OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

April 18, 2017

Mr. John Hennessy
Lead Director
Alphabet Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043

RE: Fake News

Dear Mr. Hennessy,

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

With more than one billion monthly active users in Google Search per the Company's most recent Form 10-K report, whether by intention or default, the Company is the position of an arbiter of information. In addition, Google's AdSense network provides revenue and traffic to purveyors of fake news.

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, Google advertisers are also growing increasingly concerned about the placement of their ads next to offensive material, including hate speech. In March 2017, major U.S. online advertisers AT&T, Verizon, Johnson & Johnson and GlaxoSmithKline were among a number of companies that suspended advertising on the AdSense network and YouTube as a result of these concerns. The U.S. controversy followed announced boycotts of Google advertising services in Europe, where Havas Group, a major advertising agency, halted all advertising placements for 240

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clients after campaigns appeared next to "questionable or unsafe content" online.[3]

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."[4]

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."[5]

As an institutional investor, I believe the Company has a role in identifying and curbing fake news. I commend Google for taking initial steps to address the problem; in 2016 nearly 200 publishers were kicked out of the Ad Sense network for violating Google policies. However, the evidence suggests that fake news and related content issues represent a systemic challenge, which demands attention from the highest levels of management and the board of directors.

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] http://www.theaustralian.com.au/business/media/news-corps-thomson-advertising-fraud-threat-to-industry/news-story/f4355b9318d1b9d924c79a3e94c0ff99
[4] https://www.theguardian.com/technology/2017/mar/17/google-is-profiting-from-hatred-say-mps-in-row-over-adverts
[5] https://www.wsj.com/articles/google-faces-tall-order-policing-content-1490283318