



**IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE**

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EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF RHODE ISLAND,  
KIWI INVESTMENT MANAGEMENT  
WHOLESALE CORE GLOBAL FUND,  
KIWI INVESTMENT MANAGEMENT  
GLOBAL QUANTITATIVE FUND,  
CLEVELAND BAKERS AND  
TEAMSTERS PENSION FUND,  
derivatively on behalf of META  
PLATFORMS, INC.,

Plaintiffs,

vs.

MARK ZUCKERBERG, SHERYL K.  
SANDBERG, PEGGY ALFORD, MARC  
L. ANDREESSEN, ANDREW W.  
HOUSTON, NANCY KILLEFER,  
ROBERT M. KIMMITT, TRACEY T.  
TRAVIS, TONY XU, ERSKINE B.  
BOWLES, KENNETH I. CHENAULT,  
SUSAN D. DESMOND-HELLMANN,  
REED HASTINGS, JAN KOUM, PETER  
THIEL, JEFFREY D. ZIENTS, ANDREW  
BOSWORTH, MIKE SCHROEPFER,  
CHRISTOPHER K. COX, DAVID M.  
WEHNER, NICK CLEGG, JENNIFER G.  
NEWSTEAD,

Defendants,

-and-

META PLATFORMS, INC.,

Nominal Defendant.

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C.A. No. 2023-0304-JTL

**VERIFIED SHAREHOLDER  
DERIVATIVE COMPLAINT**

**PUBLIC VERSION  
DATED MARCH 20, 2023**

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## **GLOSSARY OF ABBREVIATIONS**

<b>Abbreviation</b>	<b>Description</b>
AROC	Audit & Risk Oversight Committee
CEI	Child Exploitative/Exploitation Imagery
CNCEI	Child Nudity/Child Exploitative Images
CSAM	Child Sexual Abuse Material
DQ	Data Quality
FB	Facebook
FOSTA	Fight Online Sex Trafficking Act
GTM	Ground Truth Machine
HEX	Human Exploitation
IG	Instagram
MS	Minor Sexualization
MSGR	Facebook Messenger
SESTA	Stop Enabling Sex Traffickers Act
TVPA	Trafficking Victims Protection Act

Plaintiffs Employees' Retirement System of the State of Rhode Island, Kiwi Investment Management Wholesale Core Global Fund, Kiwi Investment Management Global Quantitative Fund, and Cleveland Bakers and Teamsters Pension Fund (collectively, "Plaintiffs"), by their undersigned attorneys, derivatively and on behalf of Nominal Defendant Meta Platforms, Inc. ("Meta" or the "Company"), file this Verified Shareholder Derivative Complaint against Defendants for breaches of fiduciary duty owed to the Company. Plaintiffs make the following allegations based upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters, based on the investigation conducted by their attorneys. This investigation included, among other things, a review of documents produced by Meta in response to books-and-records demands under 8 *Del. C.* § 220 made by Meta stockholders; the Company's conference calls, announcements and press releases; filings made by the Company with the U.S. Securities and Exchange Commission ("SEC"); whistleblower complaints filed with the SEC and published by national news media; corporate governance documents available on the Company's website; governmental and regulatory investigations of the Company and documents related thereto; judicial decisions by federal and state courts in criminal and civil lawsuits against or



discussing Meta; Congressional testimony; and news reports concerning the Company.<sup>1</sup>

### NATURE OF THE ACTION

1. This case concerns the breaches by Meta’s directors (“Board”) and senior officers of their fiduciary duties with respect to the rampant and systemic sex trafficking, human trafficking, and child sexual exploitation flourishing on the Company’s social media platforms, including Facebook and Instagram.

2. As described more fully below, Meta’s directors and senior executives have been well aware for years that sex/human trafficking and child sexual exploitation were rampant on Facebook and Instagram. Senior officers, however, failed to exercise due care to root out these pernicious activities, and both the Company’s officers and the Board failed to act in good faith to exercise oversight over the Company’s social media platforms and the predatory criminal activity thriving on them.

3. In this shareholder derivative action, Plaintiffs, on behalf of Meta, seek to recover for the harm sustained by the Company as a result of the breaches of fiduciary duty by the Company’s directors and officers.

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<sup>1</sup> All emphasis herein (*bold/italics*) is added unless otherwise noted.

4. An accumulating mass of evidence shows that for the past decade, Meta’s platforms have assisted, supported, and facilitated perpetrators of widespread systemic sex trafficking, human trafficking, and child sexual exploitation that has occurred on a massive scale on Meta’s platforms in the United States and worldwide. The victims are Facebook and Instagram users—both minors and adults—whose lives are forever devastated. The perpetrators are often organized human trafficking “rings” that systematically use Meta’s platforms to lure, recruit, exploit, and even advertise their victims for trafficking. Substantial evidence demonstrates that although the Board and management have known about this increasing trend, both management and the Board have consciously turned a blind eye to sex trafficking, human trafficking, and child sexual exploitation occurring on Meta’s platforms. The conduct of Meta’s Board and management is unconscionable; and in the face of this evidence, the Board’s and management’s utter failure to monitor or oversee this problem, to educate themselves about its scope, or even to discuss it *in any meeting at all*—constitute breaches of their fiduciary duties to the Company and its shareholders.

5. As discussed below, evidence of widespread sex trafficking and other human trafficking on Meta’s platforms, and of the Board’s inadequate or nonexistent response to that trend, is overwhelming and well documented by numerous reliable sources.

6. *First*, in October 2019, *BBC News Arabic* published the results of its undercover investigation which revealed that “[i]n Saudi Arabia, hundreds” of “women [were] being sold on Instagram, which is owned by Facebook” in what a United Nations official described as “promoting an online slave market” and “the quintessential example of modern slavery,” and commented that “[i]f Facebook or any other companies are hosting apps like these, they have to be held accountable.” In response, on October 23, 2019, Meta “received [a] communication from Apple” in which Apple “threatened to pull FB & IG apps from its App Store due to them identifying content promoting ‘domestic servitude.’” According to Meta’s internal records, management concluded that the Company had been “*underreporting this behaviour*”; suffered from an “*absence of proactive detection*”; that “*newly created and existing [domestic servitude] content [was] not captured*” which “*meant that domestic servitude content remained on the platform*”; had been “*under-enforcing on confirmed abusive activity with a nexus to the platform*”; and that internal “*investigative findings demonstrate that our platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks*. The traffickers, recruiters, and facilitators from these ‘agencies’ used FB profiles, IG profiles, Pages, Messenger, and WhatsApp.”<sup>2</sup>

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<sup>2</sup> See Section II.F *infra*.

7. **Second**, a June 8, 2021 report by the Human Trafficking Institute found that the majority of online sex trafficking in 2020 occurred on Facebook and Instagram.<sup>3</sup> Similarly, a June 16, 2022 report by the same organization again found that the majority of sex trafficking occurs online with Facebook and Instagram together accounting for the majority of online sex trafficking in 2019, 2020, and 2021. Likewise, according to the U.S. State Department, “in 2018 trafficking gangs increasingly used social media sites, particularly Facebook, to buy and sell women and girls for sex and labor exploitation.”<sup>4</sup>

8. **Third**, between 2013 and 2023, U.S. federal and state courts have issued at least 70 written decisions in criminal and civil cases involving sex trafficking that occurred on Meta’s platforms.<sup>5</sup> Between 2009 and 2022, U.S. newspapers and media outlets published at least 175 articles detailing how sex traffickers—often organized trafficking “rings”—have systematically used Meta’s platforms (including Facebook, Facebook Messenger, Instagram, and WhatsApp) to commit heinous crimes.<sup>6</sup>

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<sup>3</sup> See Section II.M *infra*.

<sup>4</sup> See Section II.K *infra*.

<sup>5</sup> See Section II.B *infra*. See also Exhibit 2.

<sup>6</sup> See Section II.A *infra*. See also Exhibit 1.

9. **Fourth**, between 2012 and 2023, at least 129 federal and state courts issued written decisions in criminal and civil cases involving child sexual exploitation on Meta’s platforms.<sup>7</sup> U.S. news and media outlets have also widely reported on the raging epidemic of child sexual exploitation occurring openly and unchecked on the Company’s platforms. For example, in March 2022, a college professor described in *WIRED* magazine how her searching for “Facebook groups with names including 10, 11, or 12” concerning “the 10th, 11th, or 12th wards of the city of Pittsburgh” yielded dozens of “groups targeting children of those ages” with “over 81,000 members” openly soliciting children for sexual exploitation.<sup>8</sup> One 9,000-member group appearing in the search results was named “Buscando novi@ de 9,10,11,12,13 años”—i.e., “[l]ooking for a 9-year-old girlfriend.” Yet, when she “used Facebook’s on-platform system” to report this group, an “automated response came back” stating “[t]he group had been reviewed and did not violate any ‘specific community standards.’” And despite (or because of) her reporting this group, along with others, Facebook’s AI algorithms caused “new child sexualization groups” to be “recommended to [her] as ‘Groups You May Like.’”

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<sup>7</sup> See Section II.C *infra*. See also Exhibit 3.

<sup>8</sup> See Section II.C *infra*.

10. ***Fifth***, in the midst of this trend, recent federal legislation, known as FOSTA-SESTA, clarified that internet service providers such as Meta can be held liable for intentionally facilitating sex trafficking on their platforms.<sup>9</sup> Indeed, a June 2021 decision by the Supreme Court of Texas held that Section 230 of the Communications Decency Act (“CDA”), 47 U.S.C. § 230, did not bar claims against Facebook by victims of sex trafficking under the Texas human trafficking statute.<sup>10</sup> The U.S. Supreme Court denied Facebook’s petition for writ of certiorari on March 7, 2022.<sup>11</sup>

11. ***Sixth***, during 2018, 2019, and 2020, Mark Zuckerberg (“Zuckerberg”)—Meta’s co-founder, Chairman, Chief Executive Officer (“CEO”), and controlling shareholder—repeatedly testified before Congress and publicly discussed the subject of sex trafficking connected to Meta. The Company (and its Board) thus has been well aware of the increasing use of its platforms by sex traffickers and the devastating consequences for victims.<sup>12</sup>

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<sup>9</sup> See Section I.C *infra*.

<sup>10</sup> See Section II.P *infra*.

<sup>11</sup> See *Doe v. Facebook, Inc.*, (“*Facebook Cert.*”), 142 S. Ct. 1087 (2022) (Thomas, J).

<sup>12</sup> See Sections II.D, II.E, II.G *infra*.

12. **Seventh**, on September 16, 2021, *The Wall Street Journal* reported that “[s]cores of internal Facebook documents” revealed that although Facebook employees had flagged human traffickers using its network, the Company’s response had been “[w]eak,” “inadequate or **nothing at all**.”<sup>13</sup> For example, said employees concluded that “Facebook products facilitated each step” of a “bustling human-trafficking trade in the Middle East,” which “criminal networks recruit[ed] people from poor countries, coordinat[ed] their travel and pu[t] them into . . . forced sex work in the United Arab Emirates and other Persian Gulf countries.” In another example, Facebook employees discovered a large sex trafficking “ring that used the site to recruit women from Thailand and other countries. They were held captive, denied access to food and forced to perform sex acts in Dubai massage parlors, according to an internal investigation report. Facebook removed the posts but didn’t alert local law enforcement.”

13. **Eighth**, on October 3, 2021, former Facebook employee Frances Haugen appeared on the broadcast *60 Minutes*. On October 4, 2021, CBS’s *60 Minutes* published eight whistleblower complaints that Ms. Haugen filed with the SEC, one of which alleged that Meta “misled investors and the public about its promotion of human trafficking / slavery / servitude.”<sup>14</sup> One of the internal

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<sup>13</sup> See Section II.Q *infra*.

<sup>14</sup> See Section II.R *infra*.

documents that Ms. Haugen provided to the SEC, dated October 2019, discussed “human trafficking” occurring on Meta’s various platforms in the form of “domestic servitude” and “human exploitation.”

14. *Ninth*, in response to Plaintiffs’ books-and-records demands pursuant to 8 *Del. C.* §220, Meta produced Board-level documents revealing, among other things, that the Board has acknowledged [REDACTED] as one of the [REDACTED] the Company did not yet [REDACTED] and for which [REDACTED] but did not [REDACTED]

[REDACTED]<sup>15</sup>

15. *Tenth*, despite publicly stating that “[w]e deploy technology across all of our platforms to proactively surface illegal child exploitative content as we can, including through detection technology, machine learning and artificial intelligence techniques,”<sup>16</sup> Meta’s documents reveal that it internally acknowledged to the Board that the [REDACTED]

[REDACTED]  
[REDACTED]

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<sup>15</sup> See Part III *infra*.

<sup>16</sup> See Section II.J *infra*.

<sup>17</sup> See Section III.J *infra*.



[REDACTED]

16. *Eleventh*, in response to Plaintiffs’ books-and-records demands pursuant to 8 *Del. C.* § 220, Meta agreed to “search for materials provided to the Board *and Board minutes* since January 1, 2017 relating to the two topics of (i) sex and human trafficking and (ii) teen health, including excerpts of minutes of meetings of the Board (or committees of the Board) that reflect discussion of those two subjects” and to “produce ... any non-privileged materials and information identified as a result of that search.”<sup>19</sup> Meta also “certifie[d]” in writing to Plaintiffs that its “production” of the “materials that Meta agreed to produce” was “now complete.”<sup>20</sup> Yet, despite producing other Board-level documents relating to these topics (which are discussed herein), Defendants conspicuously *failed to produce any minutes whatsoever* of any meeting of either the Board, the Audit Committee, or any other committee of the Board. The obvious—and only—inference is that neither the

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<sup>18</sup> See Section III.M *infra*.

<sup>19</sup> Letter from David E. Ross to William S. Norton (Dec. 14, 2021) at 4.

<sup>20</sup> Letter from David E. Ross to Christine M. Mackintosh (May 20, 2022) at 1.

Board nor the Audit Committee have ever even discussed these topics at all—or at least to an extent that merited noting the discussion in any meeting’s minutes.

17. *Twelfth*, while Meta did produce some Board-level documents discussing the Company’s [REDACTED] [REDACTED]—conspicuously absent from Meta’s § 220 document production was any material evidence or discussion of what, if anything, the Board, its committees, or Meta’s management have done to detect, prevent, deter, or address *sex trafficking* or *human trafficking* as such on the Company’s platforms, or what oversight the Board performed as to these mission-critical risks.

18. Rather, Meta’s documents suggest it has consciously chosen to avoid defining “human trafficking” as comprising “sex trafficking.” Meta’s 2021 “Anti-Slavery and Human Trafficking Statement” does not even mention “sex trafficking.” And whereas Meta’s 2020 “Anti-Slavery and Human Trafficking Statement” had stated that “[w]e define human trafficking as the exploitation of humans in order to force them to engage in commercial sex, labor, or other activities against their will,” and claimed that “we remove content on Facebook that facilitates or coordinates the exploitation of humans, including human trafficking”—Meta’s Board approved and *deleted* this very same language from similar 2021 and 2022 statements. Clearly, the Board gave up even claiming to remove content relating to or discussing sex trafficking.

