessments focused on how Meta's platforms affect society"; "examination of benefits to users and impact to revenue"	"characterize and quantify the benefits or harms of such enhanced actions on…revenue and earnings"	"extent to which they address human rights abuses and threats to democracy and freedom of expression and the reputational, regulatory, and financial risks posed by content governance controversies"	"reviewing the efficacy of its enforcement of its terms of service related to content policies and assessing the risks posed by content management controversies (including election interference, fake news, hate speech, sexual harassment, and violence) to the company's finances, operations and reputation"

124. While the SEC staff rejected the request to exclude the Community Standards Proposal, the first three rows of the Company-submitted chart amply demonstrate that public knowledge of the economic threats posed by the Company's activities long before the press articles that appeared in the Fall of 2021.

125. The Community Standards Proposal appeared in the 2022 Proxy Statement, which included a Board response and a recommendation to vote “no” on the proposal.[110]

126. The Board’s response completely failed to address any consideration of the trade-offs between Company profit and broad economic welfare, or the impact that trade-off might have on diversified stockholders of Meta, despite the fact that the requested report could have provided significant assistance in assessing those trade-offs. Indeed, the Board response reads as if no such trade-offs exist, despite the ample evidence from the press reports and Ms. Haugen’s Congressional testimony. In deciding not to pursue the Community Standards Proposal, and to recommend that the stockholders reject the proposal, the Board did not account for this critical aspect of financial concern to the Company’s noncontrolling stockholders, despite multiple warnings of its importance.

127. The Board response to the Community Standards Proposal did not acknowledge, address, or account for the deliberate choice the Company made to use a business model that harms public safety, rather than protecting it, or the impact those harms have on the global economy and the portfolios of its diversified stockholders.

[110] 2022 Proxy Statement at 75.

F. The Human Rights Proposal

128. Prior to the Proposal Deadline, the Company received a proposal seeking a third-party human rights assessment (the "Human Rights Proposal").[111] The Human Rights Proposal sought an assessment that would address the human rights impacts of the Company's practices:

> **RESOLVED:** Shareholders direct the board of directors of Meta Platforms, Inc. (formerly known as Facebook, Inc) to publish an independent third-party Human Rights Impact Assessment (HRIA), examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations . . . .[112]

129. The proponent's statement supporting the Human Rights Proposal linked the Company's revenue model, its algorithms, and the risk to investors of adverse human rights impacts, all of which were made salient in the press reports and Ms. Haugen's testimony:

> Facebook's business model relies on a single source of revenue – advertising. Targeted advertising, given concerns around the fairness, accountability, and transparency of the underlying algorithmic system, has been heavily scrutinized for its adverse

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111 Notice of Exempt Solicitation at 1 (Apr. 13, 2022), https://www.sec.gov/Archives/edgar/data/1326801/000121465922005187/o413223px14a6g.htm.

112 *Id.*

impacts on human rights, and is targeted for significant regulation. This is a material risk to investors.[113]

130. The Company sought to exclude the Human Rights Proposal from the 2022 Proxy Statement, arguing to the SEC that it constituted ordinary business and that it dealt with substantially the same subject matter as at least two other proposals submitted to the Company in the previous five years.[114] The Company's petition to the SEC included the following chart, claiming to show that stockholders had raised similar concerns about the Company's human rights violations over the prior two years:[115]

Proposal	**2020 Proposal**	**2019 Proposal**
RESOLVED: Shareholders direct the board of directors of Meta Platforms, Inc. (formerly known as Facebook, Inc) to publish an independent third-party Human Rights Impact Assessment (HRIA), examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations. This HRIA should be conducted at reasonable cost; omit proprietary and confidential information, as well as information relevant to litigation or enforcement actions; and be published on the company's website by June 1, 2023.	RESOLVED: Shareholders urge the Board of Directors to oversee management's preparation of a report on Board-level oversight of civil and human rights risks. In doing so, Facebook might consider reporting on board level expertise in civil and human rights; board level responsibilities for advising on and managing civil and human rights risk; board level expertise pertinent to oversight regarding civil and human rights issues impacting Facebook's community of global users; and the presence of board level infrastructure ensuring ongoing consultation with leading civil and human rights experts.	RESOLVED , The Company publish a report (at reasonable cost, omitting proprietary or legally privileged information) evaluating its strategies and policies on content governance, including the extent to which they address human rights abuses and threats to democracy and freedom of expression, and the reputational, regulatory, and financial risks posed by content governance controversies.

