



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

April 2, 2022

Michael Kaplan  
Davis Polk & Wardwell LLP

Re: Meta Platforms, Inc. (the "Company")  
Incoming letter dated January 18, 2022

Dear Mr. Kaplan:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by Anthony Cortese for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the board commission a report and seek an advisory shareholder vote on its metaverse project. The Proposal provides that the report should summarize the results of 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.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal transcends ordinary business matters.

Copies of all of the correspondence on which this response is based will be made available on our website at <https://www.sec.gov/corpfin/2021-2022-shareholder-proposals-no-action>.

Sincerely,

Rule 14a-8 Review Team

cc: Sanford Lewis

January 18, 2022

Re: Shareholder Proposal of Arjuna Capital on behalf of Anthony Cortese Pursuant to Rule 14a-8 of the Securities Exchange Act of 1934

U.S. Securities and Exchange Commission  
Office of Chief Counsel  
Division of Corporation Finance  
100 F. Street, N.E.  
Washington, D.C. 20549  
Via email: [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov)

Dear Sir or Madam:

On behalf of Meta Platforms, Inc., a Delaware corporation (the “**Company**” or “**Meta**”), and in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, we are filing this letter with respect to the shareholder proposal submitted by Arjuna Capital, on behalf of Anthony Cortese (the “**Proponent**”), on December 3, 2021 (the “**Proposal**”) for inclusion in the proxy materials that the Company intends to distribute in connection with its 2022 Annual Meeting of Shareholders (the “**2022 Proxy Materials**”). We hereby request confirmation that the staff of the Office of Chief Counsel (the “**Staff**”) will not recommend any enforcement action if, in reliance on Rule 14a-8, the Company omits the Proposal from its 2022 Proxy Materials.

Pursuant to Rule 14a-8(j), this letter is being filed with the Securities and Exchange Commission (the “**Commission**”) no later than 80 days before the Company files its definitive 2022 Proxy Materials. Pursuant to Staff Legal Bulletin No. 14D (CF), *Shareholder Proposals* (Nov. 7, 2008), question C, we have submitted this letter to the Commission via email to [shareholderproposals@sec.gov](mailto:shareholderproposals@sec.gov).

Pursuant to Rule 14a-8(j), a copy of this submission is being sent simultaneously to the Proponent as notification of the Company’s intention to omit the Proposal from its 2022 Proxy Materials. This letter constitutes the Company’s statement of the reasons that it deems the omission of the Proposal to be proper. We have been advised by the Company as to the factual matters set forth herein.

A copy of the Proposal is attached to this letter as Exhibit A.

The Proposal sets forth the following resolution:

**Resolved:** Shareholders request the Board of Directors commission a report and seek an advisory shareholder vote on its metaverse project. The report should summarize results of 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,
- whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.

After the report's publication, the Company should seek a shareholder vote, expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate.

### **Statement of Reasons to Exclude**

#### **I. The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because The Proposal Involves Matters Related To The Company's Ordinary Business Operations.**

The Proposal may be properly omitted from the 2022 Proxy Materials pursuant to Rule 14a-8(i)(7), because the Proposal deals with matters related to the Company's ordinary business operations.

##### **A. Background.**

Rule 14a-8(i)(7) permits a company to exclude a shareholder proposal if the proposal "deals with a matter relating to the company's ordinary business operations." The underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting." SEC Release No. 34-40018 (May 21, 1998) (the "**1998 Release**"). As set out in the 1998 Release, there are two "central considerations" underlying the ordinary business exclusion. One consideration is that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." The Commission added, "[e]xamples include the management of the workforce, such as the hiring, promotion, and termination of employees, *decisions on production quality and quantity*, and the retention of suppliers" (emphasis added). The other consideration is that a proposal should not "seek[ ] to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." In seeking to dictate the types of products developed and sold by the Company and the manner in which those products are distributed and marketed, the Proposal implicates both of these central considerations.

Further, framing a shareholder proposal in the form of a request for a report or study does not change the nature of the proposal. The Commission has stated that a proposal requesting the dissemination of a report may be excludable under Rule 14a-8(i)(7) if the subject matter of the report is within the ordinary business of the issuer. See Exchange Act Release No. 20091 (Aug. 16, 1983); *Johnson Controls, Inc.* (Oct. 26, 1999) ("[Where] the subject matter of the additional disclosure sought in a particular proposal involves a matter of ordinary business . . . it may be excluded under [R]ule 14a-8(i)(7)."); see also *Ford Motor Co.* (Mar. 2, 2004) (concurring with the exclusion of a proposal requesting that the company publish a report about global warming/cooling, where the report was required to include details of indirect environmental consequences of its primary automobile manufacturing business).

**B. The Proposal May Be Excluded Because It Relates To Products And Services Offered By The Company.**

The Company has announced that it intends to develop its products and services, including its augmented and virtual reality related consumer hardware, software and content, with a focus on helping to bring the metaverse to life (such products and services, the “**Metaverse Products**”). The metaverse is a set of virtual spaces where people can have immersive experiences beyond two-dimensional screens, such as creating and exploring with other people who are not in the same physical space. People can participate in the metaverse, such as being able to hang out with friends, work, play, learn, shop, create, and more, using technology such as augmented and virtual reality devices, phones and computers. The Company also believes that the metaverse is in the early stages of being built and will not be built by a single company. Many of the things the Company is envisioning for the metaverse may only be fully realized in the next 10-15 years. The Company has created a Metaverse product group to focus on its metaverse initiatives, including building Metaverse Products that will help bring community and commerce to the metaverse.

The Proposal may be excluded pursuant to Rule 14a-8(i)(7) because it relates to the Company's ordinary business operations involving the sale of products and services by the Company. The Staff has consistently concurred that decisions by companies as to the products and services that they sell and the manner in which those products and services are designed, developed, distributed and marketed are a fundamental part of a company's ordinary business operations and a key part of management's day-to-day responsibilities. See, e.g., *Eli Lilly and Co.* (Feb. 8, 1990) (a proposal encouraging the company to study and report on the possibility and potential profitability of manufacturing, distributing and marketing a particular drug); *McDonald's Corp.* (Mar. 9, 1990) (a proposal requesting that the company develop and market a vegetarian menu item); *Pepco Holdings, Inc.* (Feb. 18, 2011) (a proposal encouraging the company to “aggressively study, implement and pursue” the market for solar technology as a way to increase profits); *Procter & Gamble Co.* (July 15, 2009) (permitting exclusion under Rule 14a-8(i)(7) of a proposal to requesting that the company cease making cat-kibble, encourage consumers to buy and suppliers to stock certain types of low carbohydrate pet food and consider what opportunities exist to develop its own non-carbohydrate pet food because it related to the “sale of a particular product”); *International Business Machines Corp.* (Jan. 6, 2005) (a proposal requesting that the company take steps to offer customers software technology that has greater simplicity because the proposal related to “the design and development of [the company]'s products,”); *PetSmart, Inc.* (Apr. 14, 2006) (a proposal requesting a report on terminating the company's sale of pet birds); *Wal-Mart Stores, Inc.* (Mar. 20, 2014), aff'd and cited in *Trinity Wall Street v. Wal-Mart Stores, Inc.*, 792 F.3d 323, 327 (3d Cir. 2015) (a proposal seeking to limit the sale of any “product that especially endangers public safety and well-being, has the substantial potential to impair the reputation of the company and/or would reasonably be considered by many offensive to the family and community values integral to the company's promotion of its brand”); *The Home Depot, Inc.* (Mar. 21, 2018) (a proposal requesting the company end its sale of glue traps); *Marriott International, Inc.* (Feb. 13, 2004) (a proposal requesting that the company eliminate sexually explicit content from its hotel gift shops and television programming as relating to “the sale and display of a particular product and the nature, content and presentation of programming”); *Nike, Inc.* (June 19, 2020) (a proposal requesting the company to research the marketing potential of specific approaches); *Cabelas Incorporated* (Apr. 7, 2016) (a proposal asking the board to adopt a policy specifying the types of weapons the company could sell); *The Walt Disney Company* (Nov. 23, 2015) (a proposal asking the board to approve the release of the film *Song of the South* on Blu-ray in 2016 for its 70th anniversary);

The Proposal addresses matters clearly within the scope of the Company's ordinary business operations within management's responsibilities, because it relates to the Company's decision-making on topics that include the development, marketing, policy making, revenue generation, and vision of its Metaverse Products. The Proposal seeks to subject product decisions to shareholder oversight. It is the

fundamental responsibility of the Company's management to decide how it intends to develop, market and sell its products and services, including the Metaverse Products. The Company is a global leader in creating products and services that facilitate online social connection and believes Metaverse Products will be the next evolution in a long line of social technologies. As a result, the Company believes that developing Metaverse Products will enhance its business and competitive positioning. Making business decisions such as the sale of Metaverse Products, and the Company's business model surrounding it, are the responsibility of management involving a multitude of day to day decisions with careful consideration of an abundance of factors, including: the tastes and preferences of its users as well as its advertisers, the products offered by the Company's competitors, brand considerations, contractual obligations across a variety of sectors, the laws governing and the availability and pricing of the Company's products and services it intends on offering to its users as well as its advertisers, among others. Balancing such factors is a complex issue and is "so fundamental to management's ability to run [the C]ompany on a day-to-day basis that [it] could not, as a practical matter, be subject to direct shareholder oversight." See 1998 Release. Were such decisions subject to direct shareholder oversight, the Company would be significantly hindered in its day-to-day functions.