19. In sum, when the overwhelming evidence of criminal sex/human trafficking on Meta’s platforms is considered together with Meta’s failure to produce any Board (or committee) minutes discussing sex/human trafficking, alongside Meta’s failure to produce any Board-level documents discussing whether or how the Company has sought to detect, disrupt, prevent, or address sex/human trafficking on its platforms—the only logical inference is that the Board has consciously decided to permit Meta’s platforms to promote and facilitate sex/human trafficking.

20. A critical tenet of Delaware corporate law is that Delaware corporations may only pursue “lawful business” by “lawful acts.” 8 *Del. C.* §§ 101(b), 102.<sup>21</sup> In passing FOSTA-SESTA, Congress reaffirmed that online service providers such as Meta cannot consciously promote or facilitate unlawful sex trafficking, human trafficking, or child sexual exploitation on their interactive computer platforms without themselves breaking the law. And a Delaware fiduciary cannot be loyal to a Delaware company while causing it to break the law—particularly when the category of crimes being facilitated involves commercial sex acts induced by force,

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<sup>21</sup> “Delaware law does not charter law breakers. Delaware law allows corporations to pursue diverse means to make a profit, subject to a critical statutory floor, which is the requirement that Delaware corporations only pursue ‘lawful business’ by ‘lawful acts.’ As a result, a fiduciary of a Delaware corporation cannot be loyal to a Delaware corporation by knowingly causing it to seek profit by violating the law.” *In re Massey Energy Co. Derivative & Class Action Litig.*, 2011 WL 2176479, at \*20 (Del. Ch. May 31, 2011) (quoting Del. Code § 101(b) and § 102).

fraud, coercion, and abuse—both of adults and minors; involuntary servitude, peonage, debt bondage, slavery; and child sexual exploitation—all on a mass scale. Meta’s Board and management have utterly failed to act in good faith to assure the existence of a functioning Board-level system of monitoring and reporting to prevent such heinous conduct, and by consciously failing to monitor or oversee whether management was addressing the endemic scourge of sex trafficking and human trafficking that has lived *and grown* for years on Meta’s platforms.

### **JURISDICTION AND VENUE**

21. This Court has subject matter jurisdiction pursuant to 10 *Del. C.* § 341 and has personal jurisdiction over Defendants, who are current or former directors and officers of Meta, pursuant to 10 *Del. C.* § 3114. This Court also has jurisdiction over Nominal Defendant Meta, a Delaware corporation, pursuant to 10 *Del. C.* § 3111.

### **PARTIES**

#### **A. Plaintiffs**

22. Plaintiff Employees’ Retirement System of the State of Rhode Island is a Meta shareholder and has continuously owned shares of the Company’s common stock since March 31, 2017.

23. Plaintiff Cleveland Bakers and Teamsters Pension Fund is a Meta shareholder and has continuously owned shares of the Company's common stock since October 10, 2016.

24. Plaintiff Kiwi Investment Management Wholesale Core Global Fund is a Meta shareholder and has continuously owned shares of the Company's common stock since July 18, 2017.

25. Plaintiff Kiwi Investment Management Global Quantitative Fund is a Meta shareholder and has continuously owned shares of the Company's common stock since October 25, 2018.

**B. Nominal Defendant**

26. Nominal Defendant Meta is a Delaware corporation with its principal executive offices located at 1601 Willow Road, Menlo Park, California. Meta's common stock is traded on the NASDAQ exchange under the ticker symbol "META." The Company operates various technology and social media products, including Facebook, Instagram, and WhatsApp.

**C. Current Company Director Defendants**

27. Defendant Zuckerberg is Meta's founder and has served as its CEO since 2004 and as Chairman of the Board since 2012. As CEO, Zuckerberg is responsible for Meta's day-to-day operations, overall direction and company strategy. Zuckerberg is also Meta's controlling stockholder; specifically, as of

March 31, 2022, Zuckerberg controlled 54.4% of Meta’s “Total Voting Power” through his ownership of 84.7% of Meta’s Class B shares.<sup>22</sup>

28. Defendant Sheryl K. Sandberg (“Sandberg”) served as the Company’s Chief Operating Officer from March 2008 until August 2022. Sandberg has served as a Company director since June 2012.

29. Defendant Peggy Alford (“Alford”) has served as a Company director since May 2019. Alford has been a member of the Board’s Audit Committee<sup>23</sup> since April 2020, chairman of the Board’s Compensation Committee<sup>24</sup> since May 2022, and a member of the Board’s Privacy Committee from May 2020 until May 2022.

30. Defendant Marc L. Andreessen (“Andreessen”) has served as a Company director since June 2008. Andreessen has been a member of the Board’s Compensation Committee at all times relevant to the Complaint, and the Board’s Audit Committee from at least 2013 until February 2021.

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<sup>22</sup> Meta, Proxy Statement (Form DEF 14A) at 62 (Apr. 8, 2022).

<sup>23</sup> In June 2018, the Board amended the charter of the Audit Committee and renamed it as the “Audit & Risk Oversight Committee.” References to the “Audit Committee” include the Audit & Risk Oversight Committee after June 2018.

<sup>24</sup> In October 2019, the Board amended the charter of the Compensation & Governance Committee and renamed it as the “Compensation, Nominating & Governance Committee.” References to the “Compensation Committee” include the Compensation Nominating & Governance Committee after October 2019 and the Compensation & Governance Committee prior to October 2019.

31. Defendant Andrew W. Houston (“Houston”) has served as a Company director since February 2020. Houston has served as a member of the Board’s Compensation Committee since April 2020.

32. Defendant Nancy Killefer (“Killefer”) has served as a Company director since March 2020. Killefer has served as chairman of the Board’s Privacy Committee since May 2020, and as a member of the Board’s Audit Committee since February 2021.

33. Defendant Robert M. Kimmitt (“Kimmitt”) has served as a Company director since March 2020. Kimmitt has served as a member of the Board’s Privacy Committee since May 2020.

34. Defendant Tracey T. Travis (“Travis”) has served as a Company director since March 2020. Travis has been a member of the Board’s Audit Committee since March 2020, and chairman of that committee since at least May 2021.

35. Defendant Tony Xu (“Xu”) has served as a Company director since January 2022. Xu has been a member of the Board’s Compensation Committee since February 2022.

36. Zuckerberg, Sandberg, Alford, Andreessen, Houston, Killefer, Kimmitt, Travis, and Xu are referred to collectively as “Director Defendants” and the “Demand Board.”

#### **D. Former-Director Defendants**

37. Defendant Erskine B. Bowles (“Bowles”) served as a Company director from September 2011 to May 2019. Bowles was chairman of the Board’s Audit Committee until May 2019.

38. Defendant Kenneth I. Chenault (“Chenault”) served as a Company director from February 2018 to May 2020. Chenault was a member of the Board’s Audit Committee from May 2018 until May 2020.

39. Defendant Susan D. Desmond-Hellmann (“Desmond-Hellmann”) served as a Company director from March 2013 to October 2019. Desmond-Hellmann served on the Board’s Audit Committee from 2014 until May 2019, and as chairman of the Board’s Compensation Committee from May 2019 to October 2019.

40. Defendant Reed Hastings (“Hastings”) served as a Company director from June 2011 to May 2019. Hastings was chairman of the Board’s Compensation Committee from 2016 to May 2019.

41. Defendant Jan Koum (“Koum”) is the co-founder and former CEO of WhatsApp, and served as a Company director from October 2014 until April 2018.

42. Defendant Peter Thiel (“Thiel”) served as a Company director from April 2005 until May 2022. Thiel served as a member of the Board’s Compensation



Committee from 2015 until October 2019, and as that committee's chairman from October 2019 until May 2022.

43. Defendant Jeffrey D. Zients ("Zients") served as a Company director from May 2018 to May 2020. Zients was chairman of the Board's Audit Committee from May 2019 to May 2020.

44. Bowles, Chenault, Desmond-Hellmann, Hastings, Koum, Thiel, and Zients are referred to herein as the "Former-Director Defendants."

#### **E. Executive Officer Defendants**

45. Defendant Andrew Bosworth ("Bosworth") has been the Company's Chief Technology Officer ("CTO") since March 2022. Bosworth has been with the Company since 2006 when he created Facebook's News Feed. He served as the Company's Vice President for Reality Labs, overseeing the Company's augmented reality, virtual reality, and artificial intelligence products from 2017 until he became CTO in March 2022.

46. Defendant Mike Schroepfer ("Schroepfer") served as the Company's CTO from 2013 until March 2022.

47. Defendant Nick Clegg ("Clegg") is the Company's President of Global Affairs. Clegg joined the Company in October 2018 as Vice President of Global Affairs and Communications and was promoted to his current position in February 2022. Clegg was heavily involved in creating the Company's content oversight

board, and now leads the Meta's efforts on all policy matters and government interactions on policy implementation, according to Zuckerberg's Facebook post announcing Clegg's 2022 promotion.

48. Defendant Christopher K. Cox ("Cox") has served as the Company's Chief Product Officer from 2014 to March 2019 before stepping away to explore various climate change initiatives and contribute to several political causes. Cox resumed his role as Chief Product Officer in June 2020.<sup>25</sup>

49. Defendant Jennifer G. Newstead ("Newstead") has served as the Company's Chief Legal Officer since April 2019.

50. Defendant David M. Wehner ("Wehner") served as the Company's Chief Financial Officer from June 2014 until November 1, 2022, when he became the Chief Strategy Officer.

51. Defendants Bosworth, Schroepfer, Clegg, Cox, Newstead, and Wehner are referred to herein as "Officer Defendants." The term "Officer Defendants" includes Defendants Zuckerberg and Sandberg for purposes of claims asserted against the Officer Defendants, as Defendants Zuckerberg and Sandberg breached fiduciary duties both in their capacities as directors and in their capacities as officers of Meta.

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<sup>25</sup> Cox left the Company to pursue other interests in March 2019 and resumed his role as Chief Product Officer in June 2020.

## **PLAINTIFFS' DEMAND TO INSPECT META'S BOOKS AND RECORDS**

52. As part of Plaintiffs' thorough pre-suit investigation, Plaintiffs each sought inspection of certain books and records of the Company pursuant to 8 *Del. C.* § 220 ("Section 220").

53. On December 7, 2021, ERSRI served Meta with a demand for the inspection of books and records relating to, *inter alia*, sex trafficking, human trafficking, and content harmful to children and teenagers occurring on Meta's social media platforms.

54. In response to ERSRI's books-and-records demand pursuant to Section 220, Meta agreed by letter dated December 14, 2021, to produce any non-privileged materials and information identified in their search for "materials provided to the Board and Board minutes since January 1, 2017 relating to the two topics of (i) sex and human trafficking and (ii) teen health, including excerpts of minutes of meetings of the Board (or committees of the Board) that reflect discussion of those two subjects. . . ." <sup>26</sup>

55. On May 26, 2022, the Kiwi Funds served Meta with a demand for the inspection of books and records relating to the use of the Company's social media platforms for human trafficking and sex trafficking. Meta agreed to produce to the

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<sup>26</sup> See Letter from David E. Ross to William S. Norton, *supra* note 19, at 4.

Kiwi Funds the same documents as it had provided to ERSRI. By letter dated June 8, 2022, Meta certified that “its production of the non-privileged materials that Meta agreed to produce [to the Kiwi Funds] is *now complete*.”

56. On January 23, 2023, Cleveland Bakers served Meta with a demand for the inspection of books and records relating to the use of the Company’s social media platforms for human trafficking and sex trafficking.

57. In response to Cleveland Bakers’ books-and-records demand pursuant to Section 220, Meta agreed, by letter dated January 30, 2023, to produce the same materials it had agreed to produce to ERSRI.

58. By letter dated May 20, 2022, Meta certified that “its production of the non-privileged materials that Meta agreed to produce [to ERSRI] is *now complete*.”<sup>27</sup>

59. The Company’s own documents—and the lack thereof—show that the Board, including each of its committees, failed to discuss (even once) the use of the Company’s social media platforms for sex trafficking and human trafficking. The Board and its committees also failed to discuss the issue of child sexual exploitation occurring on Meta’s platforms. These failures were despite global awareness and

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<sup>27</sup> See Letter from R. Garrett Rice to Christine M. Mackintosh, *supra* note 20, at 1.

concern with these issues as detailed in Plaintiffs' 220 demands, shareholder proposals detailed in Meta's proxy statements, and as alleged herein.

60. Meta's books and records, along with other information obtained by Plaintiffs through their investigation, evidence the fact that Meta's Board failed to engage in any meaningful oversight relating to the harm to the victims of human and sex trafficking through the use of the Company's social media platforms, or the risk to the Company created by such use of its platforms.

## **SUBSTANTIVE ALLEGATIONS**

### **I. LEGAL BACKGROUND ON SEX/HUMAN TRAFFICKING**

#### **A. The Trafficking Victims Protection Act of 2000**

61. Sex trafficking and human trafficking are crimes under U.S. federal and state law. The Trafficking Victims Protection Act of 2000 ("TVPA") and its subsequent reauthorizations define two primary forms of human trafficking: "sex trafficking" and "forced labor":

- Sex trafficking is the recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act in which a commercial sex act is induced by force, fraud, or coercion, or in which the person induced to perform such act has not attained 18 years of age. (22 U.S.C. § 7102(11)(A)).
- Forced labor is the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery. (22 U.S.C. § 7102(11)(B)).

62. To strengthen penalties for those who engage in sex trafficking, the TVPA created 18 U.S.C. § 1591, which makes “sex trafficking” a crime and defines the offense as follows:

(a) Whoever knowingly—

(1) in or affecting interstate or foreign commerce, or within the special maritime and territorial jurisdiction of the United States, recruits, entices, harbors, transports, provides, obtains, advertises, maintains, patronizes, or solicits by any means a person; or

(2) benefits, financially or by receiving anything of value, from participation in a venture which has engaged in an act described in violation of paragraph (1),

knowing, or, except where the act constituting the violation of paragraph (1) is advertising, in reckless disregard of the fact, that means of force, threats of force, fraud, coercion described in subsection e(2), or any combination of such means will be used to cause the person to engage in a commercial sex act, or that the person has not attained the age of 18 years and will be caused to engage in a commercial sex act, shall be punished as provided in subsection (b).

18 U.S.C. § 1591(a). A violator of Section 1591 is subject to a statutory fine and a term of imprisonment ranging from “not less than 10 years” to “for life.” 18 U.S.C. § 1591(b). In 2003, Congress authorized victims of sex trafficking to file civil actions. 18 U.S.C. § 1595.