113 *Id.*

114 https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2022/mercymeta033022-14a8.pdf.

115 *Id.*

		Proposal	2020 Proposal	2019 Proposal
Subject Matter	**Focus on the Company's Platform**	"Targeted advertising given concerns around the fairness, accountability, and transparency of the underlying algorithmic system, has been heavily scrutinized for its adverse impacts on human rights."	"While Facebook recently took steps to limit discriminatory targeting in advertising, concerns have been raised that the algorithm used to determine how ads are delivered to users is itself discriminatory...... "	"Facebook's content governance challenges are complex...... "
	Focus on the Company's Business Model	"Facebook's business model relies almost entirely on ads, with 98% of Facebook's global revenue in 2020 generated from advertising."	"Accordingly to Investopedia, almost all of Facebook's revenue comes from advertising. . . ."	"News of Cambridge Analytica's misappropriate of millions of Facebook users' data preceded a decline in Facebook's stock market capitalization of over 100 billion dollars in March 2017. Another 100-billion plus decline in market value—a record-setting drop—came in July after Facebook's quarterly earnings report reflected increasing costs and decreasing revenue growth."
	Impact to "Human Rights"	"Shareholders direct the board of directors . . . to publish an independent third-party Human Rights Impact Assessment examining the actual and potential human rights impacts of Facebook's targeted advertising policies and practices throughout its business operations."	"Shareholders urge the Board of Directors to oversee management's preparation of a report on Board-level oversight of civil and human rights risks."	"The Company publish a report . . . evaluating its strategies and policies on content governance, including the extent to which they address human rights abuses ..... "
	Alleged human rights abuses as a result of the Company's platform	"exacerbating systemic discrimination and other human rights abuses"	". . . excluded people from seeing housing, employment and credit ads based on age, gender, race . . ."	"propagating hate speech"; "abuse and misinformation campaigns continue, implicating issues such as democracy, human rights, and freedom of expression"

	Concerns regarding the effectiveness of the Company's mitigation efforts	"However, it was discovered that, outside of stated parameters, Facebook is still using the vast amount of data it collects about young people to determine which children are most likely to be vulnerable to a given ad, opening them to allegations of human rights violations. . . • Additionally, Facebook does not publish data on alleged violations of the policies they do have, making it impossible to know if they are effective"	"Although Facebook has taken steps to limit its civil and human rights risk exposure . . . [w]e are concerned that these efforts have not received adequate attention from leadership."	"Despite Facebook's recent efforts to increase disclosures and enhance internal compliance and enforcement strategies, abuse and misinformation campaigns continue, implicating issues such as democracy, human rights, and freedom of expression."
	Focus on potential financial and legal implications	"Facebook was fined $5 billion for such privacy violations by the U.S. Federal Trade Commission in 2019."	"In 2019, Facebook paid $5 million to settle civil rights lawsuits claiming Facebook's advertising systems excluded people from seeing housing, employment and credit ads based on age, gender and race . . ."	"News of Cambridge Analytica's misappropriation of millions of Facebook users' data preceded a decline in Facebook's stock market capitalization of over 100 billion dollars in March 2018. Another 100-billion plus decline in market value—a record-setting drop—came in July after Facebook's quarterly earnings report reflected increasing costs and decreasing revenue growth."
	Types of additional reporting each of the proposals want	"examining the actual and potential human rights impacts" and "information relevant to litigation or enforcement actions. . ."	"reporting on . . . board level responsibilities for advising on and managing civil and human rights risks"	"evaluating [the Company's] strategies and policies on continent governance, including the extent to which they address human rights abuses. . . "

131. The SEC staff did not concur with the Company's attempt to exclude the Human Rights Proposal.[116] It was included in the 2022 Proxy Statement, which also included the Board response and its recommendation that the stockholders vote

116 *Id.*

against the proposal.[117] As was the case with each of the other 2022 Stockholder Proposals, the Board's description of its decision to recommend against the Proposal to obtain a third-party assessment starkly ignored all of the information about human rights concerns reflected in the press reports from the Fall of 2021, and the impact of human rights violations on the portfolios of the Company's diversified stockholder base.