As in the above-cited letters, the Proposal addresses the fundamental ordinary business matter of the products and services offered for sale by the Company. Further, the Proposal does not suggest that it relates to any underlying "significant social policy issue" that transcends the Company's ordinary business operations. Alluding to "potential...harms" does not by itself produce a social policy issue, and this is especially true when the products and services do not currently exist and any potential harms are theoretical at this time. Accordingly, the Proposal involves precisely the type of matter that is consistently deemed excludable under Rule 14a-8(i)(7) and which this exclusion is intended to address, and the Proposal should be deemed excludable pursuant to Rule 14a- 8(i)(7), consistent with the above-cited no-action letters.

\* \* \*

The Company respectfully requests the Staff's concurrence with its decision to omit the Proposal from the 2022 Proxy Materials and further requests confirmation that the Staff will not recommend any enforcement action if it so omits the Proposal. Please call the undersigned at (212) 450-4111 if you should have any questions or need additional information or as soon as a Staff response is available.

Respectfully yours,



Michael Kaplan

Attachment: Exhibit A

cc: Natasha Lamb, Managing Partner, Arjuna Capital  
Katherine R. Kelly, Vice President, Deputy General Counsel and Secretary,  
Meta Platforms, Inc.

**Proposal**

**Assessment of Metaverse User Risk and Advisory Shareholder Vote**

**Resolved:** Shareholders request the Board of Directors commission a report and seek an advisory shareholder vote on its metaverse project. The report should summarize results of 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,
- whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.

After the report's publication, the Company should seek a shareholder vote, expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate.

**Supporting Statement:** Shareholders recommend the report be prepared at reasonable cost, omitting confidential and proprietary information, by an independent third-party, at the conclusion of an initial metaverse development phase (e.g. after one year of development).

**Whereas:** Our Company - formerly Facebook, now Meta Platforms - is betting its future on the metaverse, an immersive virtual world where people can socialize, play, and work. CEO Mark Zuckerberg has told analysts: "I expect people will transition from seeing us primarily as a social media company to seeing us as a metaverse company."

Yet, shareholders worry the metaverse will generate dystopian downsides and investment risk, given Facebook's appalling track record addressing human and civil rights and privacy concerns affecting billions of people globally.

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."

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. Investors question Meta's social license to operate an emerging technology like the metaverse in the face of anti-trust litigation, whistleblower testimony, congressional hearings, and poor governance practices.

Mr. Zuckerberg has said the metaverse will require "new forms of governance," but has provided scant detail, while simultaneously overseeing poor corporate governance practices at Meta as CEO, chairman, and controlling shareholder. Governance experts Quinta Jurecic and Alan Rozenshtein write: "Unfortunately, nothing in Facebook's history suggests that it will be a good steward to navigate these challenges."

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 10 billion dollars on metaverse investments in 2021, approximately 50 percent of capital expenditures, with additional future spending. Investors worry that without thorough due diligence on metaverse's potential risks, shareholder value could suffer. After whistleblower testimony exposed Facebook's governance failings, share value dropped 13 percent within six weeks.

# SANFORD J. LEWIS, ATTORNEY

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February 21, 2022  
Via electronic mail

Office of Chief Counsel  
Division of Corporation Finance  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Shareholder Proposal to Meta Platforms, Inc. Regarding Societal Risks  
Associated with Metaverse Project on Behalf of Anthony Cortese

Ladies and Gentlemen:

Arjuna Capital, on behalf of Anthony Cortese (the "Proponent"), who is the beneficial owner of common stock of Meta Platforms, Inc. (the "Company") has submitted a shareholder proposal (the "Proposal") to the Company. I have been asked by the Proponent to respond to the letter dated January 18, 2022 ("Company Letter") sent to the Securities and Exchange Commission by Michael Kaplan of Davis Polk. In that letter, the Company contends that the Proposal may be excluded from the Company's 2022 proxy statement. A copy of this letter is being emailed concurrently to Mr. Kaplan.

The Proposal requests that the Company commission and report the results of 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 the harms can be mitigated or avoided or are unavoidable risks inherent in the technology. After the report is published, the Proposal requests that the Company seek a shareholder vote expressing non-binding advisory approval or disapproval of the Metaverse project, advising the board and management whether investors consider continued implementation of the Metaverse platform to be prudent and appropriate.

The Company Letter asserts that the issues raised by the Proposal relate solely to the ordinary business of the Company. The Proponent asserts, as documented in the attached materials, that filing and voting on the Proposal is consistent with the rights and responsibilities of its investors to engage with Meta Platforms Inc. on fundamental social impact and ESG concerns associated with the Company's abrupt shift in corporate strategy.

We believe the Company has provided no basis for the conclusion that the Proposal is excludable from the 2022 proxy statement pursuant to Rule 14a-8 and therefore we urge the Staff to notify the Company it is denying the no action request.

Respectfully Submitted,  
  
Sanford Lewis

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## ANALYSIS

The Company argues that societal risks from Metaverse are the ordinary business of the Company

The Company Letter asserts that the Proposal is excludable under Rule 14a-8(i)(7) as relating to products and services offered by the Company. To the Proponent, the most instructive passage from the Company Letter is found toward the end when the Company attempts to summarize the reasons why it believes that this is an inappropriate proposal for consideration by shareholders:

The Proposal seeks to subject product decisions to shareholder oversight. It is the fundamental responsibility of the Company's management to decide how it intends to develop, market and sell its products and services, including the Metaverse Products . . . The Company is a global leader in creating products and services that facilitate online social connection and believes Metaverse Products will be the next evolution in a long line of social technologies. As a result, the Company believes that developing Metaverse Products will enhance its business and competitive positioning. Making business decisions such as the sale of Metaverse Products, and the Company's business model surrounding it, are the responsibility of management involving a multitude of day to day decisions with careful consideration of an abundance of factors . . . .Balancing such factors is a complex issue and is "so fundamental to management's ability to run [the C]ompany on a day-to-day basis that [it] could not, as a practical matter, be subject to direct shareholder oversight" . . . . Were such decisions subject to direct shareholder oversight, the Company would be significantly hindered in its day-to-day functions . . . .

. . . [T]he Proposal addresses the fundamental ordinary business matter of the products and services offered for sale by the Company. Further, the Proposal does not suggest that it relates to any underlying "significant social policy issue" that transcends the Company's ordinary business operations. Alluding to "potential...harms" does not by itself produce a social policy issue, and this is especially true when the products and services do not currently exist in any potential harms are theoretical at this time. . . .

In contrast to this glib summary of why the Company believes the issues of social impact associated with its products should remain insular, the Proponent believes there is clear and ample evidence that Meta's management has abjectly failed in its duty to develop technology responsibly and harmoniously with the needs of society. If the Company were a small firm, the impact would be small. But in this instance, the Company is introducing technology at a global scale and therefore the accompanying negative impacts are indicative of societal impacts.

The Company Letter implies that only the board and management should guide the ethical development of this technology. But with the Metaverse project just recently announced and launched, this is the optimal time for an organizational assessment of the potential ethical and social impacts of the project— to engage in a foresightful process under the watchful eyes of investors, assessing the

enormity of the social impacts involved, with transparency and clear input from the Company's investors.

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**Meta CEO Mark Zuckerberg's  
famous corporate motto:  
"Move fast and break things."<sup>1</sup>**  
++++

["Move Fast and Break Things" is no longer a viable approach for Meta Platforms](#)

Evident from recent experiences with Facebook, it is apparent that the "move fast and break things" mentality fostered by Mr. Zuckerberg is already resulting in a wide array of social impacts that the Company seems incapable of evaluating and controlling at the pace that it is innovating. Now, in a process that has been seen by many as rebranding, the Company has announced its intent to refocus its technological innovation capacities on the metaverse.

Shareholders are keenly aware that something is wrong at the Company, though theories as to the nature of the problem vary. As *New York Times* Columnist Farhad Manjoo opined after a record-breaking drop in Meta's stock price in February 2022, the largest market capitalization drop in stock market history:

There has been no shortage of explanations for the sudden, spectacular swoon in Facebook's stock value last week. Meta, Facebook's parent company, said in an earnings report that its user growth had stalled. Young people, its most valuable demographic, keep spending time on TikTok, the irresistible short-video app that has become Facebook's most formidable competitor in years.