63. The U.S. Department of Justice (“DOJ”) has described human trafficking (as defined in the TVPA) as “a crime involving the exploitation of a person for labor, services, or commercial sex.”<sup>28</sup>

64. The U.S. Department of State (the “State Department”) has decried human trafficking as “a grave crime and a human rights abuse”:

Human trafficking, also called trafficking in persons, has no place in our world. As both a grave crime and a human rights abuse, it compromises national and economic security, undermines the rule of law, and harms the well-being of individuals and communities everywhere. It is a crime of exploitation; traffickers profit at the expense of their victims by compelling them to perform labor or to engage in commercial sex in every region of the United States and around the world. With an estimated 24.9 million victims worldwide at any given time, human traffickers prey on adults and children of all ages, backgrounds, and nationalities, exploiting them for their own profit.<sup>29</sup>

65. The U.S. Department of Defense (“DOD”) states that “[t]raffickers prey on victims with little or no social safety net.” Particular vulnerabilities associated with trafficking victims, according to the DOD, include “poverty or economic hardship, political instability or armed conflict, natural disasters, childhood abuse or neglect, children in foster care, runaway and homeless youth, victims of violence, migrant workers, undocumented immigrants, racial, ethnic, and

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<sup>28</sup> <https://www.justice.gov/humantrafficking>.

<sup>29</sup> <https://www.state.gov/humantrafficking-about-human-trafficking/>.

other minorities, physical or cognitive abilities, history of substance abuse, and LGBTQ individuals.”<sup>30</sup>

66. The U.S. Department of Homeland Security (“DHS”) describes human trafficking as conduct involving “the use of force, fraud, or coercion to obtain some type of labor or commercial sex act.”<sup>31</sup> The DHS states that traffickers may use the following methods to lure victims into trafficking situations: violence, manipulation, false promises of well-paying jobs, and romantic relationships.

**B. Section 230 of the Communications Decency Act**

67. Since its enactment in 1996, Section 230 of the CDA has often been used by social media companies to avoid liability for the conduct of third parties occurring on its platforms. Section 230 states that “[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.” (47 U.S.C. § 230). However, Section 230 does *not* protect providers from criminal liability if their content violated criminal laws concerning “sex trafficking” or “sexual exploitation of children”:

**(e) EFFECT ON OTHER LAWS**

**(1) NO EFFECT ON CRIMINAL LAW**

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<sup>30</sup> <https://ctip.defense.gov/What-is-TIP/>.

<sup>31</sup> <https://www.dhs.gov/blue-campaign/what-human-trafficking>.



Nothing in this section shall be construed to impair the enforcement of section 223 or 231 of this title, chapter 71 (relating to obscenity) or 110 (relating to sexual exploitation of children) of title 18, or any other Federal criminal statute.

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**(5) NO EFFECT ON SEX TRAFFICKING LAW**

Nothing in this section (other than subsection (c)(2)(A)) shall be construed to impair or limit –

(A) any claim in a civil action brought under section 1595 of title 18, if the conduct underlying the claim constitutes a violation of section 1591 of that title;

(B) any charge in a criminal prosecution brought under State law if the conduct underlying the charge would constitute a violation of section 1591 of title 18; or

(C) any charge in a criminal prosecution brought under State law if the conduct underlying the charge would constitute a violation of section 2421A of title 18, and promotion or facilitation of prostitution is illegal in the jurisdiction where the defendant's promotion or facilitation of prostitution was targeted.

47 U.S.C. § 230(e)(1) and (5); *see also* 18 U.S.C. Chapter 110 (18 U.S.C. §§ 2251-2260A) (Sexual Exploitation and Other Abuse of Children); 18 U.S.C. §§ 1591, 1595.

### C. FOSTA-SESTA (April 11, 2018)

68. On April 11, 2018, the President signed the Fight Online Sex Trafficking Act<sup>32</sup> (“FOSTA”) and the Stop Enabling Sex Traffickers Act<sup>33</sup> (“SESTA”) (together “FOSTA-SESTA”), which clarified the country’s sex trafficking laws by making it illegal to knowingly assist, support, or facilitate sex trafficking. FOSTA-SESTA made changes to three statutory schemes: the CDA, the TVPA (discussed above); and the Mann Act, 18 U.S.C. § 2421 *et seq.*

69. *First*, the law amended the safe harbor provisions of Section 230 of the CDA, 47 U.S.C. § 230—which courts had previously interpreted as giving internet service providers (like Meta) immunity from civil liability for the actions of their users—to exclude the enforcement of federal or state sex trafficking laws from Section 230’s safe harbors.

70. Section 2 of both acts provides, in part, that “[S]ection 230 was never intended to provide legal protection to websites that facilitate traffickers in advertising the sale of unlawful sex acts with sex trafficking victims.”<sup>34</sup> Congress

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<sup>32</sup> Pub. L. No. 115-164, 132 Stat. 1253 (2018).

<sup>33</sup> S. 1693, 115th Cong. (2018).

<sup>34</sup> FOSTA, § 2(1); S. 1693 § 2. In passing FOSTA, Congress “narrow[ed] Section 230’s scope and provide[d] prosecutors with new tools to combat the sex trafficking of *both minors and adults.*” *Woodhull Freedom Found. v. United States*, 948 F.3d 363, 368 (D.C. Cir. 2020).

clarified and amended Section 230 to ensure that it does not “provide legal protection to websites that unlawfully promote and facilitate prostitution and websites that facilitate traffickers in advertising the sale of unlawful sex acts with sex trafficking victims.”<sup>35</sup> FOSTA-SESTA amended Section 230 by adding that “[n]othing in [Section 230] (other than subsection (c)(2)(A)) shall be construed to impair or limit any claim in a civil action brought under section 1595 of title 18, if the conduct underlying the claim constitutes a violation of section 1591 of that title.” 47 U.S.C. § 230(5). *See* § I.B *supra* (quoting full text of 47 U.S.C. § 230(5)).

71. ***Second***, as to the Mann Act, FOSTA proscribed “own[ing], manag[ing], or operat[ing] an interactive computer service with the intent to promote or facilitate the prostitution of another person,” as punishable by a fine and imprisonment for not more than ten years. FOSTA, § 3(a), 132 Stat. at 1253–54 (codified at 18 U.S.C. § 2421A(a)). This provision adopts the definition of “interactive computer service” in Section 230(f) of the CDA. 18 U.S.C. § 2421A(a). When the underlying conduct “promotes or facilitates the prostitution of 5 or more persons” or when the person “acts in reckless disregard of the fact that such conduct contributed to sex trafficking,” there is an enhanced penalty of imprisonment for not more than twenty-five years. *Id.* § 2421A(b). An individual injured by such an

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<sup>35</sup> FOSTA, § 2(1).

aggravated violation may sue for money damages. *Id.* § 2421A(c). Specifically, 18

U.S.C. § 2421A provides:

**IN GENERAL.—**

**(a)** Whoever, using a facility or means of interstate or foreign commerce or in or affecting interstate or foreign commerce, *owns, manages, or operates an interactive computer service* (as such term is defined in defined in section 230(f) the Communications Act of 1934 (47 U.S.C. 230(f))), *or conspires or attempts to do so, with the intent to promote or facilitate the prostitution of another person* shall be fined under this title, imprisoned for not more than 10 years, or both.

**(b) AGGRAVATED VIOLATION.—**Whoever, using a facility or means of interstate or foreign commerce or in or affecting interstate or foreign commerce, *owns, manages, or operates an interactive computer service* (as such term is defined in defined in section 230(f) the Communications Act of 1934 (47 U.S.C. 230(f))), *or conspires or attempts to do so, with the intent to promote or facilitate the prostitution of another person and—*

*(1) promotes or facilitates the prostitution of 5 or more persons; or*

*(2) acts in reckless disregard of the fact that such conduct contributed to sex trafficking, in violation of [section] 1591(a),*

*shall be fined under this title, imprisoned for not more than 25 years, or both.*

**(c) CIVIL RECOVERY.—**

Any person injured by reason of a violation of section 2421A(b) may recover damages and reasonable attorneys' fees in an action before any appropriate United States district court.

**(d) MANDATORY RESTITUTION.—**

Notwithstanding sections 3663 or 3663A and in addition to any other civil or criminal penalties authorized by law, the court shall order restitution for any violation of subsection (b)(2). The scope and nature of such restitution shall be consistent with section 2327(b).

18 U.S.C. § 2421A.

72. **Third**, with respect to the TVPA, FOSTA-SESTA added a provision to 18 U.S.C. § 1595 authorizing state attorneys general to bring *parens patriae* civil actions against any person who violates section 1591. Specifically, 18 U.S.C. § 1595 provides:

(a) An individual who is a victim of a violation of this chapter may bring a civil action against the perpetrator (or whoever knowingly benefits, financially or by receiving anything of value from participation in a venture which that person knew or should have known has engaged in an act in violation of this chapter) in an appropriate district court of the United States and may recover damages and reasonable attorneys fees.

(b)

(1) Any civil action filed under subsection (a) shall be stayed during the pendency of any criminal action arising out of the same occurrence in which the claimant is the victim.

(2) In this subsection, a “criminal action” includes investigation and prosecution and is pending until final adjudication in the trial court.

(c) No action may be maintained under subsection (a) unless it is commenced not later than the later of—

(1) 10 years after the cause of action arose; or

(2) 10 years after the victim reaches 18 years of age, if the victim was a minor at the time of the alleged offense.

**(d) *In any case in which the attorney general of a State has reason to believe that an interest of the residents of that State has been or is threatened or adversely affected by any person who violates section 1591, the attorney general of the State, as parens patriae, may bring a civil action against such person on behalf of the residents of the State in an appropriate district court of the United States to obtain appropriate relief.***

18 U.S.C. § 1595.

73. Along with revising section 1595, Section 230(e)(5)(A) of the CDA now provides that nothing within the CDA shall be construed to limit or impair “any claim in a civil action brought under section 1595 of [the TVPA] if the conduct underlying the claim constitutes a violation of section 1591 of that title.” 47 U.S.C. § 230(e)(5).

**D. 11 Del. C. § 787(b)(2) (Trafficking an Individual)**

74. In addition to being a federal crime, “trafficking an individual” is also a crime under the laws of the state of Delaware. *See* 11 Del. C. § 787(b)(2). “A person is guilty of trafficking an individual if the person knowingly recruits, transports, harbors, receives, provides, obtains, isolates, maintains, advertises, solicits, or entices an individual in furtherance of *forced labor* in violation of paragraph (b)(2) of this section or *sexual servitude* in violation of paragraph (b)(3) of this section.” 11 Del. C. § 787(b).<sup>36</sup>

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<sup>36</sup> *See also* 11 Del. C. § 787(b)(2) (“A person is guilty of *forced labor* if the person knowingly uses coercion to compel an individual to provide labor or services, except where such conduct is permissible under federal law or law of this State other than 79 Del. Laws, c. 276.”); 11 Del. C. § 787(b)(3) (“Sexual servitude. — a. A person commits the offense of *sexual servitude* if the person knowingly: 1. Maintains or makes available a minor for the purpose of engaging the minor in commercial sexual activity; or 2. Uses coercion or deception to compel an adult to engage in commercial sexual activity.”).

## II. META HAS FACILITATED AND ENABLED WIDESPREAD SEX TRAFFICKING AND HUMAN TRAFFICKING

### A. 2009-2022 – Reports of Sex/Human Trafficking and Exploitation on Meta’s Platforms Permeate the U.S. News

75. Meta’s widespread and ubiquitous facilitation of sex trafficking and human trafficking have been reported in more than 175 articles published in U.S. newspapers and other media outlets between 2009 and 2022. This non-exhaustive selection of news articles is summarized (in chronological order) in Exhibit 1. These articles reported how human traffickers have repeatedly used Meta’s platforms to commit their crimes against hundreds (and most likely thousands) of victims in the United States alone, and innumerable more victims worldwide. In several articles, Meta’s spokespersons commented on these reports of sex trafficking and human trafficking.

76. For example, on October 29, 2012, *The Associated Press* reported that “[s]o far this year, 27 of the 129 children reported missing to Indonesia’s National Commission for Child Protection are believed to have been abducted after meeting their captors on Facebook” and that “[t]he 27 Facebook-related abductions reported to the commission this year in Indonesia have already exceed[ed] 18 similar cases it received in all of 2011.”<sup>37</sup> The article described how these “Facebook-related abductions” are committed by “sexual predators” involved in

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<sup>37</sup> See Exhibit 1 at 5.

“child sex tourism” in which children as young as 14 or 15 are subjected to “kidnap and rape” and are “forced into prostitution.” This same article quoted a Facebook “spokesman Andrew Noyes” who “said in an email” that “[w]e take human trafficking very seriously and a number of measures are in place to counter this activity,” but Mr. Noyes “declined to give any details on Facebook’s involvement in trafficking cases reported in Indonesia or elsewhere.”<sup>38</sup>

77. Similarly, on January 8, 2015, the *Grand Forks Herald* reported on “a sex trafficking conference” at which an “Assistant U.S. Attorney” described a case regarding “a Minnesota man now serving 12 years in federal prison” who “engaged in 800 Facebook chat conversations with, most of the time, 14-to 17-year-old girls” with the intent to “sexually exploit them.”<sup>39</sup> The same article quoted “Facebook’s Monika Bickert” who “acknowledged how sites like hers can be attractive to pimps for recruiting victims and then threatening or coercing them, or to arrange transactions.” The article further noted that “Bickert, head of global policy management with [Facebook]” acknowledged that such criminals “feel the Internet is a really powerful tool for them.”

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<sup>38</sup> *Id.*

<sup>39</sup> *Connect In A Click*, GRAND FORKS HERALD (Jan. 8, 2015).



78. On October 25, 2021, *Tampa Bay Times* published an article reporting that “[a]fter publicly promising to crack down, Facebook acknowledged in internal documents obtained by The Associated Press that it was ‘under-enforcing on confirmed abusive activity.’”<sup>40</sup> The author further states that “[e]ven today, a quick search for ‘khadima,’ or ‘maids’ in Arabic, will bring up accounts featuring posed photographs of Africans and South Asians with ages and prices listed next to their images.” The author further notes that “[i]n the documents seen by the AP, Facebook acknowledges being aware of both the exploitative conditions of foreign workers and the use of Instagram to buy and trade maids online [but] Facebook acknowledged it only scratched the surface of the problem and that ‘domestic servitude content remained on the platform.’”

79. On October 28, 2021, *USA Today* published an article stating that an internal Facebook report uncovered “a U.S. sex trafficking network recruiting women from overseas and advertising illegal sexual services in domestic massage parlors.”<sup>41</sup> The article reported that certain individuals “*used dozens of Facebook*

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<sup>40</sup> Associated Press, *Apple once threatened Facebook ban over Mideast maid abuse; Facebook acknowledged some countries across the region have ‘especially egregious’ human rights issues when it comes to laborers’ protection*, TAMPA BAY TIMES (Oct. 25, 2021), available at <https://www.tampabay.com/news/nation-world/2021/10/25/apple-once-threatened-facebook-ban-over-mideast-maid-abuse/>.

<sup>41</sup> Cara Kelly, *Facebook failed to rid site of sex trafficking; Papers show company knew it was profiting from illicit spas*, USA Today (Oct. 28, 2021).