132. The Board response to the Human Rights Proposal did not acknowledge, address, or account for the deliberate choice the Company made to use a business model that harms public safety, rather than protecting it, or the impact those harms have on the global economy and the portfolios of its diversified stockholders.

G. <u>The Future</u>

133. In October 2021, the Company rebranded as Meta, adopted the term "metaverse" as its overarching theme, and assigned itself a mission of providing people with "useful and engaging products that enable people to connect and share with friends and family through mobile devices, personal computers, virtual reality headsets, and in-home devices," seeking to "help people discover and learn about what is going on in the world around them, [and] enable people to share their opinions, ideas, photos, videos, and other activities with audiences" using Meta

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[117] 2022 Proxy Statement at 79.

products including Facebook, Instagram, Messenger, WhatsApp and Facebook Reality Labs.[118] Reality Labs is the Meta group that provides augmented and virtual reality products to "help people feel connected, anytime, anywhere."[119] Combining these products with the Platforms will create the Metaverse.

134. On the Company's earnings call for the second quarter of 2022, held on July 27, 2022, Zuckerberg indicated that the Company's strategy of more engagement for more revenue would be further advanced through the use of artificial intelligence:

> Right now, about 15% of content in a person's Facebook feed and a little more than that of their Instagram feed is recommended by our AI from people, groups, or accounts that you don't follow. We expect these numbers to more than double by the end of next year. As our AI finds additional content that people find interesting, that increases engagement and the quality of our feeds. Since we're already efficient at monetizing most of these formats, this should increase our business opportunity over that period as well.[120]

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[118] Facebook, Inc. Form 10-K at 7 (Jan. 28, 2021), https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680121000014/fb-20201231.htm.

[119] *Id.*

[120] Meta Platforms, Inc. Q2 2022 Earning Call at 2 (TRANSCRIPT) (July 27, 2022), https://s21.q4cdn.com/399680738/files/doc_financials/2022/q2/Meta-Q2-2022-Earnings-Call-Transcript.pdf.

135. Based on the Corporate Governance Guidelines, the Company's risk management structure, and the Board's refusal to engage on the question of the massive harms reportedly caused by the Company's pursuit of traffic and revenue, even when confronted with high profile press reports and pointed 2022 Stockholder Proposals, it is reasonable to infer that the Board is shirking its duties of care and loyalty with respect to the adoption of these new technologies, and has not given any consideration to whether they are designed to address the interests of the Company's diversified stockholders.

H. Meta's Stock Repurchase Program

136. In 2017, the Company commenced its share repurchase program, which provides financial return to investors solely in their capacity as Company residual equity holders. Some portion of these funds could be used to address the social and economic externalities that stockholders have been calling attention to in recent years, including through the 2022 Stockholder Proposals, potentially limiting the risks and costs that Meta poses to capital market returns to the Company's diversified stockholders.

137. "In November 2016, our board of directors authorized a share repurchase program that commenced in January 2017 and does not have an expiration date. We completed repurchases under the original authorization to purchase up to $6.0 billion of our Class A common stock during the second quarter

of 2018. In April 2018, the authorization for the repurchase of our Class A common stock was increased by an additional $9.0 billion, and we completed repurchases under this authorization during the fourth quarter of 2018. In December 2018, our board of directors authorized an additional $9.0 billion of repurchases under this program, all of which remained available for future repurchases as of December 31, 2018."[121]

138. At the end of 2018, the Board had authorized $24 billion of share repurchases. Each year, the Board authorizes more share repurchases.

139. "As of December 31, 2019, $4.90 billion remained available and authorized for repurchases. In January 2020, an additional $10.0 billion of repurchases was authorized under this program."[122] As of 2020, the Board had authorized $34 billion in share repurchases.

