

Engagement and voting in action

Data Privacy & Responsible Technology: Meta



Engaging with investee companies is one of the most important parts of our jobs at AXA IM. We believe the dialogue we have with them has real potential to effect change – that’s why we place so much emphasis on stewardship.

When it comes to stewardship and engagement, many people immediately think of the work undertaken to help traditional markets and industries adapt their business models to the demands of the modern world.

However, stewardship is equally important for growing markets, helping to shape and define best practice in fast-changing industries such as consumer technology. These businesses move at speed, and require high level engagement around a number of issues relating to privacy and human rights.

Data mining and its subsequent monetisation has fuelled the rapid growth of tech companies over the past decade. This is the core business model for technology platforms which now find themselves under intense scrutiny from users and regulators.¹

At AXA IM, we carry out extensive work to encourage responsible practices around data privacy and work proactively to support shareholder initiatives such as ‘Collaborative Initiative Tech Giants and Human Rights Investor Expectations’ from The Council of Ethics of the Swedish National Pensions Fund in 2021.

Our engagement work with Meta largely relates to the company’s ongoing issues around data privacy and does not represent AXA IM’s view of the investment credentials of the company, which continues to drive innovation and set new standards in its sector.

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¹ <https://www.visualcapitalist.com/how-big-tech-makes-their-billions-2022/>

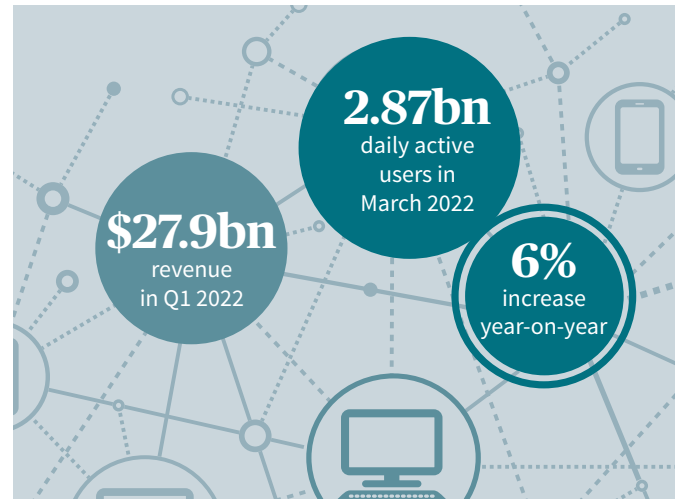
The Context

We started engaging with Meta – formerly called Facebook – in 2019 on data privacy and human rights issues. As a tech giant whose revenues are largely dependent on the collection of users’ personal data, the company was part of our engagement focus list in 2021 and 2022.

Meta states it builds technologies that ‘help people connect, find communities, and grow businesses.’ The social networking site Facebook launched in 2004 and the Company also owns the popular social media apps Messenger, Instagram and WhatsApp.

The company is now moving beyond 2D screens toward immersive experiences like augmented and virtual reality to help build the next evolution in social technology. The ‘Metaverse’ is of particular interest to us, as we recognize the increased risks and challenges which may arise around increasingly targeted advertising in this new platform.

Meta - key figures



The Challenge

Meta’s business model has evolved rapidly since it was founded, and the company’s growth has been dogged by a number of high profile data breaches such as the Cambridge Analytica scandal which involved the harvested Facebook data of 87 million people used for advertising during elections.²

Our research found companies collecting personal data were exposed to serious risks spanning regulatory, operational and

reputational issues. We found a fine line separating success from failure in terms of privacy policies and practices. This is what framed our 2021 and 2022 engagement discussions.

As a global asset manager with extensive investments in the technology sector, we believe we have a role to play in encouraging and defining best practice around data use, thus helping protect clients from associated investment risks.

Influencing Change – Our Approach

Stewardship is the bedrock of responsible investment and we believe that engagement and dialogue are the best ways to effect change. Our first priority is always to enable a transformation so we began addressing the challenges facing tech firms by examining various data privacy practices.

key data privacy practices



Transparency in public reports on data privacy policies and practices



Oversight of the issue at Board level



Data collection minimisation (adequate, relevant and limited to a company’s specific purposes)



Privacy as default – ensuring that user data is protected as standard

There are growing concerns around the potential negative human rights and societal impacts of big tech firms, such as the misuse of personal data in relation to advertising and the dissemination of fake news via social media networks. In relation to this and issues around the public’s trust levels with these companies, we expanded our discussions with the firms to address it head-on. We believe the public’s trust underpins the tech companies’ sustainable, long-term value creation and is therefore of huge strategic importance to driving shareholder value.

We started engaging with Meta in 2019 on data privacy and human rights issues. Théo Kotula Responsible Investment Analyst said: “Our main objectives for Meta are to strengthen Board oversight of data privacy and human rights issues, increase transparency and reporting on these risks, and to take concrete steps to address recurrent related controversies.”

² <https://www.theguardian.com/technology/2018/apr/08/facebook-to-contact-the-87-million-users-affected-by-data-breach>

Some of our objectives have been met. For example, Meta established a privacy committee at Board level and set-up the Oversight Board in 2020. However, we felt there is much more work to be done, and we continued to engage with management on these issues.

To reach our engagement objectives, we have supported a number of shareholder resolutions and voted against management on shareholder proposals relating to board elections and policies on data privacy in 2021 and 2022. We met with Meta Platforms to discuss these resolutions before the company’s 2022 AGM. Unconvinced by the responses we received, we continued to support shareholder resolutions on community standards enforcement, in addition to voting with shareholders on other issues including third party human rights assessments and child sexual exploitation online.

A key focus of our 2022 activity has been to vote for shareholder resolutions which promote independent board governance to improve Meta’s reporting and progress against social issues.

key areas of engagement



Community standards



Third party human rights



Child sexual exploitation



Charity payments and lobbying activity

Next Steps and Learnings

To date, Meta has made efforts to improve and update its policies and practice, but the most critical point raised was left unanswered: we still consider that it does not properly address the structural issues and recurring controversies it faces. Therefore, we will continue to adapt our voting decisions and seek to engage with Meta outside of AGMs to push for further commitments. We will also work with other investors to file further resolutions and to push the company to make further commitments as part of our involvement with the Investor Alliance for Human Rights.

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