*pages and accounts to promote [sex work] parlors and relied on two marketing firms, one in the U.S. and one in India, to buy Facebook ads filled with keywords for potential sexual services.”* The author quotes Maggy Krell, who worked on sex trafficking cases as a supervising deputy attorney general in California, who said “‘Facebook can’t stick its head in the sand,’ ‘[o]nce on notice that its site is being used to traffic someone, they must act.’” The article further states that “*[a] review of the internal documents reveals Facebook has known its products were part of the life cycle of human trafficking for more than three years,*” but that Meta “‘focused” on “‘soft actions,’ or anything short of moving content from Facebook platforms.”

80. On August 30, 2022, *FOX – 4 WDAF* in Kansas City, Missouri, published an article reporting that “[a]n alleged sex-trafficker may have preyed upon hundreds of fellow women over the course of a decade,” and that “[d]uring their investigation, agents discovered more than 1,600 online ads associated with Gomez allegedly promoting prostitution” on Facebook, dating back ten years.<sup>42</sup>

**B. 2013-2022 – Criminal/Civil Cases Involving Sex/Human Trafficking on Meta’s Platforms Are Routine in U.S. Courts**

81. Between 2013 and 2023, at least 70 federal and state courts issued written decisions in criminal and civil cases involving sex trafficking and human

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<sup>42</sup> Aaron Feis, *Alleged sex-trafficker may have hundreds of victims, FBI says*, *FOX – 4 WDAF* (Aug. 30, 2022).

trafficking on Meta’s platforms. These decisions are listed in reverse chronological order and summarized in Exhibit 2. While these selected cases are believed to be merely a sample of the larger number of incidents of sex trafficking and human trafficking facilitated by Meta’s platforms, including a larger number of criminal prosecutions involving sex trafficking linked to the Company, it is clear that such cases have occurred with increasing frequency in recent years. More appear each week.

82. In several cases, courts found that the evidence supported probable cause to issue search warrants to search the Facebook accounts of defendants and/or victims for evidence of sex trafficking occurring on Meta’s platforms.<sup>43</sup>

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<sup>43</sup> See, e.g., *United States v. Wilkins*, No. CR 19-390 (RC), 2021 WL 1894990, at \*22, \*28 (D.D.C. May 11, 2021) (denying motion to suppress evidence obtained from a “warrant issued to Facebook for [an] Instagram account” and finding “that probable cause existed to search the account for evidence of sex trafficking”); *People v. McGraw*, No. F078342, 2020 WL 5569579, at \*1 (Cal. Ct. App. Sept. 17, 2020) (finding “evidence . . . was sufficient to establish probable cause that defendant committed human trafficking” where criminal investigator’s “testimony . . . was based primarily on text messages and Facebook communications,” including “several Facebook profiles linked to defendant”); *United States v. Vines*, No. 1:17-CR-00160-JRS-TAB, 2018 WL 5634361, at \*1, \*4, \*5 (S.D. Ind. Oct. 31, 2018) (following “indictment charging [defendant] with sex trafficking of a child,” denying motion to suppress search warrant; finding “probable cause for search of [defendant’s] Facebook” account; and noting that “[t]he government routinely checks social media in sex trafficking cases”); *United States v. Mathis*, No. 18-CR-18(1) (DWF/LIB), 2018 WL 4473529, at \*1, \*9 (D. Minn. July 17, 2018), report and recommendation adopted, No. CR 18-18(1) (DWF/LIB), 2018 WL 4062741 (D. Minn. Aug. 27, 2018) (denying motion to suppress evidence and finding that search warrant was supported by probable cause where search warrant “affidavit set forth

83. Also in several cases, courts admitted the expert testimony of law enforcement officials describing how sex traffickers frequently use Facebook to recruit victims, communicate with victims and co-conspirators, and facilitate their criminal activities.<sup>44</sup>

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that [minor victim] had been trafficked by [defendant], that [minor victim] communicated through facebook with [another minor victim], that [defendant] had a facebook account, and that [minor victim] appeared to be looking for [defendant] through facebook connections. Further, the affidavit set forth [investigator’s] professional experience that sex traffickers and the individuals they traffic . . . often communicate through facebook.”); *United States v. Blake*, 868 F.3d 960 (11th Cir. 2017) (finding probable cause to search Facebook account linked to the sex-trafficking conspiracy).

<sup>44</sup> See, e.g., *United States v. Lagrone*, No. 4:17-CR-00264-O, 2018 WL 10447374, at \*3 (N.D. Tex. Mar. 23, 2018) (admitting expert testimony by detective who “explained that he has extensive experience using Backpage.com as an investigative tool and frequently uses Facebook and other social media sites in a similar manner”; “find[ing] that the law enforcement witnesses are qualified and demonstrate a level of expertise in how criminals use Facebook, Backpage.com, and other websites to run their enterprises and recruit victims”; and noting that “[t]his testimony is admissible because it will be helpful to the jury to understand how these sites are used in sex trafficking organizations . . . .”); *United States v. Jackson*, No. 2:16-CR-00054-DCN, 2017 WL 2362351, at \*1 (D.S.C. May 31, 2017) (denying motion to exclude “expert testimony regarding sex trafficking” where defendants “were indicted on multiple counts of trafficking a minor for sex and of sex trafficking by force, fraud, and coercion in connection with a conspiracy to commit sex trafficking,” and “indictment charge[d] that the defendants conspired to recruit young women, some of whom were less than 18 years old, to work as prostitutes,” and “used Facebook to recruit victims as well as to communicate with other co-conspirators”); *United States v. Brinson*, 772 F.3d 1314, 1319, 1327 (10th Cir. 2014) (affirming conviction for conspiracy to engage in sex trafficking, sex trafficking of children, and attempted sex trafficking of children and finding that court acted within its discretion by allowing “detective qualified as an expert” to testify regarding “how pimps and prostitutes use the internet, including websites such as Facebook.com”);

84. Many judicial opinions by federal and state courts in the last several years have discussed how Meta’s platforms are used by sex traffickers to recruit and exploit their victims. *See* Ex. 2. For example, in *United States v. Comer*, 5 F.4th 535 (4th Cir. 2021), the defendant “lured women into prostitution via social media and, in at least one case, attempted to use Facebook to force a young woman who had left her trafficking ring to return.” *Id.* at 539. The court concluded that the defendant “***indisputably weaponized social networks like Facebook*** to commit her underlying offense” and that these social networks “were the crucial instrumentalities through which she recruited others into prostitution and, at least in the case of [one victim], tried to prevent them from leaving.” *Id.* at 546.

85. Similarly, in *United States v. Porter*, No. 2:20-CR-95, 2022 WL 3021646, at \*1 (S.D. Ohio July 29, 2022), the court charged the defendant with child sex trafficking conspiracy and sex trafficking by force conspiracy, noting the defendant’s use of Facebook and Facebook messenger. *Id.* The court further noted that the defendant communicated with his coconspirators about his crimes on Facebook. *Id.*

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and that “the jury could have relied on the Facebook.com exchange between [defendant] and [minor victim]” and “[f]rom that exchange, the jury could reasonably infer that [defendant] was using the internet to knowingly entice [a minor victim] into the prostitution trade”).

**C. 2012-2022 – U.S. Courts and U.S. News Media Report Rampant Child Sexual Exploitation Taking Place on Meta’s Platforms**

86. Between 2012 and 2023, at least 129 federal and state courts issued written decisions in criminal and civil cases involving cases of child sexual exploitation on Meta’s platforms. These decisions—which are merely a sample of a larger trend in which new cases are filed every few days—are summarized in Exhibit 3.

87. A review of merely a few such cases conveys the real-world harm that that has resulted from the Board’s failure to provide any meaningful oversight of this growing problem even as Meta’s management has abysmally failed to detect, prevent, or slow down the rampant child sexual exploitation that occurs on a daily basis on Meta’s platforms. For example:

- *Commonwealth v. Howland*, No. 61 MDA 2022, 2022 WL 16832489, at \*1 (Pa. Super. Ct. Nov. 9, 2022) (defendant convicted of “kidnapping and sexual abuse of a 13-year-old child admitted communicating with the child by . . . Facebook”).
- *Commonwealth v. Escabal*, No. 1928 EDA 2021, 2022 WL 6643947, at \*1 (Pa. Super. Ct. Oct. 11, 2022) (defendant “admitted using Facebook Messenger to disseminate images of child pornography” and that his “Facebook account [was] used to disseminate the pornographic images”).
- *United States v. Elliott*, No. 1:19-CR-00152-TWP-MJD, 2022 WL 2046342, at \*1 (S.D. Ind. June 7, 2022) (defendant “possessed Child Sexual Abuse Material (‘CSAM’) of Minor Victim 1 and distributed it on Facebook, thereafter, he attempted to hire a hitman . . . to kill Minor Victim 1 and Witness Victim 1 to prevent them from testifying against him in various state and federal cases”).

- *United States v. Isip*, No. CR 19-64-RGA, 2022 WL 1120111, at \*2 (D. Del. Apr. 14, 2022) (“Defendant knowingly received a sexually explicit picture from the [minor] victim via Facebook Messenger.”).
- *United States v. Ashmore*, No. ACM 40036, 2022 WL 678895, at \*1 (A.F. Ct. Crim. App. Mar. 8, 2022) (defendant “used 16 different Instagram accounts” and “5 Facebook accounts” that were “populat[ed] . . . with photos” of “his [minor] victims”).
- *Cuddihe v. United States*, No. 17-CR-04091-SRB-1, 2021 WL 1972208, at \*1-2 (W.D. Mo. May 17, 2021) (defendant exchanged “pictures and videos via Facebook Messenger” and used “Facebook” and “Facebook Messenger” to “converse[] with over 150 people, many of whom appeared to be minors between the ages of eleven and fifteen”).
- *United States v. Galvan*, No. 3:20-CR-00019, 2020 WL 4604502, at \*1, \*3, \*5 (S.D. Tex. Aug. 11, 2020) (defendant “arrested and charged in state court with three counts of possession of child pornography” after “posing as a 13-year-old boy on Instagram” and authorities discovered “over 8,000 pages of Instagram conversations during the approximate month-and-a-half period the Instagram account was active,” and “[a] review of the less-than-two-month-old Instagram account revealed 8,185 pages of conversations, including sexually explicit messages between [defendant] and at least ten separate minor victims”).
- *United States v. Bjerknæs*, No. 17-CR-0234 (WMW), 2020 WL 1989393, at \*1 (D. Minn. Apr. 27, 2020) (“[Defendant’s] convictions arise from his scheme, executed between 2014 and 2017, to use ‘various social media applications, including Facebook to solicit images and videos constituting child pornography from minor females, engage in sexually explicit conversations with minor females, and distribute sexually explicit images and videos to minor females and males.’ [Defendant’s] scheme involved at least 55 minors.”).

88. U.S. news media has similarly reported on the ubiquitous, openly occurring, and unchecked child sexual exploitation that occurs every day on Meta’s

platforms and which currently has no end in sight. For example, on March 13, 2022, *WIRED*, an online and print magazine, published an article by Professor Lara Putnam, a history professor at the University of Pittsburg, titled “Facebook Has a Child Predation Problem.”<sup>45</sup> In the article, Professor Putnam recounted how her attempt to research “the 10th, 11th, or 12th wards of the city of Pittsburgh” on Facebook quickly led her to dozens of Facebook “groups targeting children of those ages” with “over 81,000 members” who openly solicited children for sexual exploitation.<sup>46</sup>

89. For example, one such “group [was] named ‘Buscando novi@ de 9,10,11,12,13 años’” [i.e., “[l]ooking for a 9-year-old girlfriend”] and had “7,900 members.”<sup>47</sup> Yet, when Professor Putnam “used Facebook’s on-platform system” to “tag[] it as containing ‘nudity or sexual activity’ which ‘involves a child,’” an “automated response came back days later” (by which time the group had grown to “9,000” members) saying that “[t]he group had been reviewed and did not violate any ‘specific community standards’” and that if Professor Putnam “continued to encounter content ‘offensive or distasteful’ [she] should report that specific content,

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<sup>45</sup> Lara Putnam, *Facebook Has a Child Predation Problem*, *WIRED* (Mar. 13, 2022), available at <https://www.wired.com/story/facebook-has-a-child-predation-problem/>.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*



not the group as a whole.”<sup>48</sup> And despite her repeated efforts to report these groups to Facebook, due to Facebook’s implacable “AI-driven algorithms,” “new child sexualization groups began getting recommended to [her] as ‘Groups You May Like.’” A partial excerpt of the article states as follows:

WHILE TRYING TO map the extent and impact of place-based Facebook groups where QAnon and allied disinformation spread, I went looking for Facebook groups with names including 10, 11, or 12. This was part of my work with the Pitt Disinformation Lab, and *I was thinking of the 10th, 11th, or 12th wards of the city of Pittsburgh. What appeared instead was a group named “Buscando novi@ de 9,10,11,12,13 años.” Looking for a 9-year-old girlfriend? What?*

The page’s aesthetic was cartoon cute: oversized eyes with long lashes, hearts, and pastels. The posts that made explicit references to photographed genitalia were gamified and spangled with emoticons: “See your age in this list? Type it into the replies and I’ll show ‘it’ to you.”

Most often posts were just doorways to connection, the real danger offstage. “Looking for a perverted girlfriend of 11,” read one post, with purple background and heart emojis. Replies asked for friend requests to continue via Messenger, or offered entry to private groups or WhatsApp chats—away from the eyes of even a digital passerby.

This was not some outlaw 8Chan message board. *It was cheerfully findable on Facebook.* And, I began discovering in alarm, it was not the only one. *Indeed, as late as January 2022—three months into my efforts to get action taken against them—if I searched 11, 12, 13 on the platform, 23 of the first 30 results were groups targeting children of those ages, with group names that included the words boyfriend/girlfriend, novio/a, or niños/niñas, sometimes along with ‘pervertidos,’ ‘hot,’ etc. They totaled over 81,000 members.*

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<sup>48</sup> *Id.*

Surely due diligence would dictate proactive steps to prevent the creation of such groups, backed up by quick action to remove any that get through once they are flagged and reported. I would have thought so. Until I stumbled into these groups and began, with rising disbelief, to find it *impossible to get them taken down*.

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*OF COURSE I reported the group I had accidentally uncovered. I used Facebook’s on-platform system, tagging it as containing “nudity or sexual activity” which (next menu) “involves a child.” An automated response came back days later. The group had been reviewed and did not violate any “specific community standards.” If I continued to encounter content “offensive or distasteful to you”—was my taste the problem here?—I should report that specific content, not the group as a whole.*

*“Buscando novi@ de 9,10,11,12,13 años” had 7,900 members when I reported it. By the time Facebook replied that it did not violate community standards, it had 9,000.*

So I tweeted at Facebook and the Facebook newsroom. I DMed [i.e., Direct Messaged] people I didn’t know but thought might have access to people inside Facebook. I tagged journalists. And *I reported through the platform’s protocol a dozen more groups, some with thousands of users*: groups I found not through sexually explicit search terms but just by typing “11 12 13” into the Groups search bar.