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[121] Facebook, Inc. Form 10-K at 31 (Jan. 31, 2019), https://www.sec.gov/Archives/edgar/data/0001326801/000132680119000009/fb-12312018x10k.htm#s679A0518EA9453288D11BEF4861F1DA0.

[122] Facebook, Inc. Form 10-K at 40 (Jan. 30, 2020), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001326801/000132680120000013/fb-12312019x10k.htm#s3A86A459AFFE5228BABF7CE2F79E0540.

140. "In January 2021, an additional $25 billion of repurchases was authorized under this program."[123] As of 2021, the Board had authorized a total of $59 billion be earmarked for share repurchases.

141. For the first time since the share repurchase program was instituted, the Board did not authorize additional funds for share repurchase in 2022. Nevertheless, the fact that the Board has authorized an astounding $59 billion for share repurchases indicates their blinkered focus on the Company's bottom line and share price maximization.

142. For example, in 2021, while the Board highlighted the expenditure of $5 billion on safety in its response to the External Costs Proposal, it did not acknowledge the decision to spend $44.1 billion on share buybacks during the same year, rather than further increasing safety: the Company could have doubled its spending on safety by reducing its spending on buybacks by a mere 11%. The Board has made affirmative decisions through its share repurchase authorizations and rejection of the 2022 Stockholder Proposals that emphasize Meta's laser focus on the Company's profitability, cost savings, and Meta's own cash flows.

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[123] Facebook, Inc. Form 10-K at 48 (Jan. 28, 2021), https://www.sec.gov/ix?doc=/Archives/edgar/data/0001326801/000132680121000014/fb-20201231.htm#i5d2898d61ccf450cbccb20a5c73005f3_40.

143. When analyzed under a lens that accounts for the Stock Ownership Guidelines, the share repurchase program, and the diversified nature of Meta's minority-voting, non-insider stockholders, it is apparent that the Board is laboring under inherent conflicts that only serve to further Meta's blinkered approach to maximizing its bottom line.

CLASS ACTION ALLEGATIONS

144. Plaintiff brings this action pursuant to Rule 23. Individually and on behalf of the diversified stockholders of Meta, defined as stockholders that have invested a sufficient portion of their portfolios in additional equity securities to ensure that they receive the higher market returns that accompany the risks of residual equity securities without incurring the idiosyncratic risk associated with concentrated investments in such securities, and that have held Meta stock as of October 2019 (the "Class"). The Class specifically excludes Defendants herein, any person, firm, trust, corporation, or other entity related to, or affiliated with, any of Defendants.

145. This action is properly maintained as a direct class action because the interested, blinkered decisions Defendants have made about Meta's business ignore negative and material impacts on the common interests of Meta's diversified stockholders. Diversified stockholders bear the cost of Defendants' decisions not to

address the negative externalities the Company's business practices have on the overall economy and human community.

146. The Class has been and continues to be deprived of their rights as stockholders of Meta to have their interests accounted for, as evidenced by the Board's continued rejection of 2022 Stockholder Proposals, which highlight those negative externalities and could prepare Meta to use less harmful and more beneficial means to manage a profitable Company while also preserving and protecting the portfolios of its diversified stockholders.

147. Instead, the conflicted Defendants elect to continually use the Company's share repurchase program to prioritize cash flows to its stockholders, without regard for the continuing harms their business practices visit on the Company's own diversified stockholder base.

148. Defendants' disregard for the negative externalities of its business has resulted in harm to all of Meta's diversified stockholders whose investments are materially and adversely affected by the Company's failure to take steps to ameliorate those negative externalities.

149. The Class is so numerous that joinder of all members is impracticable. For the quarter ending June 30, 2022, Meta had 2.826 billion shares of stock issued. The Class is immensely numerous.

150. Plaintiff is an adequate representative of the Class, has retained competent counsel experienced in litigation of this nature, and will fairly and adequately protect the interests of the Class.

151. Plaintiff's claims are typical of the claims of the other Class members, and Plaintiff does not have any interests adverse to the Class.

152. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent and varying adjudications without respect to individual members of the Class that would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class that would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

153. Defendants have acted on grounds generally applicable to the Class with respect to the wrongdoing complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

CLAIM FOR RELIEF

COUNT I
BREACH OF FIDUCIARY DUTY
(Directly Against all Defendants as Directors)

154. Plaintiff realleges each allegation pleaded above.

155. By virtue of their conduct and decisions as members of the Board, Defendants have impinged upon the rights of Meta's diversified stockholders to have their interests considered in connection with the Board's business decisions.

156. The deprivation of this right of Meta's diversified stockholders directly damages Plaintiff and similarly situated stockholders.

157. Defendants, as conflicted concentrated stockholders of the Company, have administered Meta in a manner that ignores the interests of the Class of minority diversified stockholders, and make decisions which continue to cause harm to the Company's diversified stockholders while increasing Meta's share price and bottom line.

158. Each member of the Board acted with gross negligence and consciously disregarded the threat posed to the interests of the Company's diversified stockholders as investors created when Company decisions taken to maximize Company returns failed to account for Meta's outsized impact on the global economy. The press reports highlighted many of these risks. In many cases, the 2022 Stockholder Proposals asked for specific action on these risks, reiterating the press reports themselves. In addition, with respect to the Human Rights Proposal and the Community Standards Proposal, the Company itself asserted to the SEC that the proposals were duplicative of proposals received in prior years. Thus, even the Board acknowledges the history of red flags.

159. The factors raised in the press reports and the 2022 Stockholder Proposals that harmed the Class includes:

- Rules meant to limit social risk are waived for high-profile users to drive traffic, revenue and profits;
- The Company promotes products that drive significant mental health issues, including depression, anxiety, eating disorders and suicidal thoughts;
- Changes to the algorithm that drives the central News Feed feature of Facebook drive harsh political discourse around the world,
- Zuckerberg rejected expansive use of an employee recommended "tweak" to the algorithm to address negative impact, because it might have reduced user engagement;
- Company platforms are used to lure women into abusive situations including sex work and modern slavery; while the Company addresses reported issues by removing offending posts, it does not address the systemic issue; it instead gives priority to retaining users, helping business partners and placating authoritarian governments;
- The Company treats harm in developing countries as a cost of doing business;

- Despite warnings, the Company allows drug cartels to use its Platform to recruit teenagers to attend "hit-man training camps." Despite having been alerted to such activity, the Company allowed a video of a man being shot in the head, along with a photo of severed hands;
- The Company does not have enough translators to monitor incitement to ethnic violence, leading an internal team to conclude the Company was "blind" to these problems;
- Posts on Company platforms referred to the Tigrayan minority in Ethiopia as "hyenas" and "a cancer," while the United States Secretary of State described the situation as "ethnic cleansing;"
- The Company's own personnel recognize that vaccine hesitancy is "rampant" on Company Platforms and that it has the "potential to cause severe societal harm," and much of the problem comes from the failure to have adequate translation resources;
- Journalists who have reviewed internal documentation conclude that the Company "is acutely aware that the products and systems central to its business success routinely fail and cause harm;"
- Ms. Haugen stated that "Facebook has realized that if they change the algorithm to be safer, people will spend less time on the site, they'll click less ads, they'll make less money;"

- The Company specifically shut down the Civic Engagement Team, which did prioritize "societal good over Facebook good;" and
- Ms. Haugen told Congress the Company "won't make the necessary changes because they put their immense profits before people" and "Facebook became a $1 trillion company by paying for its profits with our safety, including the safety of our children."

160. Threats of the type detailed in the press reports bear a clear relation to overall economic health and thus diversified portfolio returns, as detailed in the External Costs Proposal, which was rejected by a vote of the Board.

