



# OFFICE OF ILLINOIS STATE TREASURER

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## Top Proxy Advisory Firms Support Frerichs, Other Investors' Proposal to Make Changes at Facebook, Protect Shareholder Value

**SPRINGFIELD** – Illinois State Treasurer Michael Frerichs today lauded top proxy advisors, Institutional Shareholder Services (ISS) and Glass Lewis, for supporting a [shareholder proposal](#) co-filed by Frerichs asking Facebook to review its content policies to mitigate material risks and protect shareholder value.

Frerichs has also continuously called for corporations, including Facebook, to amend their corporate bylaws to require the Board Chair be independent from the CEO to improve oversight and risk management.

**“Facebook continues to put its investors at risk,” said Frerichs. “Now is the time for change. We need to see more transparent reporting on recent controversies and corrective strategies from Facebook to restore investor confidence and protect shareholder value.”**

The shareholder proposal, lead-filed by investor Arjuna Capital and co-filed by Frerichs and New York State Comptroller Thomas DiNapoli, asks Facebook to report to shareholders “on the major global content management controversies... reviewing governance oversight and policies to assess the ethical, legal, and reputational risks of content disseminated on its platform.”

**“Facebook faces an existential threat if it can’t provide an authentic and safe user experience - users will simply leave,” Arjuna Capital Managing Partner Natasha Lamb said. “It’s high time investors have a transparent view into the scale of abuses on the platform and how the company is managing them over time. Otherwise we are gambling investor value on apologies and promises to do better.”**

**“We need to know what Facebook is doing to ensure its users are protected from sexual harassment, fake news and other violations of its terms of service. If Facebook cannot convincingly demonstrate that it is able to uphold the standards that it sets for the use of its platform, then the company and its investors are put at risk.”**

The supporting statement from ISS concludes, “Shareholders would benefit from additional disclosure reviewing the efficacy of its enforcement of its terms of service related to content policies, and assessing the risks posed by content management controversies, with statistics on the percentage of content that is flagged as offensive and how that may change over time, how quickly content is removed if it is offensive, or other appropriate quantitative metrics.”

The supporting statement from Glass, Lewis & Co., LLC concludes, “We believe that support for this resolution would provide disclosure of an important area that we do not believe is being satisfactorily addressed by the Company, namely, the Company's assessments of its financial and reputational risks on account of recent content management controversies. Moreover, given recent warnings from regulators and the legislative attempts at exposing internet platforms to more liability on account of the content on their websites, we believe that shareholders would be served by additional disclosure of how the Company is managing these issues. As such, we recommend that shareholders support this resolution.”

Frerichs has sent [three letters](#) to Facebook outlining his concerns as an institutional investor. Frerichs asked the company to openly report on the problem and its current response efforts in order to restore confidence among investors and address long-term risks to shareholder value.

Despite calls from other investors, government officials, and industry experts for greater transparency, Facebook has been reluctant to disclose detailed information or participate in open dialogue with investors.

The proposal is up for a vote at the company’s annual shareholder meeting set for May 31, 2018, in Menlo Park, CA.

#### **About the Illinois Treasurer**

The Illinois Treasurer is the state’s chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. As the state’s Chief Investment Officer, he actively manages approximately \$28 billion. The portfolio includes \$12 billion in state funds, \$10 billion in college savings plans and \$5.5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer’s Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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