What became ever clearer as I struggled to get action is that technology’s limits were not the problem. *The full power of AI-driven algorithms was on display, but it was working to expand, not reduce, child endangerment. Because even as reply after reply hit my inbox denying grounds for action, new child sexualization groups began getting recommended to me as “Groups You May Like.”*

**D. April 10, 2018 – Zuckerberg Testifies Before the U.S. Senate Regarding Sex/Human Trafficking on Meta’s Platforms**

90. On at least three separate occasions, Zuckerberg has testified before Congress and publicly discussed the subject of sex trafficking tied to Facebook. His

testimony makes clear that Facebook, its Board, and Zuckerberg specifically, have been put on notice for years that more had to be done to address the improper facilitation of sex trafficking on Meta's platforms.

91. On April 10, 2018, Zuckerberg testified for the first time before Congress, appearing before the U.S. Senate Committee on the Judiciary and the U.S. Senate Committee on Commerce, Science and Transportation. Below are excerpted comments that U.S. Senators John Thune and Ben Sasse made to Zuckerberg during that hearing.

**[Senator Thune:]** Just last month, in overwhelming bipartisan fashion, *Congress voted to make it easier for prosecutors and victims to go after websites that knowingly facilitate sex trafficking. This should be a wake-up call for the tech community.* We want to hear more, without delay, about what Facebook and other companies plan to do to take greater responsibility for what happens on their platforms. . . . (p. 3)

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**[Senator Sasse:]** I think violence has no place on your platform. *Sex traffickers and human traffickers have no place on your platform.* (p. 103)

**E. October 23, 2019 – Zuckerberg Testifies Before the House Regarding Sex Trafficking and Exploitation on Meta's Platforms**

92. On October 23, 2019, Zuckerberg testified before the U.S. House Financial Services Committee. Below are excerpted comments that U.S. Congresswoman Ann Wagner made to Zuckerberg during that hearing, and certain of his responses.

**[Congresswoman Wagner:]** So, let me move on to something that is near and dear to my heart. As you may know, I wrote and passed HR 1865, the Fight Online Sex Trafficking Act. Together with the Senate’s Stop Enabling Sex Traffickers Act, the package is widely known as FOSTA-SESTA. I am committed to rooting out online sex trafficking, and I believe that what is illegal offline should, indeed, be illegal online.

**[Congresswoman Wagner:]** Three weeks ago, the New York Times ran a report entitled, “The Internet is Overrun with Images of Child Sex Abuse.” And I would like this submitted for the record.

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**[Congresswoman Wagner:]** 16.8 million, as confirmed by the Department of Justice, of the 18.4 million worldwide reports of child sexual abuse material are on Facebook. 16.8 of the 18.4 million. These 18.4 million reports from last year included a record 45 million photos and videos. These are absolutely shocking numbers. Moreover, it is estimated that 70 percent of Facebook’s valuable reporting to NCMEC, the National Center on Missing and Exploited Children, would be lost if Facebook implements its end to end encryption proposal. Mr. Zuckerberg, how much is this figure growing year after year, and if you enact end – to – end encryption, what will become of the children who will be harmed as a result that they are not reported?

**[Zuckerberg:]** Congresswoman, thanks. Child exploitation is one of the most serious threats that we focus on.

**[Congresswoman Wagner:]** What is Facebook doing? Sixteen–point–eight of the 18.4 million.

**[Zuckerberg:]** Congresswoman, those reports come from Facebook. The reason why the vast majority come from Facebook is because I think we work harder than any other company to identify this behavior and report it to NCMEC and the FBI.

**[Congresswoman Wagner:]** *What are you doing to shut this down? These accounts peddle horrific illegal content that exploits women and children. What are you doing, Mr. Zuckerberg, to shut this down?*

[Zuckerberg:] *Congresswoman, we build sophisticated systems to find this behavior.*

[Congresswoman Wagner:] Sixteen–point–eight million and growing of the 18.4 images?

[Zuckerberg:] Absolutely. Congresswoman, I don't think Facebook is the only place on the internet where this behavior is happening. I think the fact that the vast majority of those reports come from us reflects the fact that we actually do a better job than everyone else at finding it and acting on it. And you are right that in an end–to–end encrypted world, one of the risks that I am worried about, among others, to safety is that it will be harder to find some of this behavior.

[Congresswoman Wagner:] But you have said you want end–to–end encryption. What is going to happen to these children? They won't be reported then. And you are responsible. Facebook is responsible for 16.8 million of the 18.4 million that are out there last year alone.

[Zuckerberg:] Congresswoman, again I believe that there are probably a lot more than 18 million out there, and I think we're doing a good job of finding this, but I think you're right that an end to–

[Congresswoman Wagner:] *What are you going to do to shut it down, Mister Zuckerberg?*

[Zuckerberg:] *We are working with law enforcement and building technical systems to identify and report this hard before it–*

[Congresswoman Wagner:] *Well, you are not working hard enough, sir, ...*

**F. October 2019 – BBC Reports “Hundreds of Women Being Sold” in “Slave Markets” on “Instagram”; Apple Threatens to Pull Meta from the App Store; and Meta Internally Admits “Our Platform Enables All Three Stages of the Human Exploitation Life Cycle”**

93. On October 31, 2019, *BBC News Arabic* published an article detailing “[a]n undercover investigation” revealing that “[i]n Saudi Arabia, *hundreds of*

*women [were] being sold on Instagram, which is owned by Facebook.*<sup>49</sup> The article stated that “at the time of publication, *hundreds of domestic workers were still being traded on Instagram* which the BBC [British Broadcasting Company] has seen.”<sup>50</sup> BBC quoted “Urmila Bhoola, the UN special rapporteur on contemporary forms of slavery,” who said, “[t]his is the quintessential example of modern slavery[.]”<sup>51</sup> “*What they are doing is promoting an online slave market,*” Ms. Bhoola said, “If Facebook or any other companies are hosting apps like these, they have to be held accountable.”<sup>52</sup>

94. On October 23, 2019, according to internal documents,<sup>53</sup> Meta “received [a] communication from Apple” in which Apple “threatened to pull

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<sup>49</sup> See Owen Pinnell & Jess Kelly, *Slave markets found on Instagram and other apps*,” BBC NEWS ARABIC (Oct. 31, 2019), available at <https://www.bbc.com/news/technology-50228549>.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> Apple’s confrontation with Meta was revealed in internal documents obtained by Frances Haugen and filed with her whistleblower complaints to the SEC, which were published in *60 Minutes*’ website. See Keith Zubrow, Maria Gavrilovic, and Alex Ortiz, Whistleblower’s SEC Complaint: Facebook Knew Platform Was Used to “Promote Human Trafficking and Domestic Servitude,” 60 MINUTES (Oct. 4, 2021), available at <https://www.cbsnews.com/news/facebook-whistleblower-sec-complaint-60-minutes-2021-10-04/> (“[Meta’s] failure to solve human trafficking and servitude on its platforms threatened its distribution on the Apple App Store.”). *60 Minutes* posted Haugen’s SEC complaint concerning trafficking at: [https://drive.google.com/file/d/1ItiZR\\_n1\\_xB3gzkJZ9uvd6pUOYRMGIex/view](https://drive.google.com/file/d/1ItiZR_n1_xB3gzkJZ9uvd6pUOYRMGIex/view).

[Facebook and Instagram] apps from its App Store due to [Apple’s] identifying content promoting ‘domestic servitude’” on Facebook and Instagram. “Apple[’s] escalation was linked to the findings of the BBC investigation into Domestic Servitude content on [Instagram and Facebook], which identified [Meta’s] apps (and Apple’s platform, Apps Store) being used to buy and sell domestic workers in the Gulf Region.”<sup>54</sup>

95. In response to this “Apple escalation,” Meta undertook a “Deep Dive” on “Domestic Servitude and Tracking in the Middle East,” and as a result, internally acknowledged that it had been “*underreporting this behaviour*”; suffered from an “*absence of proactive detection*”; that “*newly created and existing [domestic servitude] content [was] not captured*” which “*meant that domestic servitude content remained on the platform*”; Meta had been “*under-enforcing on confirmed abusive activity with a nexus to the platform*”; and that Meta’s own “*investigative findings demonstrate that our platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks.*”<sup>55</sup> Specifically, Meta’s internal documents stated:<sup>56</sup>

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<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* (quoting “Internal Facebook documents” titled “Apple Escalation – How we made it through this SEV,” “Domestic Servitude and Tracking in the Middle East – a SEV Deep Dive,” and “Domestic Servitude”) (internal footnotes and citations omitted).

***“On 23rd October [2019] we received communication from Apple where the company threatened to pull FB & IG apps from its App Store due to them identifying content promoting ‘domestic servitude’***

Apple escalation was linked to the findings of the BBC investigation into Domestic Servitude content on IG & FB, which identified our apps (and Apple’s platform, App Store) being used to buy and sell domestic workers in the Gulf Region. At the time, BBC approached Facebook in relation to the investigation prior to the Apple escalation and shared violating hashtags . . .

***“However, due to the underreporting of this behaviour and absence of proactive detection, newly created and existing content not captured in the IG [i.e., Instagram] sweep meant that domestic servitude content remained on the platform.”***

***“Was this issue known to Facebook before BBC enquiry and Apple escalation? Yes.”***

***“[W]e found users did discover the IG domestic servitude accounts using Search currently we aren’t logging the information to determine how users found the IG accounts.”***

***“FB is the primary vehicle that domestic workers from the Philippines - - probably the most significant source country - - use to communicate with recruitment agencies about off-platform exploitation . . . 89% . . . were undetectable for scaled review. . . Our best opportunity to reduce this type of human exploitation on the platform is a preventive educational campaign . . . We also propose several recommendations to improve our enforcement . . . by using our current approach, we are under-enforcing on confirmed abusive activity with a nexus to the platform.”***

***“Our investigative findings demonstrate that our platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks. The traffickers, recruiters and facilitators from these ‘agencies’ used FB profiles, IG profiles, Pages, Messenger and WhatsApp.”***

***“Human Trafficking Unresolved model for investigative flows led to ambiguity on responsibilities . . . Understand exercise for Hex [human exploitation] deprioritized.” “encryption will preclude investigators’***



*access to inboxes and potentially make it impossible to accurately evaluate the violating status of recruitment-related agencies . . . [but a] preventative approach could lead to a significant reduction in real-world domestic servitude abuse via the Facebook platform.*

96. In the same internal documents (as quoted in a September 16, 2021 article by *The Wall Street Journal*<sup>57</sup>), Meta internally acknowledged in that “*domestic servitude manifests on our platform across its entire life cycle: recruitment, facilitation, and exploitation,*” and “*recognised the risks resulting from mitigation strategy based on user reports: similarly to other human exploitation abuses, domestic servitude has been highly underreported by the platform users.*”<sup>58</sup>

**G. November 17, 2020 – Zuckerberg Testifies Before U.S. Senate Regarding Human Trafficking on Meta’s Platforms**

97. On November 17, 2020, Zuckerberg testified before the U.S. Senate Committee on the Judiciary. Below are excerpted comments that Senator Richard Blumenthal made to Zuckerberg during that hearing.

**[Senator Blumenthal:]** There are real harms and real victims here. And in some ways, this hearing is a betrayal of those real harms and the real victims of them. Those harms have been caused by big tech because you have failed your responsibility as have others in this industry. *I want to see real reform that will enable these abuses to be reformed*

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<sup>57</sup> Justin Scheck, Newley Purnell, Jeff Horwitz, *Facebook Employees Flag Drug Cartels and Human Traffickers. The Company’s Response Is Weak, Documents Show*, THE WALL STREET JOURNAL (Sept. 16, 2021), available at [https://www.wsj.com/articles/facebook-drug-cartels-human-traffickers-response-is-weak-documents-11631812953?mod=article\\_inline](https://www.wsj.com/articles/facebook-drug-cartels-human-traffickers-response-is-weak-documents-11631812953?mod=article_inline).

<sup>58</sup> *Id.*

*because your platforms have embraced abuse and weaponized child predators, violent white supremacists and human traffickers.*

#### **H. 2020 – Polaris – “Human Trafficking Trends in 2020”**

98. The Polaris Project is a nonprofit that was founded in 2002 that has operated the U.S. National Human Trafficking Hotline, which provides 24/7 support and a variety of options for survivors of human trafficking to get connected to help and stay safe. Polaris released its report – Human Trafficking Trends in 2020 – detailing an analysis of data obtained from the U.S. National Human Trafficking Hotline.<sup>59</sup>

99. The investigation found that “[o]nline recruitment increased a significant 22%. During the lockdowns, as the proportion of victims from common recruitment sites such as strip clubs (-46%), foster homes (-70%) and schools (-38%) went down drastically, the Internet was reported as the top recruitment location for all forms of trafficking.”<sup>60</sup>

100. Notably, “the analysis found a significant increase in the proportion of potential victims for whom Facebook and Instagram were the sites for recruitment into trafficking.” There was a “125% increase in reports of recruitment on Facebook

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<sup>59</sup> <https://polarisproject.org/2020-us-national-human-trafficking-hotline-statistics/>.

<sup>60</sup> <https://polarisproject.org/wp-content/uploads/2022/01/Human-Trafficking-Trends-in-2020-by-Polaris.pdf>.

over the previous year” and a “95% increase in reports of recruitment on Instagram over the previous year.”<sup>61</sup>

**I. March 3, 2020 – Tech Transparency Project – “Broken Promises: Sexual Exploitation of Children on Facebook”**

101. In March of 2020, the Tech Transparency Project (“TTP”) published its analysis which found hundreds of U.S. cases in which suspected pedophiles used Facebook to groom minors and trade images of their sexual abuse.<sup>62</sup>

102. The review identified 366 federal criminal cases over seven years that featured suspects using Facebook for child exploitation. TTP’s report also found such cases are becoming more frequent, from as many as 10 per quarter in 2013 to as many as 23 per quarter in 2019.

