OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

April 18, 2017

Ms. Susan Desmond-Hellmann
Lead Director
Facebook, Inc.
1601 Willow Road
Menlo Park, CA 94025

RE: Fake News

Dear Ms. Desmond-Hellman,

I write you as an elected representative and steward of public resources. As an institutional investor, I am concerned that Facebook, Inc.'s ("Company") role in the distribution of so-called "fake news" could hurt shareholder value. As a public official, I am concerned that the Company's role in the distribution of fake news may have detrimental impacts on our democracy.

With a daily active user base of 1.23 billion per the Company's most recent Form 10-K report, whether by intention or default, Facebook's platform puts it in the position of an arbiter of information.

According to a Pew research study , 64% of U.S. adults say fabricated news stories cause a great deal of confusion about the basic facts of current issues and events. The confusion cuts across political lines: 57% of Republicans and 64% of Democrats say completely made-up news causes a great deal of confusion.[1]

Even digital-savvy students display "a dismaying inability to reason about information they see on the Internet" and have "a hard time distinguishing advertisements from news articles or identifying where information came from," according to a study by the Stanford Graduate School of Education.[2]

In addition to fake news, Facebook faces a closely-related challenge in dealing with hate speech on its content platform. And I solely represent the people in the great state of Illinois, fake news and Facebook's role as distributor is a global concern.

For example, Heiko Maas, Germany's minister of justice and consumer protection, said in March 2017 that he would propose a law to impose stiff fines of up to 50 million euros on companies whose social media platforms did not respond swiftly to complaints about illegal content.

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According to *The New York Times*, the announcement followed publication of a study which showed that Facebook failed to meet the German target of removing 70% of hate speech within 24 hours of being alerted to its presence, managing to delete only 39% in the timeframe sought by authorities.

Sir Martin Sorrell, chief executive of the world's largest marketing services group, WPP, said:

> "Google, Facebook and others are media companies and have the same responsibilities as any other media company. They cannot masquerade as technology companies, particularly when they place advertisements." [3]

The Wall Street Journal concurred:

> "Google and Facebook Inc. have been reluctant policemen of the internet, preferring to portray themselves as neutral platforms for connecting users and advertisers to content created by others. But as users spend more time and advertisers spend more money on their platforms, pressure is mounting on the tech giants to confront their gatekeeping role and decide what kind of content is permissible." [4]

As an institutional investor, I believe the Company plays a critical role in identifying and curbing fake news. I commend the Company for recent steps to address the issue, specifically the development of an alert function that allows users to dispute a news story and forewarns them that independent fact checkers have disputed the veracity of the report. However, Facebook's accountability for the spread of fake news cannot be outsourced to the discretion of its consumers.

The Company's response to this complex problem will be strengthened by a transparent and inclusive discussion with its stakeholders about solutions. One step in the right direction would be adoption of a recent shareholder proposal on this issue. I am in receipt of a shareholder proposal filed by Arjuna Capital, in partnership with Baldwin Brothers, that asks the Company to issue a report reviewing "the impact of current fake news flows and management systems on the democratic process, free speech, and a cohesive society, as well as reputational and operational risks from potential public policy developments."

I urge the Company to consider issuing such a report, and I look forward to your response and welcome the opportunity to discuss this issue further.

Sincerely,



Michael Frerichs

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[1] http://www.journalism.org/2016/12/15/many-americans-believe-fake-news-is-sowing-confusion/

[2] https://ed.stanford.edu/news/stanford-researchers-find-students-have-trouble-judging-credibility-information-online

[3] https://www.theguardian.com/technology/2017/mar/17/google-is-profiting-from-hatred-say-mps-in-row-over-adverts

[4] https://www.wsj.com/articles/google-faces-tall-order-policing-content-1490283318