New privacy features that Apple added to the iPhone last year are also hampering one of Facebook's main moneymakers, targeted digital ads; the company said that Apple's changes may cost it \$10 billion in revenue in the coming year. **And Meta disclosed that it had spent \$10 billion last year building out its new namesake, the metaverse, the virtual-reality wonderland that Facebook is betting will be the internet's next big thing — but that, so far, remains more virtual than reality. [Emphasis added]**

Investors reeled. Meta's stock value shed more than \$250 billion last week. That's a nearly incomprehensible amount — only a few dozen publicly listed companies are valued at

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<sup>1</sup> [Taneja, supra note 8.](#)

more than \$250 billion. In other words, Facebook’s value has slumped by more than what all but the largest companies are worth.<sup>2</sup>

The Proposal highlights a lack of corporate transparency and stewardship on societal impacts

Investors have good reason to distrust the board and management’s capacity to govern these issues on their own without the transparency and engagement of investors sought by the Proposal.

**Text of the Proposal:**

**Mr. Zuckerberg has said the metaverse will require “new forms of governance,” but has provided scant detail, while simultaneously overseeing poor corporate governance practices at Meta as CEO, chairman, and controlling shareholder. Governance experts Quinta Jurecic and Alan Rozenshtein write: “Unfortunately, nothing in Facebook’s history suggests that it will be a good steward to navigate these challenges.”**

Jurecic and Rozenshtein also noted in the Lawfare blog that the documents exposed by a former Facebook employee and whistleblower, Frances Haugen, “show how, again and again, thoughtful and dedicated Facebook employees urge the company to slow down and think more carefully about the negative effects of its products—and leadership ignores them. That doesn’t inspire confidence that whatever standards Facebook initially comes up with for the metaverse will be up to the task, or that the company’s executives will be open to listening to employees about how to fix whatever new problems inevitably arise in virtual reality...”<sup>3</sup>

An article published in the Guardian, titled “Facebook announces name change to Meta in rebranding effort,” noted that many are aware that the Company’s rebranding as Meta was intended to win back investor confidence;<sup>4</sup> yet, as a ploy to distract from the company’s existing problems, it has not won confidence.

A Vox article, titled “Why you should care about Facebook’s big push into the metaverse,” noted that “some close to the company see Facebook’s investments in virtual reality as a diversion from fixing the company’s serious tedious real-world problems.” The article quoted Brian Boland, a former vice president of partnerships and marketing at Facebook as noting that it is a “lot more fun to build a metaverse” than it is to answer the tough questions Facebook is facing about issues like political polarization, the spread of misinformation, or teenagers’ mental health.

Similarly, an article published by CBS News titled, “Wall Street not sold on Mark Zuckerberg’s vision of the metaverse,” found that Facebook’s bid to create a new virtual world – just as it faces mounting legal and regulatory scrutiny in the current one – has irked privacy advocates and tech critics. Matt Stoller,

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<sup>2</sup> Farhad Manjoo, *Facebook Has an Innovation Problem*, N.Y. Times (Feb. 10, 2022), <https://www.nytimes.com/2022/02/10/opinion/facebook-stock-meta-innovation.html>.

<sup>3</sup> Quinta Jurecic & Alan Z. Rozenshtein, *Mark Zuckerberg’s Metaverse Unlocks a New World of Content Moderation Chaos*, Lawfare (Nov. 3, 2021), <https://www.lawfareblog.com/mark-zuckerbergs-metaverse-unlocks-new-world-content-moderation-chaos>.

<sup>4</sup> Kari Paul, *Facebook announces name change to Meta in rebranding effort*, The Guardian (Oct. 28, 2021), <https://www.theguardian.com/technology/2021/oct/28/facebook-name-change-rebrand-meta>.

research director of the American Economic Liberties Project, an anti-monopoly group, wrote in his newsletter that “this is a PR ploy to distract from Facebook’s myriad scandals.”<sup>5</sup>

Some of what it is *breaking* in the course of moving fast is what might be referred to as “externalities” – impacts on society that the CEO has treated as a problem for someone else to solve instead of building fundamental solutions into its products’ design, operations, and business strategy. In 2020, Mr. Zuckerberg published a plea for government regulation of his sector. “If we don’t create standards that people feel are legitimate, they won’t trust institutions or technology,” Zuckerberg said in an op-ed in the Financial Times.<sup>6</sup>

But in light of the company’s push into the metaverse, another interpretation is that the Company’s abject failure to develop the internal work to prevent harmful impacts of its existing activities has caused it to ask for support from those who are impacted. No doubt there is a need for government regulation, but the Proponent believes there is also a need for a deeper assessment of technology impact within the Company’s own internal governance processes.

Despite the rebranding, the Company has an appalling track record. Failure to address societal impacts and investor concerns while operating Facebook raises serious questions regarding the Company’s plan for the metaverse. Unfortunately for Meta and its users, it’s philosophy of “Move fast and break things”<sup>7</sup> has all too often translated into a pattern of corporate behavior which entails introducing technology without understanding its impact on people; failing to study the ongoing effects of the technology or studying the effects privately and making decisions that ignore negative user effects; denying any harms caused; apologizing only when harms are proven to have occurred; and failing to implement appropriate remedies for the harms created.

Context is critical. It provides a window into how Meta is likely to manage the metaverse plan. With emerging technologies, the potential for harm and accompanying brand damage is magnified. Investors have ample reason to fear a repeat of Facebook’s devastating (and ongoing) history. Investors are already aware of the many issues of social impact the Company has mismanaged in recent years including:

- **Facilitating Genocide** - An estimated 10,000 Rohingya Muslims were killed during a military crackdown in Myanmar in 2017.<sup>8</sup> Facebook spread hate speech and played a “determining role” in that violence, according to the lead author of a United Nations report, who said: “I’m afraid

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<sup>5</sup> Irina Ivanova, *Wall Street not sold on Mark Zuckerberg’s vision of the metaverse*, CBS News (Nov. 2, 2021), <https://www.cbsnews.com/news/metaverse-facebook-wall-street-risks/>

<sup>6</sup> Natalia Drozdiak, *Facebook Needs Regulation to Win User Trust, Zuckerberg says*, Bloomberg (Feb.17, 2020), <https://www.bloomberg.com/news/articles/2020-02-17/facebook-needs-regulation-to-win-user-trust-zuckerberg-says>

<sup>7</sup> Hemant Taneja, *The Era of “Move Fast and Break Things” Is Over*, Harvard Business Review (Jan. 22, 2019), <https://hbr.org/2019/01/the-era-of-move-fast-and-break-things-is-over>

<sup>8</sup> *Rohingya sue Facebook for \$150bn over Myanmar hate speech*, BBC News (Dec. 7, 2021), <https://www.bbc.com/news/world-asia-59558090>

that Facebook has now turned into a beast, and not what it originally intended.”<sup>9</sup> An independent report commissioned by Facebook found, according to the Company, that “we weren’t doing enough to help prevent our platform from being used to foment division and incite offline violence. We agree that we can and should do more.”<sup>10</sup> In 2022, Rohingya refugees filed a class action lawsuit against Meta Platforms seeking \$150 billion in damages for the company’s failure to take action against hate speech that contributed to the violence.<sup>11</sup>

- **Undermining Privacy** - In 2018, Facebook admitted to mishandling data from about 87 million Facebook users which had been improperly obtained by political data-analytics firm Cambridge Analytica.<sup>12</sup> At the time, CEO Mark Zuckerberg apologized and said, “This was a major breach of trust, and I’m really sorry this happened.”<sup>13</sup> As a result of that data breach, in 2019 the Federal Trade Commission imposed a record-breaking \$5 billion penalty on Facebook and forced the Company to submit to a modified corporate structure to settle charges that the company violated a 2012 FTC order by deceiving users about their ability to control the privacy of their personal information. “Despite repeated promises to its billions of users worldwide that they could control how their personal information is shared, Facebook undermined consumers’ choices,” said then-FTC Chairman Joe Simons.<sup>14</sup>
- **Violating Civil Rights** - A 2018 third-party civil rights audit of Facebook - *commissioned by the Company itself* - expressed concern about “the vexing and heartbreaking decisions Facebook has made that represent significant setbacks for civil rights.”<sup>15</sup> The *Washington Post* later disclosed that Facebook did not inform the civil rights auditors about research which showed that the company’s algorithms disproportionately harmed minorities. Laura Murphy, the lead auditor, said, “I am not asserting nefarious intent, but it is deeply concerning that metrics that showed

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<sup>9</sup> Tom Miles, *U.N. investigators cite Facebook role in Myanmar crisis*, Reuters (Mar. 12, 2018),

<https://www.reuters.com/article/us-myanmar-rohingya-facebook/u-n-investigators-cite-facebook-role-in-myanmar-crisis-idUSKCN1GO2PN>

<sup>10</sup> Alex Warofka, *An Independent Assessment of the Human Rights Impact of Facebook in Myanmar*, Meta (Nov. 5, 2018), <https://about.fb.com/news/2018/11/myanmar-hria/>

<sup>11</sup> Elizabeth Culliford, *Rohingya refugees sue Facebook for \$150 billions over Myanmar violence*, Reuters (Dec. 8 2021), <https://www.reuters.com/world/asia-pacific/rohingya-refugees-sue-facebook-150-billion-over-myanmar-violence-2021-12-07/>

<sup>12</sup> Alexandra Ma & Ben Gilbert, *Facebook understood how dangerous the Trump-linked data firm Cambridge Analytica could be much earlier than it previously said. Here's everything that's happened up until now*, Insider (Aug. 23, 2019), <https://www.businessinsider.com/cambridge-analytica-a-guide-to-the-trump-linked-data-firm-that-harvested-50-million-facebook-profiles-2018-3>