103. The report further concluded that Facebook’s systems are failing to eliminate such abuse. In the vast majority of cases, Facebook did not provide the initial tip-off to authorities, despite this conduct occurring on its platforms. In fact, “[o]nly 9% of the cases were initiated because Facebook or the National Center for Missing and Exploited Children (which receives cyber tips from Facebook) reported them to authorities, raising questions about the effectiveness of Facebook’s

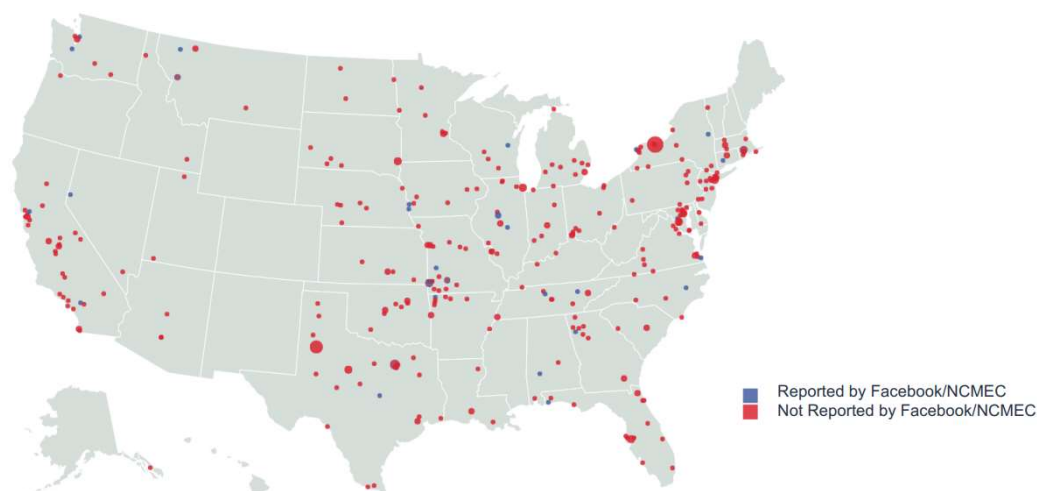
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<sup>61</sup> *Id.*

<sup>62</sup> <https://www.techtransparencyproject.org/articles/sexual-exploitation-children-facebook>.

monitoring of criminal activity targeting children.”<sup>63</sup> The report concluded therefore that “[t]he cases reviewed represent the tip of the iceberg of a far larger problem that remains unsolved by Facebook in the U.S. and around the world.”<sup>64</sup>

104. The TTP report also emphasized how Zuckerberg told lawmakers in October 2019 that Facebook “build[s] sophisticated systems to find this behavior,” yet the map below illustrates how Meta has failed to detect and/or report the vast majority of cases:



*Federal criminal cases across the country have shown suspected pedophiles targeting or abusing children on Facebook. Facebook reported the activity to authorities in less than 10 percent of the cases.*

105. The report further stated that “[a]ll of the examples of suspects using Facebook for child exploitation fell into 366 cases (which sometimes covered

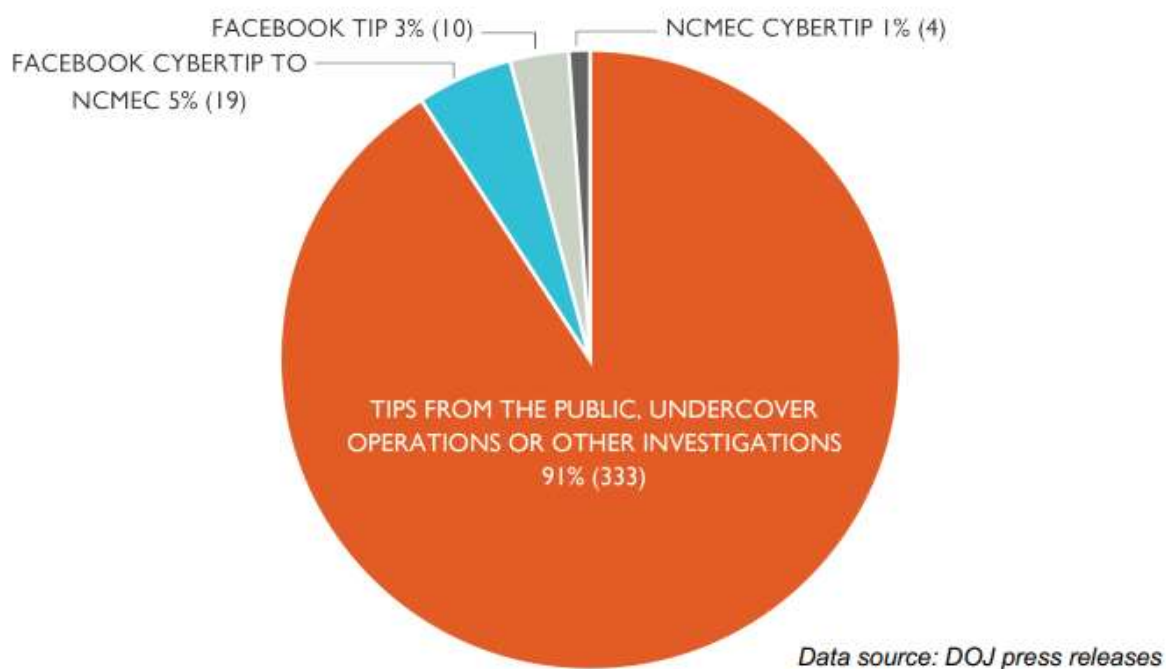
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<sup>63</sup> <https://www.techtransparencyproject.org/sites/default/files/Facebook-Child-Exploitation.pdf>.

<sup>64</sup> *Id.*

multiple defendants). The Justice Department’s press releases on those cases included information on how the investigation was initiated. The majority of the cases (91%) were initiated by tips from the public, undercover operations or information obtained in ongoing investigations. The remaining 9% state that investigations were the result of cyber tips from Facebook or NCMEC.”<sup>65</sup>

ORIGINS OF FEDERAL CRIMINAL CASES INVOLVING FACEBOOK  
2013-2019



106. TTP’s report further explains that “[a]fter [FOSTA-SESTA’s] final passage, however, the press releases show child exploitation cases involving

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<sup>65</sup> *Id.*

Facebook began to increase, as did Facebook and NCMEC’s reporting of such activity to authorities.”<sup>66</sup>

107. “In the five years before the passage of FOSTA-SESTA, Facebook and NCMEC averaged less than one cyber tip per quarter, according to the TTP analysis. Since the bill was passed in March 2018, they have averaged more than three reports per quarter. In total, they reported more cases in the nearly two years since FOSTA-SESTA than they did in the prior five years combined.”<sup>67</sup>

108. “Th[is] trend ... suggests the threat of legal liability under FOSTA-SESTA may be motivating Facebook to increase tips to authorities. But even with the upswing, *the number of Facebook tips detailed in the DOJ press releases remains relatively low, and they’re limited to child sexual abuse images.*”<sup>68</sup>

**J. April 10, 2020 – Meta’s Board Opposes a “Stockholder Proposal Regarding Child Exploitation” by Making False Statements**

109. On April 10, 2020, Meta filed its annual proxy statement in which it published a “Stockholder Proposal Regarding Child Exploitation” which stated, among other things, that “Facebook [was] being sued in a Texas court for facilitating

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<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

sex trafficking of minors,” and that “Instagram [was] being linked to ‘rampant sex trafficking’”:<sup>69</sup>

Facebook and its subsidiaries have faced other recent controversies of child sexual exploitation, including:

- *Facebook being sued in a Texas court for facilitating sex trafficking of minors;*<sup>70</sup>
- *Instagram being linked to “rampant sex trafficking, child sexual abuse grooming, as well as adult fetishization of young girls...,” “sexually graphic comments on minor’s photos,” and allowing strangers to “direct message minors”;*<sup>71</sup> and
- Pedophiles “sharing Dropbox links to child porn via Instagram[.]”<sup>72</sup>

110. Based on these and other observations, the “Shareholders request[ed] that the Board of Directors issue a report by February 2021 assessing the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption.”<sup>73</sup>

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<sup>69</sup> Meta, Proxy Statement (Schedule 14A) at 77 (Apr. 10, 2020).

<sup>70</sup> <https://www.nytimes.com/2019/12/03/technology/facebook-lawsuit-section-230.html>.

<sup>71</sup> <https://endsexualexploitation.org/articles/statement-instagram-is-predators-paradise-says-international-group-of-human-rights-ngos/>;  
<https://endsexualexploitation.org/articles/senate-hearing-uncovers-sexploitation-in-apps-and-social-media/>

<sup>72</sup> <https://www.dailymail.co.uk/news/article-6574015/How-pedophiles-using-Instagram-secret-portal-apparent-network-child-porn.html>

<sup>73</sup> Meta, Proxy Statement (Schedule 14A) at 77 (Apr. 10, 2020).

111. Meta’s Board opposed this request and “**recommend[ed] a vote AGAINST the stockholder proposal.**”<sup>74</sup> In its “Opposing Statement,” Meta claimed that “[w]e use sophisticated technology and other techniques not only to detect child exploitation imagery and remove it, but also to detect and prevent grooming or potentially inappropriate interactions between a minor and an adult,” and told shareholders that “[w]e deploy technology across all of our platforms to proactively surface as much illegal child exploitative content as we can, including through detection technology, machine learning and artificial intelligence techniques, and open-sourcing photo- and video-matching technology.”<sup>75</sup> As discussed below, Meta’s statements in opposing this stockholder proposal were materially misleading because in fact Meta did not use its “machine learning” technology [REDACTED]. Furthermore, although Meta was *publicly* claiming that it could successfully “detect child exploitation imagery and remove it” and “detect and prevent grooming or potentially inappropriate interactions between a minor and an adult”—*internally* Meta was acknowledging that [REDACTED]

[REDACTED]

[REDACTED]

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<sup>74</sup> *Id.* at 79.

<sup>75</sup> *Id.*



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**K. June 2020 – 2020 Trafficking in Persons Report**

112. In June 2020, the U.S. Department of State published its Trafficking in Persons Report (June 2020, 20th Ed.).<sup>76</sup> The report notes how “[t]he media reported in 2018 that trafficking gangs increasingly used social media sites, particularly Facebook, to buy and sell women and girls for sex and labor exploitation.” *Id.* at 269. The report further notes that “[t]raffickers use social media websites, including dating apps, online forums and chat rooms, and Facebook groups, to exploit girls in sex trafficking.” *Id.* at 275.

**L. April 9, 2021 – Meta’s Board Opposes a “Shareholder Proposal Regarding Child Exploitation” by Making False Statements**

113. On April 9, 2021, Meta filed its annual proxy statement in which it published a “Shareholder Proposal Regarding Child Exploitation” which stated, among other things, that “[c]hild sexual exploitation online (and Child Sexual Abuse Material—CSAM) is an escalating threat to children worldwide. The exponential growth of CSAM is directly tied to the growth of social media and the increasing number of children online. In 2019, the National Center for Missing and Exploited

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<sup>76</sup> <https://www.state.gov/reports/2020-trafficking-in-persons-report/>.

Children (NCMEC) received nearly 17 million reports of CSAM. Of these, nearly 16 million reports—or *94 percent—stem from Facebook and its platforms, including Messenger and Instagram.*<sup>77</sup>

114. Just as they had in 2020, the “Shareholders request[ed] that the Board of Directors issue a report by February 2022 assessing the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption.”<sup>78</sup>

115. As it had in 2020, Meta’s Board opposed this request and “recommend[ed] a vote **AGAINST the shareholder proposal.**”<sup>79</sup> In its “Opposing Statement,” Meta claimed to have “dedicated teams to help *find and remove more harmful content - increasingly before people even see it*”; touted “*our progress and effectiveness in combating these issues*”; and stated that “[w]e deploy technology across all of our platforms to proactively surface illegal child exploitative content and activity, including through detection technology, *machine learning* and artificial intelligence techniques.”<sup>80</sup>

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<sup>77</sup> Meta, Proxy Statement (Schedule 14A) at 74 (Apr. 9, 2021).

<sup>78</sup> *Id.*

<sup>79</sup> *Id.* at 76.

<sup>80</sup> *Id.* at 75.

116. As discussed below, Meta’s statements in opposing this shareholder proposal were materially misleading because in fact Meta did not use its “machine” learning technology [REDACTED] See Section II.L *supra*. And although Meta was *publicly* touting its “progress and effectiveness in combating these issues” and how it could “find and remove more harmful content - increasingly before people even see it”—*internally* Meta was acknowledging that [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] See

Section II.L *supra*.

**M. June 8, 2021 – 2020 Federal Human Trafficking Report**

117. On June 8, 2021, the Human Trafficking Institute published its 2020 Federal Human Trafficking Report.<sup>81</sup> The report provided numerous statistics concerning human trafficking in the United States and internationally. One of the “key takeaways from 2020” was that 59% of online victim recruitment (and 65% of

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<sup>81</sup> <https://traffickinginstitute.org/wp-content/uploads/2022/01/2020-Federal-Human-Trafficking-Report-Low-Res.pdf>.

child victim recruitment) in active sex trafficking cases occurred on the Facebook and Instagram social media platforms:

Although traffickers in 2020 active cases recruited their victims from a variety of physical locations, the internet was the most common (41%, 244) location for recruitment, as has been the case every year since 2013. ***In 2020, 59% (78) of online victim recruitment in active sex trafficking cases occurred on Facebook, making [Facebook] by far the most frequently referenced website or app in public sources connected with these prosecutions, which was also true in 2019.***

Surprisingly, despite Facebook’s reputation as a less popular platform among teenagers, it was a more common platform for recruiting child victims than adult victims in 2020 active sex trafficking cases. In fact, ***65% (68) of child victims recruited on social media were recruited through Facebook*** compared to just 36% (10) of adults. After Facebook, Instagram and Snapchat were the most frequently cited social media platforms for recruiting child victims, accounting for 14% (15) and 8% (8) of child recruitment, respectively. Among adults, other top platforms were WeChat (43%, 12) and Instagram (7%, 2). Overall, when examining websites and apps used to recruit victims irrespective of age, the most common sites in active sex trafficking cases—after Facebook—were Instagram (13%, 17), WeChat (9%, 12), and SnapChat (7%, 9).

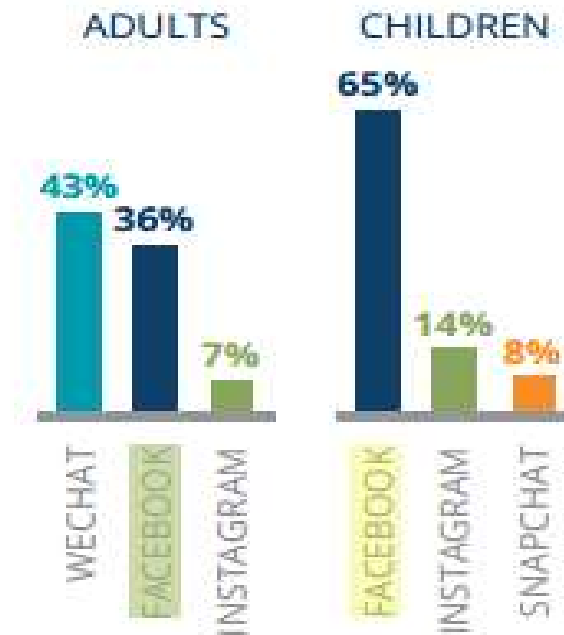
*Id.* at 44 (emphases added) (internal citations omitted).

118. The report depicted the percentages of “active criminal sex trafficking cases by age” which involved Facebook or one of Meta’s other platforms, Instagram, as follows:<sup>82</sup>

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<sup>82</sup> *Id.*

**VICTIMS RECRUITED  
ONLINE IN 2020  
ACTIVE CRIMINAL  
SEX TRAFFICKING  
CASES BY AGE**



119. Thus, in 2020, 79% of child victims in active criminal sex trafficking cases were recruited by their predators from Facebook and Instagram.