161. The egregious nature of these facts, standing alone, is enough to demonstrate an utter failure by the Board to exercise its duties of care and loyalty. But not only did the Board allow this situation to develop, it also refused, in violation of its duties of care and loyalty, to consider the harm its policies were causing to diversified stockholders when the 2022 Stockholder Proposals requested specific action in response to the harms identified. Indeed, the remedies sought were relatively mild— reports that would have allowed stockholders and the Company itself to better understand these costs. But the Board refused to pursue such reports and recommended against stockholder votes in favor. And each response to the 2022 Stockholder Proposals made it clear that, despite the press reports, and despite the supporting statements, the Board utterly refused to consider the impact on diversified

stockholders of the trade-offs the Company was making, as it pursued more user engagement with business practices that threatened the economy.

162. The Board chose not to obtain a report, as requested by the External Cost Proposal, that would specifically analyze how the many externalities detailed in the press reports will harm the economy and diversified stockholders, even though Yum!, having received a similar proposal, did obtain such a report. The Board's response to that Proposal completely lacks any analysis of the impact the Company's behaviors had on diversified stockholders.

163. The Metaverse Proposal provided an opportunity to obtain a third-party assessment of the types of human rights harms—including ethnic cleansing—detailed in the press reports. Despite the impact such threats to the rule of law likely have on diversified stockholders, the Board response did not evaluate or even acknowledge such impacts.

164. The Community Standards Proposal sought an investigation of why Company policies aimed at promoting safety were failing, citing many of the harms detailed in the press reports. Even though the Company unsuccessfully argued that it should be able to exclude the proposal because it was similar to proposals received in 2018, 2019 and 2021, meaning that the Board (which must recommend for or against proposals) has known of these issues for at least four years, the Board response simply ignores the critical conflict between profits that benefit inside,

concentrated stockholders uniquely and the threats that the Board is permitting to be visited on its diversified stockholders.

165. The Board has also elected to leave an astounding $38.79 billion available for the Company's share repurchase program rather than putting more money towards addressing the types of issues raised by the 2022 Stockholder Proposals, which further indicates the Board's blinkered focus on share price maximization that also inherently increases the value of Defendants' stock options that make up a large portion of their compensation.

166. In reacting to the 2022 Stockholder Proposals and authorizing share repurchases, the Board has continually refused to take up the important consideration of how Meta's activities and policies effect society and the economy at large and thus the portfolios of its diversified stockholders, despite the evidence of the prioritization of profit over important social and economic interests. This is consistent with its Corporate Governance Guidelines and the design of the Company's risk management system, each of which were adopted by the Board and are subject to Board amendment at any time, and which are designed to focus only on enterprise value, even if doing so is harmful to most of the Company's stockholders.

167. On information and belief, the Board has continued to ignore these risks as the Company increases its use of immersive technologies and artificial

intelligence to increase user engagement and drive advertising revenue. These new technologies will exacerbate the risks described in the press reports by deepening users' psychological ties to the Platforms and by further eliminating human contribution to the traffic-driving algorithms. In light of the huge social costs already identified in the press reports, and the threats those costs pose to the vast base of diversified stockholders as demonstrated in the 2022 Stockholder Proposals, the Board's failure to force management to consider such costs as it embarks on the Metaverse journey is grossly negligent and a clear violation of its obligation to act in good faith.

168. Defendants suffer from inherent conflicts of interest as concentrated stockholders of Company stock as compared to the majority of non-insider, diversified stockholders, and due to their domination and control by the Company's controlling stockholder, Zuckerberg, who eliminated all potential voices of dissent in a purge over the past few years and replaced such voices with personal friends and directors less likely to challenge him. Those conflicts infect Defendants' recent decisions to ignore the media reports about the negative externalities of Meta's operations, to reject the 2022 Stockholder Proposals, to extend a governance structure focused solely on enterprise value, and to continually authorize more and more of the Company's funds to repurchase its own shares such that Defendants face a substantial likelihood of liability for those acts and omissions.

169. Plaintiff has been damaged by Defendants' conduct and will continue to be damaged thereby in an amount to be determined at trial.

170. Plaintiff has no adequate remedy at law.

COUNT II
BREACH OF FIDUCIARY DUTY
(Directly Against Zuckerberg and Sandberg as Officers)

171. Plaintiff realleges each allegation pleaded above.

172. By virtue of their positions as officers of the Company, Zuckerberg and Sandberg owe its stockholders fiduciary duties of care and loyalty.