<sup>13</sup> Nick Statt, *Mark Suckerberg apologizes for Facebook’s data privacy scandal in full-page newspaper ads*, The Verge (Mar. 25, 2018), <https://www.theverge.com/2018/3/25/17161398/facebook-mark-zuckerberg-apology-cambridge-analytica-full-page-newspapers-ads>

<sup>14</sup> *FTC Imposes \$5 Billion Penalty and Sweeping New Privacy Restrictions on Facebook*, Federal Trade Commission (July 24, 2019), <https://www.ftc.gov/news-events/press-releases/2019/07/ftc-imposes-5-billion-penalty-sweeping-new-privacy-restrictions>

<sup>15</sup> *Facebook’s Civil Rights Audit—Final Report (July 8, 2020)*, <https://about.fb.com/wp-content/uploads/2020/07/Civil-Rights-Audit-Final-Report.pdf>

the disproportionate impact of hate directed at Black, Jewish, Muslim, Arab and LGBTQIA users were not shared with the auditors.”<sup>16</sup>

- **Amplifying Hate and Online Extremism** - A 2022 investigation by ProPublica and *The Washington Post* found that Facebook played “a critical role” in the spread of false narratives that fomented the violence in the U.S. Capitol on January 6, 2021. The investigation found that Facebook dissolved an election integrity task force following the 2020 elections and “rolled back other intensive enforcement measures.” The investigation also revealed a problem with the way Facebook polices its user “groups,” with former employees saying “the company’s enforcement efforts have been weak, inconsistent and heavily reliant on the work of unpaid group administrators to do the labor-intensive work of reviewing posts and removing the ones that violate company policies. Many groups have hundreds of thousands or even millions of members, dramatically escalating the challenges of policing posts.”<sup>17</sup>
- **Harming Young People** - In 2021, ex-Facebook employee and whistleblower Frances Haugen provided documents to the Securities and Exchange Commission and testified before the U.S. Senate regarding Facebook systems that she alleged amplified online hate and extremism and failed to protect young people from harmful content. Among other allegations, Haugen said Facebook's internal research found that the company’s Instagram social media platform exacerbates eating disorders and suicidal thoughts in teenage girls. "And what's super tragic is Facebook's own research says as these young women begin to consume this eating disorder content, they get more and more depressed. It actually makes them use the app more," Haugen said. "They end up in this feedback cycle where they hate their bodies more and more."<sup>18</sup>
- **Failing to Remediate Harms** - Based on documents provided by Facebook whistleblower Haugen, *The Wall Street Journal* published a major investigative series and concluded: “Facebook Inc. knows, in acute detail, that its platforms are riddled with flaws that cause harm, often in ways only the company fully understands...Time and again, the documents show, Facebook’s researchers have identified the platform’s ill effects. Time and again, despite congressional hearings, its own pledges and numerous media exposés, the company didn’t fix them. The documents offer perhaps the clearest picture thus far of how broadly Facebook’s problems are known inside the company, up to the chief executive himself.”<sup>19</sup>

To ask that such corporate failures of social impact control not be repeated and amplified in the development of the Metaverse is an entirely appropriate inquiry posed by the Proposal.

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<sup>16</sup> [Elizabeth Dwoskin et al., \*Facebook’s race-blind practices around hate speech came at the expense of Black users, new documents show\*, Washington Post \(Nov. 21, 2021\), <https://www.washingtonpost.com/technology/2021/11/21/facebook-algorithm-biased-race/>.](https://www.washingtonpost.com/technology/2021/11/21/facebook-algorithm-biased-race/)

<sup>17</sup> [Craig Silverman, \*Facebook Hosted Surge of Misinformation and Insurrection Threats in Months Leading Up to Jan. 6 Attack, Records Show\*, ProPublica \(Jan. 4 2022\), <https://www.propublica.org/article/facebook-hosted-surge-of-misinformation-and-insurrection-threats-in-months-leading-up-to-jan-6-attack-records-show>](https://www.propublica.org/article/facebook-hosted-surge-of-misinformation-and-insurrection-threats-in-months-leading-up-to-jan-6-attack-records-show)

<sup>18</sup> [Morgan Keith, \*Facebook’s internal research found its Instagram platform contributes to eating disorders and suicidal thoughts in teenage girls, whistleblower says\*, <https://www.businessinsider.com/facebook-knows-data-instagram-eating-disorders-suicidal-thoughts-whistleblower-2021-10>](https://www.businessinsider.com/facebook-knows-data-instagram-eating-disorders-suicidal-thoughts-whistleblower-2021-10)

<sup>19</sup> [The Facebook Files—A Wall Street Journal Investigation, Wall Street Journal, <https://www.wsj.com/articles/the-facebook-files-11631713039>](https://www.wsj.com/articles/the-facebook-files-11631713039)

## Ordinary Business According to the Commission

The Company Letter asserts that the Proposal addresses the ordinary business of the Company. However, when examining the Proposal against the Commission and Staff's guidance on shareholder proposals, including ordinary business and micromanagement, it is evident that the Proposal addresses a transcendent policy issue and does not micromanage or otherwise inappropriately address the Company's ordinary business.

In 1998, the Commission issued a rulemaking release ("1998 Release") updating and interpreting the ordinary business rule, by both reiterating and clarifying past precedents. That release was the last time the Commission discussed and explained at length the meaning of the ordinary business exclusion. The Commission summarized *two central considerations* in making ordinary business determinations – whether the Proposal addresses a significant social policy issue, and whether it micromanages.

First, the Commission noted that certain tasks were generally considered so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight (e.g., the hiring, promotion, and termination of employees, as well as decisions on retention of suppliers, and production quality and quantity). However, proposals related to such matters but *focused on sufficiently significant social policy issues* (i.e. significant discrimination matters) generally would not be excludable.

Second, proposals could be excluded to the extent they seek to "micromanage" a company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would be unable to make an informed judgment.

In Staff Legal Bulletin No. 14C, the Division considered proposals related to the environment and public health, which it had previously found to be significant policy considerations, and advised that "[t]o the extent that a proposal and supporting statement focus on the company minimizing or eliminating operations that may adversely affect the environment or the public's health, we do not concur with the company's view that there is a basis for it to exclude the proposal under rule 14a-8(i)(7)." SEC, Division of Corporation Finance, Staff Legal Bulletin No. 14C.

The current Proposal is consistent with Staff Legal Bulletin 14 E in its focus on risk assessment related to social impacts, with the Bulletin having clarified how to address proposals addressing risk: the question is whether it addresses a social policy issue for the company.<sup>20</sup>

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<sup>20</sup> Staff Legal Bulletin 14 E noted:

Over the past decade, we have received numerous no-action requests from companies seeking to exclude proposals relating to environmental, financial or health risks under Rule 14a-8(i)(7). As we explained in SLB No. 14C, in analyzing such requests, we have sought to determine whether the proposal and supporting statement as a whole relate to the company engaging in an evaluation of risk, which is a matter we have viewed as relating to a company's ordinary business operations. To the extent that a proposal and supporting statement have focused on a company engaging in an internal assessment of the risks and liabilities that the company faces as a result of its operations, we have permitted companies to exclude these proposals under Rule 14a-8(i)(7) as relating to an evaluation of risk. To the extent that a proposal and supporting statement have focused on a company minimizing

In this instance, neither prong of ordinary business analysis, significant policy issue or micromanagement, leads to exclusion of the current Proposal. It focuses on a highly significant social policy issue, and it seeks a transparency process at a broad level which cannot be seen as micromanaging decisions by the Company. We will discuss these more at length below.

### **The Proposal addresses a significant policy issue and is not excludable as ordinary business or relating to “products and services”**

Contrary to the Company’s assertion, the Staff has made it clear in legal bulletins and in precedents that proposals directed to “nitty-gritty” aspects of the Company’s business, including products or services offered, are not excludable to the extent they are focused on significant policy issues and do not attempt to micromanage business relationships. Thus, the current Proposal does not impinge on the ordinary business of the Company in a manner that renders it excludable.

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or eliminating operations that may adversely affect the environment or the public's health, we have not permitted companies to exclude these proposals under Rule 14a-8(i)(7).

We have recently witnessed a marked increase in the number of no-action requests in which companies seek to exclude proposals as relating to an evaluation of risk. In these requests, companies have frequently argued that proposals that do not explicitly request an evaluation of risk are nonetheless excludable under Rule 14a-8(i)(7) because they would require the company to engage in risk assessment.

Based on our experience in reviewing these requests, we are concerned that our application of the analytical framework discussed in SLB No. 14C may have resulted in the unwarranted exclusion of proposals that relate to the evaluation of risk but that focus on significant policy issues. Indeed, as most corporate decisions involve some evaluation of risk, the evaluation of risk should not be viewed as an end in itself, but rather, as a means to an end. In addition, we have become increasingly cognizant that the adequacy of risk management and oversight can have major consequences for a company and its shareholders. Accordingly, we have reexamined the analysis that we have used for risk proposals, and upon reexamination, we believe that there is a more appropriate framework to apply for analyzing these proposals.