**N. June 2021 – 2021 Trafficking in Persons Report**

120. In June 2021, the State Department publicly released its annual Trafficking in Persons Report.<sup>83</sup> The State Department reported that COVID-19 mitigation efforts forced many people to shift online, including human traffickers. Online grooming and recruitment of children has increased, and reports from several

<sup>83</sup> <https://www.state.gov/reports/2021-trafficking-in-persons-report/>.

different countries demonstrated drastic increases in online commercial sexual exploitation and sex trafficking, including online sexual exploitation of children (OSEC), and demand for distribution of child sexual exploitation material (CSEM), including content that involved human trafficking victims. The report noted that in Israel, women, transgender adults, and children were vulnerable to sex trafficking, and that traffickers “use social media websites, including dating apps, online forums and chat rooms, and Facebook groups, to exploit girls in sex trafficking.”<sup>84</sup> The report further noted that “[i]n cases of sexual exploitation of children, WhatsApp chats . . . are used to attract children and exploit them.”<sup>85</sup>

**O. June 10, 2021 – Meta Falsely Tells *CBS* that It “Take[s] Down Any Content that Violates [Its] Rules” Against “Sex Trafficking and Child Exploitation”**

121. On June 10, 2021, Meta issued a statement to *CBS News*, claiming that it “take[s] down any content that violates” the Company’s rules prohibiting “sex trafficking and child exploitation” on its platforms:

*Sex trafficking and child exploitation are abhorrent and we don’t allow them on Facebook. We have policies and technology to prevent these types of abuses and take down any content that violates our rules.* We also work with safety groups, anti-trafficking organizations and other technology companies to address this and we report all apparent instances of child sexual exploitation to the National Center for Missing and Exploited Children.

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<sup>84</sup> *Id.* at 310.

<sup>85</sup> *Id.* at 216.

122. Meta’s statement above to *CBS News* on June 10, 2021, was materially false and misleading because although Meta claimed to “take down any content that violates” its rules against “[s]ex trafficking and child exploitation”—Meta had already internally acknowledged in December 2020 that (1) [REDACTED]; (2) [REDACTED]; (3) the [REDACTED] and that the [REDACTED]; and (4) the Company lacked [REDACTED]

[REDACTED] 86

123. Indeed, Meta failed to “fix[] the systems that allowed” traffickers to operate despite having extensive information concerning their activities and opportunities to remove that content. For example, as *The Wall Street Journal* reported on September 16, 2021, a Meta team spent more than one year in 2018/2019 investigating human trafficking on its platforms in the Middle East, and therefore already knew it had an unresolved problem with human trafficking before the issue was raised by *BBC* and Apple. Yet, an internal document warned the Company to be cautious with statements against human trafficking in order to not “alienate

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<sup>86</sup> META220\_0006468 and META220\_0006471.

buyers” of enslaved domestic workers who used Meta’s platforms. As *The Wall Street Journal* reported, and Meta’s internal documents noted, Meta was often more concerned with retaining users and “placating authoritarian governments” than it was with preventing human trafficking on its platforms.<sup>87</sup>

**P. June 25, 2021 – the Texas Supreme Court Upholds a Lawsuit Against Meta by Victims of Sex Trafficking Despite Section 230**

124. On June 25, 2021, the Supreme Court of Texas issued an opinion in *In re Facebook, Inc.*,<sup>88</sup> which held that Section 230 of the CDA, 47 U.S.C. § 230, did not bar claims against Meta by three victims of sex trafficking under the Texas human trafficking statute.<sup>89</sup> In so holding, the court reviewed these victims’ allegations that Facebook engaged in “overt acts” that “encourag[ed] the use of [the Company’s] platforms for sex trafficking” including that:

Facebook “creat[ed] a breeding ground for sex traffickers to stalk and entrap survivors”; that “Facebook . . . knowingly aided, facilitated and assisted sex traffickers, including the sex trafficker[s] who recruited [Plaintiffs] from Facebook” and “knowingly benefitted” from rendering such assistance; that “Facebook has assisted and facilitated the trafficking of [Plaintiffs] and other minors on Facebook”; and that Facebook “uses the detailed information it collects and buys on its users to direct users to persons they likely want to meet” and, “[i]n doing so,

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<sup>87</sup> <https://www.wsj.com/articles/facebook-drug-cartels-human-traffickers-response-is-weak-documents-11631812953>.

<sup>88</sup> No. 20-0434, 2021 WL 2603687 (Tex. June 25, 2021).

<sup>89</sup> Tex. Civ. Prac. & Rem. Code Ann. § 98.002(a).



. . . facilitates human trafficking by identifying potential targets, like [Plaintiffs], and connecting traffickers with those individuals.”<sup>90</sup>

125. The court found that “[r]ead liberally in Plaintiffs’ favor, these statements may be taken as alleging affirmative acts by Facebook to encourage unlawful conduct on its platforms.”<sup>91</sup> The court concluded that “[t]he available precedent indicates that Facebook enjoys no CDA immunity from claims founded on such allegations” and therefore held that “[t]he plaintiffs’ statutory human-trafficking claims may proceed . . . .”<sup>92</sup>

126. In the same case, on March 7, 2022, the U.S. Supreme Court denied Meta’s petition for writ of certiorari. *See Facebook Cert.*, 142 S. Ct. 1087 (2022). In his concurring opinion, Justice Thomas wrote that “*Facebook allegedly ‘knows its system facilitates human traffickers in identifying and cultivating victims,’ but has nonetheless ‘failed to take any reasonable steps to mitigate the use of Facebook by human traffickers’ because doing so would cost the company users and the advertising revenue those users generate.*” *Id.* at 1088. Justice Thomas observed that “[i]t is hard to see why the protection of § 230(c)(1) grants publishers against being held strictly liable for third parties’ content should protect Facebook from liability for its own ‘acts and omissions.’” *Id.*

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<sup>90</sup> *In re Facebook*, 2021 WL 2603687, at \*13.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at \*13, \*1.

**Q. September 16, 2021 – *The Wall Street Journal* Reports that Meta “Allow[s] Users to Post ... Advertisements for Human Trafficking” and “Treats Harm” as the “Cost of Doing Business”**

127. In September 2021, *The Wall Street Journal* began publishing a series of articles that the newspaper dubbed its “Facebook Files Investigation.” The articles were based on “internal documents,” many provided by Frances Haugen, and “interviews with dozens of current and former employees” of Facebook.<sup>93</sup>

128. Of particular relevance to this case, on September 16, 2021, *The Wall Street Journal* published an article titled “*Facebook Employees Flag Drug Cartels and Human Traffickers. The Company’s Response Is Weak, Documents Show.*”<sup>94</sup>

The article stated that “[s]cores of internal Facebook documents reviewed by The Wall Street Journal show employees raising alarms about how its platforms are used in some developing countries, where its user base is already huge and expanding. They also show the company’s response, which in many instances is inadequate or

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<sup>93</sup> Jeff Horwitz, *Facebook Says Its Rules Apply to All. Company Documents Reveal a Secret Elite That’s Exempt*, THE WALL STREET JOURNAL (Sept. 13, 2021), available at [https://www.wsj.com/articles/facebook-files-xcheck-zuckerberg-elite-rules-11631541353?mod=article\\_inline](https://www.wsj.com/articles/facebook-files-xcheck-zuckerberg-elite-rules-11631541353?mod=article_inline).

<sup>94</sup> Justin Scheck, Newley Purnell, Jeff Horwitz, *Facebook Employees Flag Drug Cartels and Human Traffickers. The Company’s Response Is Weak, Documents Show*, THE WALL STREET JOURNAL (Sept. 16, 2021), available at <https://www.wsj.com/articles/facebook-drug-cartels-human-traffickers-response-is-weak-documents-11631812953>.

nothing at all.”<sup>95</sup> Rather, “[w]hen problems have surfaced publicly, Facebook has said it addressed them by taking down offending posts. But it hasn’t fixed the systems that allowed offenders to repeat the bad behavior.”<sup>96</sup> Much of the misconduct reported in the article to which Meta exhibited an inadequate or nonexistent response involved sex trafficking, human trafficking, and human exploitation on Meta’s platforms. Among other things, the article stated:

Scores of internal Facebook documents reviewed by The Wall Street Journal show employees raising alarms about how its platforms are used in some developing countries, where its user base is already huge and expanding. They also show *the company’s response*, which in many instances *is inadequate or nothing at all*.

*Employees flagged that human traffickers in the Middle East used the site to lure women into abusive employment situations in which they were treated like slaves or forced to perform sex work.*

Facebook removes some pages, though *many more operate openly*, according to the documents.

In some countries where Facebook operates, it has few or no people who speak the dialects needed to identify dangerous or criminal uses of the platform, the documents show.

When problems have surfaced publicly, Facebook has said it addressed them by taking down offending posts. But *it hasn’t fixed the systems that allowed offenders to repeat the bad behavior. Instead, priority is given to retaining users, helping business partners and at times placating authoritarian governments*, whose support Facebook sometimes needs to operate within their borders, the documents show.

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<sup>95</sup> *Id.*

<sup>96</sup> *Id.*

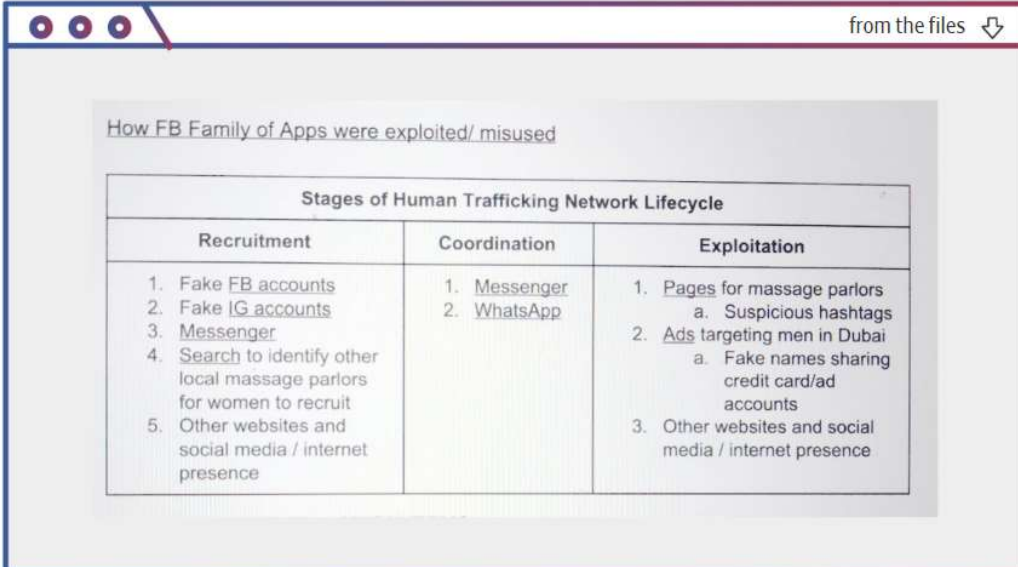
**Facebook treats harm in developing countries as “simply the cost of doing business” in those places**, said Brian Boland, a former Facebook vice president who oversaw partnerships with internet providers in Africa and Asia before resigning at the end of last year.

“There is very rarely a significant, concerted effort to invest in fixing those areas,” he said.

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The documents reviewed by the Journal are reports from employees who are studying the use of Facebook around the world, including **human exploitation** and other abuses of the platform. **They write about their embarrassment and frustration, citing decisions that allow users to post . . . advertisements for human trafficking.**

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from the files ↓

How FB Family of Apps were exploited/ misused

Stages of Human Trafficking Network Lifecycle		
Recruitment	Coordination	Exploitation
<ol style="list-style-type: none"><li>1. Fake FB accounts</li><li>2. Fake IG accounts</li><li>3. Messenger</li><li>4. Search to identify other local massage parlors for women to recruit</li><li>5. Other websites and social media / internet presence</li></ol>	<ol style="list-style-type: none"><li>1. Messenger</li><li>2. WhatsApp</li></ol>	<ol style="list-style-type: none"><li>1. Pages for massage parlors<ol style="list-style-type: none"><li>a. Suspicious hashtags</li></ol></li><li>2. Ads targeting men in Dubai<ol style="list-style-type: none"><li>a. Fake names sharing credit card/ad accounts</li></ol></li><li>3. Other websites and social media / internet presence</li></ol>

Source: 2019 'Case Briefs and Insights report' on how human traffickers and criminal networks use Facebook platforms

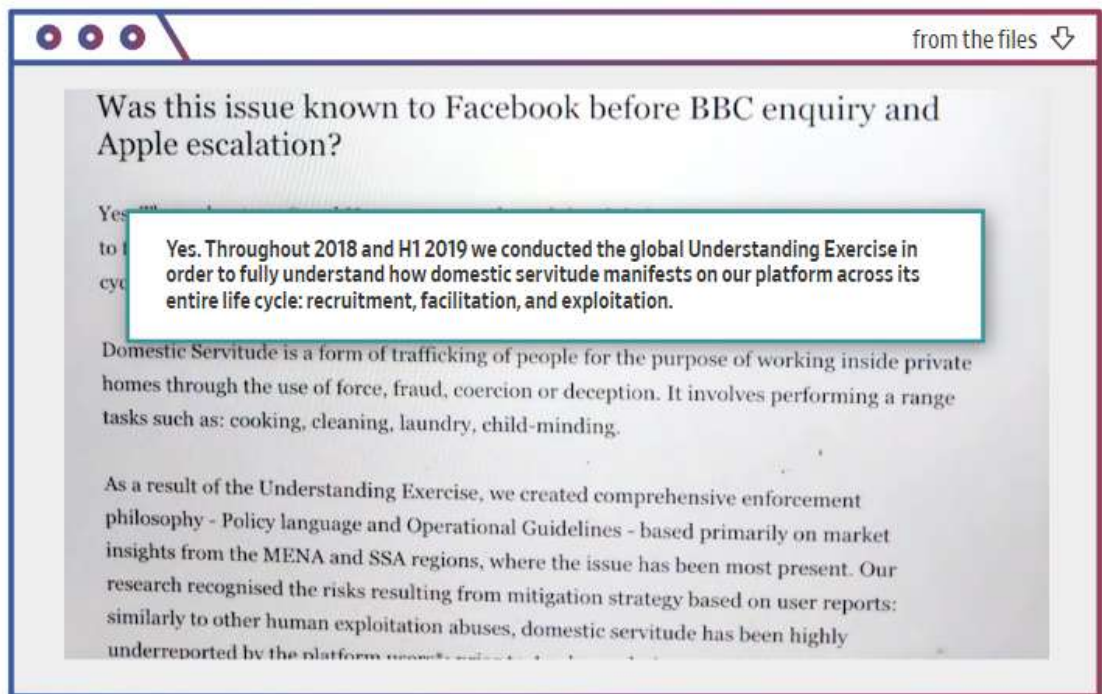
**The investigation team spent more than a year documenting a bustling human-trafficking trade in the Middle East taking place on its services.** On Facebook and Instagram, unscrupulous employment agencies advertised workers they could supply under coercive terms, using their photos and describing their skills and personal details.