173. Examples of their breach of such duties include:

- Zuckerberg and Sandberg permitting, in their capacity as officers, white-listed accounts of high-profile users to ignore platform rules, leading to that harms could reverberate throughout the economy and in the diversified portfolios of Company stockholders, including in the case of accounts where enforcing the rules required the consent of either Zuckerberg or Sandberg.

- Decisions weakening company civil rights policies impacting calls for violence by state actors, which work was "sponsored" by Sandberg and "revisited" by Zuckerberg in their capacities as officers, leading to ethnic violence that creates economic disruption that threatens the portfolios of the Company's diversified stockholders.

- Zuckerberg, in his capacity an officer, vetoing any “tradeoff” by the Company of traffic in order to improve the platform’s social and economic impact, even if doing so would have benefitted its diversified stockholders.
- Zuckerberg, in his capacity as an officer, imposing a new metric for success, MSI, that prioritized the Company’s financial returns over safety, regardless of the risks that Company practice posed to stable societies around the globe, or the impact such risks might have on the diversified portfolios of Meta’s stockholders.
- Zuckerberg’s decision as an officer not to suppress vaccine disinformation, which created significant risk to the economy, putting the Company’s diversified shareholders at risk for financial losses.
- Zuckerberg deciding, in his capacity as an officer, that the Company would comply with the demands of the authoritarian rulers in Vietnam, without consideration of the impact that assisting in government - sponsored suppression of free speech would have on the global economy and diversified shareholders.
- Zuckerberg and Sandberg failing to oversee, in their capacity as officers, Company activity that threatened the value of the diversified portfolios of the Company’s stockholders.

174. Zuckerberg has violated his duties of care and loyalty to the Company's diversified stockholders as an officer through his responsibility for each of the harms to diversified stockholders described in this Complaint, in light of his insistence that engagement and traffic metrics guide all decisions. As Haugen stated, "The metrics make the decision. Unfortunately, that itself is a decision. And in the end, if he is the CEO and the chairman of Facebook, he is responsible for those decisions."

175. Plaintiff has no adequate remedy at law.

COUNT III
BREACH OF FIDUCIARY DUTY
(Directly Against all Zuckerberg as Controlling Stockholder)

176. Plaintiff realleges each allegation pleaded above.

177. By virtue of his positions as controlling stockholder of the Company, Zuckerberg owes its stockholders fiduciary duties of care and loyalty.

178. Zuckerberg has violated his duties of care and loyalty to the Company's diversified stockholders as a controlling stockholder through his responsibility for each of the harms to diversified stockholders described in this Complaint, in light of his "unique degree of control over Facebook [,which] forces him to bear ultimate responsibility for a litany of societal harms caused by the company's relentless pursuit of growth" And the fact that the Company "is entirely driven by him."

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment in his favor and prays for relief as follows:

A. Certifying this case as a class action, certifying Plaintiff as an adequate Class representative and his counsel as Class counsel;

B. Declaring that the directors and officers named as Defendants herein have breached their fiduciary duties as alleged herein;

C. Enjoining Defendants from continuing to disregard the interests of Meta's diversified stockholders in connection with the Board's business decisions;

D. Requiring Defendants to pay to Plaintiff the amounts by which he has been damaged or will be damaged by reason of the conduct complained of herein;

E. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys', accountants', and experts' fees, costs, and expenses; and

F. Granting such other and further relief as the Court deems just and proper.

HEYMAN ENERIO
GATTUSO & HIRZEL LLP

/s/ Kurt M. Heyman

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Dated: February 7, 2023

CERTIFICATE OF SERVICE

Kurt M. Heyman, Esquire, hereby certifies that on February 7, 2023, a copy of the foregoing Verified Amended Complaint was served electronically upon the following:

David E. Ross, Esquire
R. Garrett Rice, Esquire
Holly E. Newell, Esquire
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1313 North Market Street, Suite 1001
Wilmington, DE 19801

/s/ Kurt M. Heyman
Kurt M. Heyman (# 3054)