On a going-forward basis, rather than focusing on whether a proposal and supporting statement relate to the company engaging in an evaluation of risk, we will instead focus on the subject matter to which the risk pertains or that gives rise to the risk. The fact that a proposal would require an evaluation of risk will not be dispositive of whether the proposal may be excluded under Rule 14a-8(i)(7). Instead, similar to the way in which we analyze proposals asking for the preparation of a report, the formation of a committee or the inclusion of disclosure in a Commission-prescribed document — where we look to the underlying subject matter of the report, committee or disclosure to determine whether the proposal relates to ordinary business — we will consider whether the underlying subject matter of the risk evaluation involves a matter of ordinary business to the company. In those cases in which a proposal's underlying subject matter transcends the day-to-day business matters of the company and raises policy issues so significant that it would be appropriate for a shareholder vote, the proposal generally will not be excludable under Rule 14a-8(i)(7) as long as a sufficient nexus exists between the nature of the proposal and the company.

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We note that this reference to nexus represented a departure by the Staff which has since been rectified by Staff Legal Bulletin 14 L. The issue of nexus is currently addressed through demonstration of a “meaningful relationship to the company’s business” under Rule 14a-8(i)(5),



The Proposal does not attempt to dictate products or services or customers, but instead seeks greater disclosure on social harms, while seeking an opportunity for shareholders to voice their opinion on whether the strategic direction of the Company could exacerbate those potential harms.

Where the focus of the Proposal is entirely on a significant policy issue, the fact that it may touch on issues related to products and services offered does not cause it to be excludable, much as the climate change impacts of fossil fuel companies' products, does not render proposals regarding climate change excludable.

Staff Legal Bulletin 14H, October 22, 2015, made this clear:

[T]he Commission has stated that proposals focusing on a significant policy issue are not excludable under the ordinary business exception "because the proposals would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote." [Release No. 34-40018] Thus, **a proposal may transcend a company's ordinary business operations even if the significant policy issue relates to the "nitty-gritty of its core business."** [Emphasis added].

For example, in *J.P. Morgan Chase* (Feb. 28, 2020), the proposal requested that the company issue a report outlining if and how it intends to reduce the GHG emissions associated with its lending activities. The company argued that the proposal impermissibly addressed the offering of products and services, an ordinary business matter. As in the present case, the company's argument cited the same cases in which the proposal touched on products and services, but lacked an overriding significant policy issue,<sup>21</sup> or where the proposal sought to dictate outcomes at the company in the offering of particular products or services. The Staff rejected the ordinary business argument.<sup>22</sup> Similar to this J.P. Morgan case, as the current Proposal focuses on a significant policy issue of social impacts including psychological, human and civil rights harms and does not dictate outcomes, the Proposal is distinguishable from the cases raised by the Company and is not excludable on this basis.

The Staff has a long history of deeming cases non-excludable when addressing a significant policy issue. For example, the Staff has determined that proposals addressing climate risk are appropriate for financial services companies so long as such proposals do not delve into the individual application of such policies to customers. In *PNC Financial Services Group, Inc.* (February 13, 2013) the proposal requested that the board report to shareholders PNC's assessment of the greenhouse gas emissions resulting from its lending portfolio and its exposure to climate change risk in lending, investing, and financing activities. The Staff determined that the proposal was not excludable because it addressed the significant policy issue of climate change. PNC had argued, as the Company does here, that the proposal micromanaged the business or related to products and services. The Staff rejected the claim.

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<sup>21</sup> See *Hewlett-Packard Co.* (Jan. 23, 2015), in which the Staff concurred with the exclusion of a proposal requesting that the board provide a report on the company's sales of products and services to certain foreign entities, with the Staff noting that the proposal related to ordinary business and "does *not focus* on a significant policy issue" (emphasis added).

<sup>22</sup> See also *Bank of America Corp. (Trillium)* (Feb. 24, 2010), in which the Staff concurred in the exclusion under Rule 14a-8(i)(7) of a proposal seeking analysis of the company's implementation of its mountain top removal policy and whether to extend credit to particular customers.

Significantly, the focus of a proposal on a policy level rather than directing the Company's relations with particular suppliers or customers is sufficient to avoid the products and services exclusion. For example, in *TJX Companies* (April 9, 2020) the proposal requested that the board commission an independent analysis of any material risks of continuing operations without a company-wide animal welfare policy or restrictions on animal-sourced products associated with animal cruelty. The company objected that the proposal was excludable as relating to sales of particular products, but the proponent effectively argued that the policy focus of the proposal on a clear, significant policy issue for the company caused the proposal to transcend ordinary business.

The current Proposal is also similar to the proposal in *J.P. Morgan Chase* (March 13, 2020) where the proposal asked the company to describe its plans to respond to rising reputational risks and questions about its involvement with Canadian oil sands production, oil sands pipeline companies, and Arctic oil and gas exploration and production. This was not found excludable under ordinary business because of its relation to a social policy issue, despite a relationship to *products and services* as in the current Proposal.

We see the same logic applied in *Bank of America Corporation* (February 23, 2006) where the proposal requested that the board develop higher standards for the securitization of subprime loans to preclude the securitization of loans involving predatory practices. Despite the focus on establishment of a *particular policy*, the Staff nevertheless found the proposal non-excludable under the ordinary business/products and services reasoning

Even a proposal that expressly seeks to ban a particular product or service of a company, a more restrictive approach than the current Proposal, may transcend ordinary business if it clearly focuses on a significant policy issue relevant to the company. For example, in *Amazon.com Inc.* (March 28, 2019) a proposal that was clearly directed toward a company product was found non-excludable. The proposal requested that the board prohibit sales of facial recognition technology to government agencies unless the board concludes, after an evaluation using independent evidence, that the technology does not cause or contribute to actual or potential violations of civil and human rights, and an ordinary business exclusion similar to the Company Letter on the current proposal was rejected. It was rejected again on request for reconsideration. The proponent noted: "The Company's Amazon Web Services (AWS) segment is the leading cloud computing company, and is integrating facial recognition software to its services, which the Proposals assert is being done at risk to civil liberties, privacy and public trust in the Company's products and services."

The same conclusion, not excludable on ordinary business, was also drawn on a second proposal at Amazon for the same proxy statement **which sought a report on the risks of the facial recognition technology rather than a ban on the technology**, very similar to the current Proposal, seeking an explication of civil and human rights risks associated with facial surveillance. *Amazon.com* (March 28, 2019).

Similarly, proposals seeking to halt the sale of food containing GMOs have been found not to be excludable as addressing ordinary business because of the transcendent policy issue - public concern about the use of and safety of GMOs. Relevant to the present matter is *Quaker Oats Company* (March 28, 2000), in which the proposal requested that the board (1) adopt a policy of removing genetically engineered crops, organisms, or products thereof from all products sold or manufactured by Quaker, where feasible, until long-term testing has shown that they are not harmful to humans, animals, and the environment, with the interim step of labeling and identifying these products, and (2) report to

shareholders on this issue. The Staff was unable to concur that the company was entitled to exclude the proposal in reliance on Rule 14a-8(i)(7), due to the presence of significant policy issues.

Another example is *Yahoo! Inc.* (April 5, 2011), where the proposal requested the company to formally adopt human rights principles to guide its business in China and other repressive countries. Despite the potential impact on products and services offered in China and elsewhere, the Staff concluded that the proposal focused on the significant policy issue of human rights and was therefore not excludable under Rule 14a-8(i)(7).

Analogous to the current proposal was the proposal in *Bank of America Corporation* (February 22, 2008) requesting a report to “describe and discuss how Bank of America’s implementation of the Equator Principles has led to improved environmental and social outcomes in its project finance transactions.” Bank of America argued that the proposal related to the company’s ordinary business operations, namely the extension of credit and credit decisions. The Staff concluded that exclusion of the proposal from proxy materials was not appropriate under any of the Exchange Act Rules offered by Bank of America Corporation. Similarly, in *Bank of America* (February 26, 2009) a proposal directly focused on requesting a report to shareholders evaluating with respect to practices commonly deemed to be predatory, the company’s credit card marketing, lending and collection practices and the impact these practices have on borrowers. Despite the focus on products and services, the prominence of predatory and subprime lending as an issue of concern transcended the ordinary business concern.<sup>23</sup>

In an attempt to support its arguments for exclusion, the Company Letter cites examples of proposals that narrowly focused on particular products and services where it involved shareholders only in nitty gritty decision making, such as: the sale of a particular film on Blu-ray in *The Walt Disney Company* (Nov. 23, 2015); the sale of glue traps in *The Home Depot Inc.* (Mar. 21, 2018); the sale of guns in *Walmart Stores Inc.* (March 20, 2014); the development of a vegetarian menu in *McDonald’s Corp.* (Mar. 9, 1990); the implementation of solar technology in *Pepco Holdings, Inc.* (Feb. 19, 2011); the sale of cat-kibble in *Procter & Gamble Co.* (July 15, 2009); the sale of pet birds in *PetSmart, Inc.* (Apr. 14, 2006); items sold in hotel gift shops in *Marriott International, Inc.* (Feb. 13, 2004); and research and marketing relating to specific approaches in *Nike, Inc.* (June 19, 2020).

The other examples cited in the Company Letter involved a more directive attempt to intervene in what are obviously the details of management decisions rather than policy or strategy. For example, in the case cited by the Company, *Eli Lilly and Co.* (Feb. 8, 1990), the proposal was found to be excludable under Rule 14a-8(i)(7) as it asked the Board of Directors as a body or through its designated agents to undertake a thorough study of the possibility of acquiring license rights, receiving FDA approval for the manufacture and distribution of, and developing a profitable market for an abortion pill in the United States. In contrast, the current Proposal does not attempt to direct the course of technology development but clearly allow for advice at an appropriate policy level.

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<sup>23</sup> Also see, *Kimberly-Clark Corp.* (Jan. 12, 1988); *Texaco, Inc.* (February 28, 1984); *American Telephone and Telegraph Company* (December 12, 1985); *Harsco Corporation* (January 4, 1993); *Firststar Corporation* (February 25, 1993).

## The Proposal clearly focuses on a societal impact of the Company

The recent Staff Legal Bulletin 14 L made it clear that a lead consideration for whether a proposal addresses a significant policy issue that transcends ordinary business is whether the proposal focuses on societal impacts.<sup>24</sup> As the Proposal notes, the Company is aware of the societal harms that may be caused by its products, but is choosing to maintain an insular approach rather than one that applies appropriate scrutiny of risks to society:

### Text of the Proposal:

**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.”**

The Proposal, from its resolved clause through its supporting statement and whereas clauses, is clearly addressing the significant policy issue posed by the Company’s development of the metaverse at scale, in which harms to its users also equate to harms to society.

The focus of the report, according to the Proposal, should be a summary of results of 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,
- whether harms can be mitigated or avoided, or are unavoidable risks inherent in the technology.

The Company faces significant concerns and risks in launching new technology models at a global level, because “harms to users” inevitably translates into externalities and social impacts. At the scale that the Company operates, “harms to users” seldom occur solely at the level of impact on individuals, but rather are globally scaled, existing within and across national and international boundaries. Therefore, the top-level strategic questions posed by the Proposal are significant social impacts and policy issues for the Company.

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<sup>24</sup> The bulletin notes: “Going forward, the staff will realign its approach for determining whether a proposal relates to “ordinary business” with the standard the Commission initially articulated in 1976, which provided an exception for certain proposals that raise significant social policy issues,<sup>3</sup> and which the Commission subsequently reaffirmed in the 1998 Release. This exception is essential for preserving shareholders’ right to bring important issues before other shareholders by means of the company’s proxy statement, while also recognizing the board’s authority over most day-to-day business matters. For these reasons, staff will no longer focus on determining the nexus between a policy issue and the company, but will instead focus on the social policy significance of the issue that is the subject of the shareholder proposal. In making this determination, the staff will consider whether the proposal raises issues with a broad societal impact, such that they transcend the ordinary business of the company.”

The Proposal also seeks further engagement by investors, encouraging the Company to seek a shareholder vote, “expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate.” Thus, the transparency of the assessment process is combined with an appraisal by the Company’s investors as to whether the current strategic direction is sound.

The Proposal presents an opportunity for shareholders to reckon with the social impact of a digital economy company that is known to have impact at a global scale. The sheer level of investment and the understanding of the Company’s extraordinary social impact invites this assessment of ethical and social impacts as the Company forges forward in a new direction. The Proposal is one possible solution to the current failings at the core of the Company’s governance and ethical systems – offering a means of external accountability that could bring a significant improvement in governance, ethics and foresight.

“I recognize the magnitude of this bet,” CEO Zuckerberg told financial analysts.<sup>25</sup> In essence, Mr. Zuckerberg is betting the company on this redirection; the social and ethical impacts of this strategic redirection are precisely the type of issue on which investors need to engage through the shareholder proposal process.

#### **Text of the Proposal:**

**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 10 billion dollars on metaverse investments in 2021, approximately 50 percent of capital expenditures, with additional future spending. Investors worry that without thorough due diligence on metaverse’s potential risks, shareholder value could suffer. After whistleblower testimony exposed Facebook’s governance failings, share value dropped 13 percent within six weeks.**

Rather than being “ordinary business,” Meta’s plan for the metaverse is among the most widely discussed and controversial topics in the world of business, technology and politics. U.S. Sen. Edward J. Markey has said: “Facebook wants us to start calling it Meta, but we’re just going to keep calling it what it is, a threat to privacy, democracy, and children.”<sup>26</sup>

Even though the metaverse plan was only announced in October 2021, it has already generated global concern from a large and diverse set of parties including regulators, legislators, corporate governance experts, technology analysts, social scientists and even the Company’s own employees. They have raised multiple alarms about Meta’s ability to develop and manage the plan responsibly.

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<sup>25</sup> [Janko Roettgers, Facebook's metaverse spending will top \\$10 billion this year, Protocol \(Oct. 25, 2021\), https://www.protocol.com/bulletins/facebook-metaverse-10-billion-dollars](https://www.protocol.com/bulletins/facebook-metaverse-10-billion-dollars)

<sup>26</sup> [Christiano Lima, Metaverse? These Internet Pioneers say we're still learning from Web 1.0, Washington Post \(Oct. 29, 2021\), https://www.washingtonpost.com/politics/2021/10/29/metaverse-these-internet-pioneers-say-were-still-learning-web-10/](https://www.washingtonpost.com/politics/2021/10/29/metaverse-these-internet-pioneers-say-were-still-learning-web-10/)

Meta is the same company that has created and run Facebook, a social media platform with about two billion daily users which has in recent years been the focus of global outrage for its documented track record of facilitating disinformation, fomenting online hate speech and extremism, enabling election interference, violating the privacy rights and human rights of millions, and causing multiple harms to individuals, including young people, all around the world.

The *Guardian* newspaper said in December 2021: “As Facebook faces continuing calls for accountability, its time as the wunderkind of Silicon Valley has come to a close and it has become a subject of bipartisan contempt.”<sup>27</sup>

*Politico* reports that Congressional offices are increasingly refusing to meet with Meta lobbyists, even on topics unrelated to metaverse products, due to revelations about Meta’s policies regarding civil and human rights in both its existing and promised future products.<sup>28</sup> This dynamic persists despite Meta spending record amounts on congressional lobbying in 2021.<sup>29</sup>

## **The Global Scale of Facebook and the Metaverse Project impose societal impacts**

One thing that distinguishes this company’s impact from others is scale. Because the Company is operating at a global scale, whatever it develops regarding the metaverse will affect humans and society on a global basis.

### **Text of the Proposal:**

**Yet, shareholders worry the metaverse will generate dystopian downsides and investment risk, given Facebook’s appalling track record addressing human and civil rights and privacy concerns affecting billions of people globally.[Emphasis added]**

The Proposal makes it clear that it is the scale of impact that makes these risks to users a matter of societal impact. The Company is conducting its entry to the design and development of the Metaverse at a global scale. As noted in the Proposal, the Company has reported spending \$10 billion in 2021 on the development of the Metaverse project. The impact of the Company’s rapid entrée to 3D/immersive technology space with an investment of \$10 billion - and so far, nothing much to show for it - has a number of key elements that make its entry into the space, by definition, a matter of global social impact.

“Move fast and break things” may have worked for the Company when it was a scrappy newcomer, but that philosophy is no longer functional at the scale Meta operates today. Because it operates at a global scale, the Company’s “move fast and break things” culture and philosophy has come into dissonance

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<sup>27</sup> [Kari Paul, \*Facebook’s very bad year. No, really, it might be the worst yet\*, \*The Guardian\* \(Dec. 29, 2021\), <https://www.theguardian.com/technology/2021/dec/29/facebook-capitol-riot-frances-haugen-sophia-zhang-apple>](https://www.theguardian.com/technology/2021/dec/29/facebook-capitol-riot-frances-haugen-sophia-zhang-apple)

<sup>28</sup> [Emily Birnbaum, \*Facebook’s meta-problem on Capitol Hill\*, \*Politico\* \(Oct. 29, 2021\), <https://www.politico.com/news/2021/10/29/facebook-capitol-hill-problem-517474>](https://www.politico.com/news/2021/10/29/facebook-capitol-hill-problem-517474)

<sup>29</sup> [Cat Zakrzewski, \*Tech companies spent almost \\$70 million lobbying Washington in 2021 as Congress sought to rein in their power\*, \*Washington Post\* \(Jan. 21, 2021\), <https://www.washingtonpost.com/technology/2022/01/21/tech-lobbying-in-washington/>](https://www.washingtonpost.com/technology/2022/01/21/tech-lobbying-in-washington/)

with a fundamental ethical challenge. It has evolved within a rudderless, ethically and socially inept form, in which the external controls anticipated by governments have so far proven unable to keep pace with the amount of damage posed by its technical interventions and continual scaling. In light of its seeming lack of an internal ethical compass, the Company has attempted to cast the problem as one that must be addressed by society, not by the Company. Beginning in 2020, CEO Mark Zuckerberg began urging society to regulate the Company, to place the ethical onus outside of its responsibility. The metaverse project seems a repetition of this model and mindset in which the Proponent believes that the Company has invested far too little in developing the ethical principles and standards, or mechanisms of governance, internally sufficient to contain the *breakage* that its technologies impose.

As the Proposal states, the social impact concerns are by no means hypothetical:

**Text of the Proposal:**

**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. Investors question Meta’s social license to operate an emerging technology like the metaverse in the face of anti-trust litigation, whistleblower testimony, congressional hearings, and poor governance practices.**

Here, the social and ethical issue is quite clear. There is ample evidence on the record that this is not a company that is governing and managing technology development in a manner that is harmonizing the Company’s scaled technological opportunism along with the impact it has on its users and on the world.

The metaverse is recognized to pose significant new opportunities for two fundamental categories of societal impact – the potential for weaponization and abuses of the technology by malevolent actors, and generalized impacts on how humans live and understand ourselves.

## **How might the new technology be weaponized?**

As the Facebook experience has shown, even a minority of malevolent users can—and have—caused major harm, making Facebook one of the most prominent examples in the current era of how a firm can fail to anticipate and prevent its worst-case scenarios.<sup>30</sup>

Complete foresight and prevention of harm is generally viewed as impossible, but a thoroughgoing assessment of the risks and a demonstration that the company has an effective strategy for addressing the risks is completely within reach and appropriate for an investor request.

Meta’s Chief Technical Officer is aware of the significant dangers posed by the metaverse and how “practically impossible” it may be to ameliorate those risks. Meta employees echo that concern. In November 2021, the *Financial Times* published a story with the headline: “How will Facebook keep its metaverse safe for users?” The story focused on an internal corporate memo written by Andrew Bosworth, the Chief Technology Officer of Meta. The *Financial Times* reported.<sup>31</sup>

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<sup>30</sup> Taneja, *supra* note 8.

<sup>31</sup> [How will Facebook keep its metaverse safe for users?, Financial Times \(Nov. 12, 2021\), https://www.ft.com/content/d72145b7-5e44-446a-819c-51d67c5471cf](https://www.ft.com/content/d72145b7-5e44-446a-819c-51d67c5471cf)

“The man leading Facebook’s push into the metaverse has told employees he wants its virtual worlds to have ‘almost Disney levels of safety’, but also acknowledged that moderating how users speak and behave ‘at any meaningful scale is practically impossible’.

“Andrew Bosworth, who has been steering a \$10 billion-a-year budget to build ‘the metaverse’, warned that virtual reality can often be a ‘toxic environment’ especially for women and minorities, in an internal memo from March seen by the Financial Times.

“He added that this would be an ‘existential threat’ to Facebook’s ambitious plans if it turned off ‘mainstream customers from the medium entirely’.

“The memo sets out the enormous challenge facing Facebook, which has a history of failing to stop harmful content from reaching its users, as it tries to create an immersive digital realm where people will log on as 3D avatars to socialize, game, shop and work.

“Bosworth, who will take over as Facebook’s chief technology officer next year, sketched out ways in which the company can try to tackle the issue, but **experts warned that monitoring billions of interactions in real time will require significant effort and may not even be possible.** Reality Labs, the division headed by Bosworth, currently has no head of safety role.” [Emphasis Added]

Current and former Meta employees confirm that concern. According to reporting by Vox:<sup>32</sup>

“Even some of Facebook’s own employees, according to internal company communications viewed by Recode, are concerned about the metaverse — as reflected by questions several employees asked ahead of a weekly staff Q&A on Facebook’s internal communications platform, Workplace. One question, which was highly upvoted by employees, was, ‘How could we avoid a dystopian reality, where the metaverse is used as an ‘opium for the masses?’” Another highly ranked question asked, ‘**How will we meaningfully put safety, integrity, and responsibility first in the Metaverse? We barely are able to cover the real world today.**’” [Emphasis Added]

In November 2021, a Facebook VR product executive named Mark Lucovsky left his job at Meta. In a note to The Information, Lucovsky wrote, “I made my decision to leave Facebook after the 60 Minutes interview [with Facebook whistleblower Frances Haugen] on 10/4, subsequent readings of the material supplied to the SEC, and the company’s new metaverse-centric focus.”<sup>33</sup>

In short, there is significant internal doubt at Meta regarding the safety of what it is plowing forward to do, and yet the opposition to the current Proposal reflects a continued effort by the company to insulate its strategic direction rather than to enlist investors as allies in making some hard strategic choices.

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<sup>32</sup> [Ghaffary, supra note 5.](#)

<sup>33</sup> [Sylvia Varnhan O’Regan, Meta Platforms Halts VR and AR Operating System Project, The Information \(Jan. 5, 2022\), https://www.theinformation.com/articles/meta-platforms-halts-vr-and-ar-operating-system-project?rc=zja0lf](https://www.theinformation.com/articles/meta-platforms-halts-vr-and-ar-operating-system-project?rc=zja0lf)



## Metaverse users face routine harassment and significant threats to personal safety

Below are just a few examples:

- [I]f the history of social media can teach us anything, it's that harassment will be another concern that must be addressed for users to feel safe in the metaverse. And the problem could be complicated by factors in the virtual environment itself. In a virtual world, the ability to "get somebody out of your face" is hampered, [Josh] Yavor [formerly the head of corporate security at Facebook's Oculus virtual reality business] said. "You have no sense of bodily autonomy, and there's no way to put your arm out and literally keep them at arm's length. How do we solve for that?"<sup>34</sup>
- Researchers say a number of novel security risks in the metaverse environment can be anticipated as well, some with a potential for real-world, physical consequences. "Right now, we look at screens. With the metaverse, the screens are so close to our eyes that it makes us feel that we are inside of it," according to Ibrahim Baggili, a professor of computer science at the University of New Haven. "If we can control the world someone is in, then we can essentially control the person inside of it."<sup>35</sup>
- According to Meta, on November 26, a beta tester reported something deeply troubling: she had been groped by a stranger on Horizon Worlds. On December 1, Meta revealed that she'd posted her experience in the Horizon Worlds beta testing group on Facebook... It's not the first time a user has been groped in VR—nor, unfortunately, will it be the last. But the incident shows that until companies work out how to protect participants, the metaverse can never be a safe place... The question is: Whose responsibility is it to make sure users are comfortable? Meta, for example, says it gives users access to tools to keep themselves safe, effectively shifting the onus onto them.<sup>36</sup>
- Katherine Cross, who researches online harassment at the University of Washington, says that when virtual reality is immersive and real, toxic behavior that occurs in that environment is real as well. "At the end of the day, the nature of virtual-reality spaces is such that it is designed to trick the user into thinking they are physically in a certain space, that their every bodily action is occurring in a 3D environment," she says. "It's part of the reason why emotional reactions can be stronger in that space, and why VR triggers the same internal nervous system and psychological responses."<sup>37</sup>
- Harassment, assaults, bullying and hate speech already run rampant in virtual reality games, which are part of the metaverse, and there are few mechanisms to easily report the misbehavior, researchers said. In one virtual reality game, VRChat, a violating incident occurs about once every seven minutes, according to the nonprofit Center for Countering Digital Hate.

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<sup>34</sup> [Kyle Alspach, \*Why the fate of the metaverse could hang on security\*, Venture Beat \(Jan. 26, 2022\), https://venturebeat.com/2022/01/26/why-the-fate-of-the-metaverse-could-hang-on-its-security/](https://venturebeat.com/2022/01/26/why-the-fate-of-the-metaverse-could-hang-on-its-security/)

<sup>35</sup> [Id.](#)

<sup>36</sup> [Tanya Basu, \*The metaverse has a groping problem already\*, MIT Technology Review \(Dec. 16, 2021\), https://www.technologyreview.com/2021/12/16/1042516/the-metaverse-has-a-groping-problem/](https://www.technologyreview.com/2021/12/16/1042516/the-metaverse-has-a-groping-problem/)

<sup>37</sup> [Id.](#)

[...] Misbehavior in virtual reality is typically difficult to track because incidents occur in real time and are generally not recorded.<sup>38</sup>

- Mr. Zuckerberg, who appears aware of questions about the metaverse's harms, has promised to build it with privacy and safety in mind. Yet even his own lieutenants have wondered whether they can really stem toxic behavior there.<sup>39</sup>

These issues of human and civil rights are the kind of issues that are appropriate for investor oversight and inquiry. As an example of their link to external standards that drive such a consideration, the UN Guiding Principles on Business and Human Rights require human rights due diligence at the product design phase:

"Human Rights Due Diligence should take place early and often throughout product design, development and use: It is intended to be preventative and should therefore be conducted early including in the idea, design, and development phase. This should include situations when so called Minimum Viable Products are developed, tested and refined. As the UNGPs note "Human rights due diligence should be initiated as early as possible in the development of a new activity or relationship, given that human rights risks can be increased or mitigated" at that stage."(Commentary to UNGP 17)."<sup>40</sup>

## **How will the technology alter the course of human identity, society and civilization?**

Among other things, the Proposal asks for an assessment of the psychological impact of the Metaverse project. Numerous observers have noted the many pathways for mental health impacts of the Metaverse project:

- "The problem we run into so far is that these platforms have not been designed with their safety in mind or their development only. I would expect that the same will be true of the metaverse. One of the biggest things that we see is it's not so much the technology itself that is harmful, but the anxiety, the conflict it creates within families, within people's perceptions that it's harmful. The more rapidly this all develops, the higher the anxiety is going to be among parents. To reduce the conflict and anxiety, there's going to have to be purposeful design and attention paid to what will be a huge share of young users in these new settings."  
– Candice Odgers, professor of psychological science, University of California, Irvine<sup>41</sup>

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<sup>38</sup> [Sheera Frenkel & Kellen Browning, \*The Metaverse's Dark Side: Here Come Harassment and Assaults\*, N.Y. Times \(Dec. 30, 2021\), https://www.nytimes.com/2021/12/30/technology/metaverse-harassment-assaults.html](https://www.nytimes.com/2021/12/30/technology/metaverse-harassment-assaults.html)

<sup>39</sup> [Id.](#)

<sup>40</sup> <https://www.ohchr.org/Documents/Issues/Business/B-Tech/key-characteristics-business-respect.pdf>

<sup>41</sup> [Benoit Morene, \*The Metaverse's Effects on Mental Health: Trivial or Troubling?\*, Wall Street Journal \(Jan. 9, 2022\), https://www.wsj.com/articles/the-metaverses-effects-on-mental-health-trivial-or-troubling-11641740414](https://www.wsj.com/articles/the-metaverses-effects-on-mental-health-trivial-or-troubling-11641740414)

- Today’s social media platforms are already dangerous for some kids and teens. Virtual reality’s level of immersion could make those problems even worse, says Albert “Skip” Rizzo, a psychologist who serves as the director for medical virtual reality at USC’s Institute for Creative Technologies. “There’s a potency about being immersed in a world that is different than observing and interacting...through a flat screen monitor,” Rizzo says. “Once you’re actually embodied in a space, even though you can’t be physically touched, we can be exposed to things that take on a level of realism that could be psychologically assaulting.”<sup>42</sup>

On February 16th, 2022, three U.S. lawmakers submitted a letter to the Federal Trade Commission asking it to monitor the potential threats to children who use VR products and platforms for the sake of “protect[ing] children in the metaverse:”

As VR consumer electronic offerings become increasingly popular and as leading technology companies that have historically failed to protect children announce plans to expand their businesses into the “metaverse,” we urge the Federal Trade Commission... to ensure children are protected from the potential harms of these technologies. [...] Children’s increasing use of VR warrants serious concerns about new threats to young users’ wellbeing. Many VR platforms and headsets currently do not have basic parental controls, and reports point to harms such as harassment and unsafe content in the metaverse. Additionally, VR companies’ plans to present commercial advertisements in the metaverse could lead to harmful marketing practices that may be inherently manipulative of children.<sup>43</sup>

We cannot predict all the ways in which the metaverse might adversely change our psychology and behavior, but the Company ought to be informed by the best available information. Philosopher and cognitive scientist L.A. Paul, who studies transformative experience, has been asking deeper questions about the metaverse project and how it will ultimately affect users:<sup>44</sup>

[B]y creating these technologies without actually thinking carefully about how they’re affecting us, the end result could be quite significantly different. We would change who we are in a permanent sense, and in a way lose track then of the values that we once had. Is that the kind of society that we want to have? That’s an open question, which I think we should consider. .... the real question is how do you understand the new preferences and the new values that we’re going to emerge with after this process?

While Facebook has channeled our social connections and information streams via its algorithms, creating polarized echo chambers and a new level of tribalism in society, the metaverse will open the possibility of people spending so much time in a fully virtual three-dimensional space that their relationship with the material world may be altered. The embodied sense and capacity to understand

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<sup>42</sup> [Tom Huddleson Jr., ‘This is creating more loneliness’: The metaverse could be a serious problem for kids, experts say, CNBC \(Jan. 31, 2022\), https://www.cnbc.com/2022/01/31/psychologists-metaverse-could-be-a-problem-for-kids-mental-health.html](https://www.cnbc.com/2022/01/31/psychologists-metaverse-could-be-a-problem-for-kids-mental-health.html)

<sup>43</sup> [https://www.markey.senate.gov/imo/media/doc/letter to ftc - vr and children.pdf?utm\\_campaign=wp the technology 202&utm\\_medium=email&utm\\_source=newsletter&utm\\_pisrc=nl technology202](https://www.markey.senate.gov/imo/media/doc/letter%20to%20ftc%20-%20vr%20and%20children.pdf?utm_campaign=wp_the_technology_202&utm_medium=email&utm_source=newsletter&utm_pisrc=nl_technology202)

<sup>44</sup> *Your Undivided Attention Podcast Episode 39: Do You Want To Become A Vampire?* Center for Humane Technology (Aug. 12, 2021), <https://www.humanetech.com/podcast/39-do-you-want-to-become-a-vampire>

what is true and real will become even more unreliable, manipulable and distorted than it has been in the Facebook era.

As such, the risks related to the metaverse are an issue of ESG disclosure and performance that is of fundamental interest to shareholders. The Proponent believes that it is truly a shame that the Company is resisting this proposal, because its investors can be essential allies in generating a form of ethical and long-term clarity, demonstrating that it has a genuine connection to the interests of the long-term and of the kind of society that it is creating.

## CONCLUSION

Ultimately, the ability of a shareholder proposal to produce beneficial change at a corporation is grounded in a fundamental test – whether shareholders vote in favor of the proposal. This inevitably turns on shareholders’ assessment of whether the proposal will protect and/or advance value on a short- or long-term basis, whether at the individual company or across the economy.

It is fair to say that some investors now see the Company as endangered by current leadership – a giant company lost in a sea of issues and opportunities — operating at a gargantuan and dangerous scale and by a CEO who has seemed duplicitous, reckless and unaccountable. Investors should not sit by idly while the Company drives the engine of its operations and technologies with only a “move fast and break things” outlook. This approach has already proven hazardous to the Company and civilization.

In this context, the Proposal recommends an appropriate intervention by investors – the opportunity for investors to ask that the Company scale up the process of foresight and assessment of impacts of the new technologies to guide the process before it is launched at a global scale that may well become unmanageable and unregulatable, while eroding shareholder value. The Proposal provides an alternative to having society’s fate determined by Mark Zuckerberg and helps ensure that investors are provided a clear-eyed assessment of the impacts and a transparent opportunity to evaluate and advise before Mr. Zuckerberg’s metaverse becomes a technological juggernaut that passes the point of no return.

It is natural for shareholders to intervene in this manner and ask the big strategic questions that need to be answered – are we better off with this technology or not? Will the technology create harm to society and shareholders? Investors have a duty to engage with foresight, as representatives of the long-term interests of the Company and the society on which it depends and in which it operates.

The current Proposal transcends the ordinary business of Meta Platforms, Inc. under Rule 14a-8(i)(7). It does not seek to micromanage the company. This proposal presents a clear opportunity for the Company’s investors to engage in favor of a more ethically guided horizon, one that considers the impact on humans in a way that the development of Facebook did not. We urge the Staff to deny the no action request.

# PROPOSAL

## Assessment of Metaverse User Risk and Advisory Shareholder Vote

**Resolved:** Shareholders request the Board of Directors commission a report and seek an advisory shareholder vote on its metaverse project. The report should summarize results of a third-party assessment of:

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

After the report's publication, the Company should seek a shareholder vote, expressing non-binding advisory approval or disapproval of the metaverse project, advising the board and management whether investors consider continued implementation of the metaverse platform to be prudent or appropriate.

**Supporting Statement:** Shareholders recommend the report be prepared at reasonable cost, omitting confidential and proprietary information, by an independent third-party, at the conclusion of an initial metaverse development phase (e.g. after one year of development).

**Whereas:** Our Company - formerly Facebook, now Meta Platforms - is betting its future on the metaverse, an immersive virtual world where people can socialize, play, and work. CEO Mark Zuckerberg has told analysts: "I expect people will transition from seeing us primarily as a social media company to seeing us as a metaverse company."

Yet, shareholders worry the metaverse will generate dystopian downsides and investment risk, given Facebook's appalling track record addressing human and civil rights and privacy concerns affecting billions of people globally.

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."

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. Investors question Meta's social license to operate an emerging technology like the metaverse in the face of anti-trust litigation, whistleblower testimony, congressional hearings, and poor governance practices.

Mr. Zuckerberg has said the metaverse will require "new forms of governance," but has provided scant detail, while simultaneously overseeing poor corporate governance practices at Meta as CEO, chairman, and controlling shareholder. Governance experts Quinta Jurecic and Alan Rozenshtein write: "Unfortunately, nothing in Facebook's history suggests that it will be a good steward to navigate these challenges."

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 10 billion dollars on metaverse investments in 2021, approximately 50 percent of capital expenditures, with additional future spending. Investors worry that without thorough due diligence on metaverse's potential risks, shareholder value could suffer. After whistleblower testimony exposed Facebook's governance failings, share value dropped 13 percent within six weeks.