The practice of signing people to restrictive domestic employment contracts and then selling the contracts is widely abused and has been defined as human trafficking by the U.S. State Department.

The company took down some offending pages, but *took only limited action to try to shut down the activity until Apple Inc. threatened to remove Facebook’s products from the App Store unless it cracked down on the practice. The threat was in response to a BBC story on maids for sale.*

In an internal summary about the episode, a Facebook researcher wrote: *“Was this issue known to Facebook before BBC enquiry and Apple escalation?”*

*The next paragraph begins: “Yes.”*



Source: 2019 internal report titled 'Apple Escalation on Domestic Servitude - how we made it through this SEV'

*One document from earlier this year suggested the company should use a light touch with Arabic-language warnings about human trafficking so as not to “alienate buyers”—meaning Facebook users who buy the domestic laborers’ contracts, often in situations akin to slavery.*

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## Language gap

The company's internal communications show it doesn't have enough employees who speak some of the relevant languages to help monitor the situation. For some languages, Facebook also failed to build automated systems, called classifiers, that could weed out the worst abuses. *Artificial-intelligence systems that form the backbone of Facebook's enforcement don't cover most of the languages used on the site.*

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*Facebook's team of human-exploitation investigators, which in addition to the former police officer included a Polish financial expert who previously investigated trafficking finances at HSBC bank and a Moroccan refugee expert who formerly worked at the United Nations High Commissioner for Refugees, gathered evidence of human trafficking.*

*By looking across Facebook products, they found criminal networks recruiting people from poor countries, coordinating their travel and putting them into domestic servitude or into forced sex work in the United Arab Emirates and other Persian Gulf countries. Facebook products facilitated each step, and the investigators followed communications across platforms to identify perpetrators and victims.*

*Facebook in 2018 didn't have a protocol for dealing with recruiting posts for domestic servitude. In March 2018, employees found Instagram profiles dedicated to trafficking domestic servants in Saudi Arabia. An internal memo says they were allowed to remain on the site because the company's policies "did not acknowledge the violation."*

*The investigation team identified multiple trafficking groups in operation, including one with at least 20 victims, and organizers who spent at least \$152,000 on Facebook ads for massage parlors.*

The former police officer recommended that Facebook disable WhatsApp numbers associated with the rings, put in new policies about ads purchased anonymously and improve its artificial intelligence to better root out posts related to human trafficking, according to the

documents. He added that *Facebook should develop a network to prevent trafficking* by sharing findings with other tech companies.

In another memo, the Polish trafficking expert wrote that *18 months after it first identified the problem, Facebook hadn't implemented systems to find and remove the trafficking posts.*

The BBC and Apple flagged concerns in 2019. With the threat posing *“potentially severe consequences to the business,”* the trafficking expert wrote, Facebook began moving faster. A proactive sweep using the investigation team's prior research found more than 300,000 instances of potential violations and disabled more than 1,000 accounts.

*The team continued finding posts of human trafficking,* and Facebook struggled to put effective policies in place. One document says *Facebook delayed a project meant to improve understanding of human trafficking.*

Another memo notes: *“We know we don't want to accept/profit from human exploitation. How do we want to calculate these numbers and what do we want to do with this money?”*

from the files

IV - RECOMMENDED ACTION ITEMS

\*\*\*If you see your name below, it means that we believe that you're probably the best person/team POC that could help FB move forward on tackling sex trafficking in respective areas post this investigation. Please help loop in additional people or redirect if we've misidentified you (nonetheless thank you for reading!). Master Task: [T53526763](#)

ACTION ITEM	RISK/IMPACT	AI TYPE	OWNER	TASK
Clarify Ads Account policy why/when payment methods related to ad credit accounts are allowed with no names/ info	Prevent traffickers from using multiple CC with nameless payment methods linked to the ad credit accounts & close any policy gap	Policy	ad-policy	<a href="#">T53526846</a>
Clarify policies how FB currently handles accrued ad revenues associated with HT	Prevent reputational risk for the company (not to profit from ads spent for HT)	Policy	[REDACTED]	<a href="#">T53526954</a>

Note: Names have been redacted on this document.

Source: 2019 'Case Briefs and Insights report' on how human traffickers and criminal networks use Facebook platforms

*At the end of 2020, following three months in which Facebook investigated a dozen networks suspected of human trafficking, a system for detecting it was deactivated. The trafficking investigators said that hurt their efforts,* according to the documents.

*“We found content violating our domestic servitude policy that should have been detected automatically”* by a software tool called the Civic Integrity Detection pipeline, wrote an employee in a document titled *“Domestic Servitude: This Shouldn’t Happen on FB and How We Can Fix It.”* She recommended the company reactivate that pipeline.

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The investigation team also struggled to curb sex trafficking. In 2019, they discovered a prostitution ring operating out of massage parlors in the U.S. Facebook gave the information to police, who made arrests.

*Facebook discovered a much larger ring that used the site to recruit women from Thailand and other countries. They were held captive, denied access to food and forced to perform sex acts in Dubai massage parlors,* according to an internal investigation report.

Facebook removed the posts but *didn’t alert local law enforcement.* The investigation found traffickers bribed the local police to look away, according to the report.

**R. October 3-4, 2021 – Former Meta Employee Frances Haugen Appears on 60 Minutes and Publishes Her Complaints to the SEC**

129. On October 3, 2021, Frances Haugen, one of the key sources of information for *The Wall Street Journal’s* series of September 2021 news articles, appeared on *60 Minutes*. In the broadcast, *60 Minutes* reported that “[l]ast month, Haugen’s lawyers filed at least 8 complaints with the [SEC] which enforces the law in financial markets.”<sup>97</sup> Ms. Haugen’s disclosures to the SEC included some of the

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<sup>97</sup> Scott Pelley, *Whistleblower: Facebook Is Misleading the Public on Progress*



“tens of thousands of pages of Facebook internal research” that Ms. Haugen “secretly copied” while an employee at Facebook. *Id.*<sup>98</sup>

130. The next day, on October 4, 2021, *60 Minutes* published on its website each of Ms. Haugen’s eight complaints to the SEC.<sup>99</sup> One of Ms. Haugen’s complaints to the SEC was titled “Facebook misled investors and the public about its promotion of human trafficking / slavery / servitude.”<sup>100</sup> This complaint quoted an internal Meta document titled “28/27 Domestic Servitude Global Analysis document” which stated that “[w]e have observed increasing number [sic] of

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*Against Hate Speech, Violence, Misinformation*, 60 MINUTES (Oct. 4, 2021), available at <https://www.cbsnews.com/news/facebook-whistleblower-frances-haugen-misinformation-public-60-minutes-2021-10-03/>.

<sup>98</sup> The “thousands of documents” that Ms. Haugen obtained were available on Facebook’s intra-company network called “Facebook Workplace,” and included “presentations to Chief Executive Mark Zuckerberg – sometimes in draft form, with notes from top company executives included” and which “[v]irtually any of Facebook’s more than 60,000 employees could have accessed.” Jeff Horwitz, “*The Facebook Whistleblower, Frances Haugen, Says She Wants to Fix the Company, Not Harm It*,” THE WALL STREET JOURNAL (Oct. 3, 2021), available at <https://www.wsj.com/articles/facebook-whistleblower-frances-haugen-says-she-wants-to-fix-the-company-not-harm-it-11633304122>.

<sup>99</sup> See Keith Zubrow, Maria Gavrilovic, and Alex Ortiz, Whistleblower’s SEC Complaint: Facebook Knew Platform Was Used to “Promote Human Trafficking and Domestic Servitude,” 60 MINUTES (Oct. 4, 2021), available at <https://www.cbsnews.com/news/facebook-whistleblower-sec-complaint-60-minutes-2021-10-04/>.

<sup>100</sup> Available at [https://drive.google.com/file/d/1ItiZR\\_n1\\_xB3gzkJZ9uvd6pUOYRMGIex/view](https://drive.google.com/file/d/1ItiZR_n1_xB3gzkJZ9uvd6pUOYRMGIex/view).

*reported content that indicates that the platform is being used to coordinate and promote domestic servitude ... real world harm caused by domestic servitude as well as risk to the business due to potential PR [i.e., public relations] ... fires.”*<sup>101</sup>

131. The same complaint quoted further internal Meta documents which stated (as noted above in Section II.F) that: “[D]ue to the underreporting of this behaviour and absence of proactive detection, newly created and existing content not captured in the IG [i.e., Instagram] sweep meant that domestic servitude content remained on the platform”; “we are under-enforcing on confirmed abusive activity with a nexus to the platform”; and “[o]ur investigative findings demonstrate that ... our platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks... The traffickers, recruiters, and facilitators from these ‘agencies’ used FB profiles, IG profiles, Pages, Messenger, and WhatsApp....”<sup>102</sup>

**S. October 5, 2021 – Ms. Haugen Testifies Before Congress that Meta’s “AI Systems Only Catch a Very Tiny Minority of Offending Content” and Explains that the Company “Has No Oversight”**

132. On October 5, 2021, Ms. Haugen testified before the U.S. Senate’s Subcommittee on Consumer Protection, Product Safety, and Data Security. In her

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<sup>101</sup> *Id.* at 3.

<sup>102</sup> *Id.* at 4-5.

written statement, Ms. Haugen testified that Facebook’s “leadership keeps vital information from the public, the U.S. government, its shareholders, and governments around the world. The documents I have provided prove that *Facebook has repeatedly misled us about what its own research reveals about the safety of children*, its role in spreading hateful and polarizing messages, and so much more.”<sup>103</sup> Ms. Haugen further testified that “*Facebook’s closed design means it has no oversight—even from its own Oversight Board, which is as blind as the public.*” *Id.*

133. During the hearing, Senator Marsha Blackburn stated that “*Facebook also turned a blind eye toward blatant human exploitation taking place on its platform - trafficking, forced labor cartels, the worst possible things one can imagine.*”<sup>104</sup>

134. Furthermore, during the hearing, Senator Mike Lee brought up prior testimony of a different witness who testified before the committee (Ms. Davis) claiming that Facebook has sexually suggestive ads that are targeted to children. Ms.

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<sup>103</sup> Statement of Frances Haugen (Oct. 4, 2021), available at <https://www.commerce.senate.gov/services/files/FC8A558E-824E-4914-BEDB-3A7B1190BD49>.

<sup>104</sup> Marsha Blackburn, *Blackburn Asks Whistleblower To Detail Facebook’s Practice of Endangering Children Online*, (2021), available at <https://www.blackburn.senate.gov/2021/10/blackburn-asks-whistleblower-to-detail-facebook-s-practice-of-endangering-children-online>.

Haugen responded that “It is very possible that none of those ads were seen by a human. The reality is that we’ve seen from repeated documents within my disclosures is that *Facebook’s AI systems only catch a very tiny minority of offending content* ... [i]t’s likely if they rely on computers and not humans, they will also likely never get more than 10 to 20% of those ads.”<sup>105</sup>

**T. October 25, 2021 – Ms. Haugen Testifies Before the U.K. Parliament**

135. On October 25, 2021, Frances Haugen testified before the Parliament of the United Kingdom to discuss her concerns about Facebook’s monitoring of the conduct on its platform.

136. In particular, Ms. Haugen pointed out Facebook’s deficiencies in moderating online posts written in languages other than English, saying “I want to be clear: bad actors have already tested Facebook. They have tried to hit the rate limits. They have tried experiments with content. They know Facebook’s limitations. The only ones who do not know Facebook’s limitations are good actors. Facebook needs to disclose what its integrity systems are and which languages it works in, and the performance per language or per dialect, because I guarantee you

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<sup>105</sup> Clare Duffy, et al., *Facebook whistleblower testifies in Congress*, (Oct. 5, 2021), <https://www.rev.com/blog/transcripts/facebook-whistleblower-frances-haugen-testifies-on-children-social-media-use-full-senate-hearing-transcript>.

that, safety systems designed for English probably do not work as well on UK English versus American English.”<sup>106</sup>

**U. April 8, 2022 – Meta’s Board Opposes a “Shareholder Proposal Regarding Child Exploitation” by Making False Statements**

137. On April 8, 2022, Meta filed its annual proxy statement in which it published a “Shareholder Proposal Regarding Child Sexual Exploitation Online” which stated, among other things, that “[i]n 2020, 79 percent of U.S. underage sex trafficking victims recruited online were recruited through Facebook or Instagram.”<sup>107</sup>

138. Just as they had in 2020 and 2021, the “Shareholders request[ed] that the Board of Directors issue a report by February 2023 assessing the risk of increased sexual exploitation of children as the Company develops and offers additional privacy tools such as end-to-end encryption.”<sup>108</sup>

139. As it had in 2020 and 2021, Meta’s Board “**recommend[ed] a vote AGAINST the shareholder proposal.**”<sup>109</sup> In support of its recommendation, Meta claimed that “[f]or years *we have been tackling this issue* using the most advanced technologies”; “[w]e continue to increase our investment in people and technology

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<sup>106</sup> Available at <https://committees.parliament.uk/oralevidence/2884/pdf/> at 19.

<sup>107</sup> Meta, Proxy Statement (Schedule 14A) at 80 (Apr. 8, 2022).

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 83.

with *dedicated teams to help find and remove more harmful content – increasingly before people even see it*”; and that “[w]e deploy technology to proactively surface illegal child exploitative content and activity, including through detection technology, *machine learning* and artificial intelligence techniques.”<sup>110</sup>

140. As discussed below, Meta’s statements to shareholders in its April 8, 2022 proxy were materially misleading because in fact Meta did not use its “machine learning” technology [REDACTED] See Section II.U *supra*. And while Meta *publicly* claimed to have been “tackling this issue” for “years” including by “remov[ing] more harmful content – increasingly before people even see it”—*internally* Meta was acknowledging that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] See

Section II.U *supra*.

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<sup>110</sup> *Id.* at 82.

## V. July 2022 – 2022 Trafficking in Persons Report

141. In July 2022, the State Department again released its annual Trafficking in Persons Report.<sup>111</sup> This report states that more than 175 nations have ratified or acceded to the UN TIP Protocol, which defines trafficking in persons and contains obligations to prevent and combat the crime. The TVPA and the UN TIP Protocol contain similar definitions of human trafficking. The elements of both definitions can be described using a three-element framework focused on the trafficker’s 1) acts; 2) means; and 3) purpose. It is also important to note that neither U.S. nor international law requires that a trafficker or victim move across a border for a human trafficking offense to take place.

142. The 2022 Trafficking in Persons Report stated that “[t]raffickers have increasingly lured potential victims through social media, including Facebook, Instagram, TikTok, and mobile messages,” and that “[t]he media [in Iraq, Iran, and Syria reported] trafficking gangs increasingly use social media sites, particularly Facebook, to buy and sell women and girls for sex and labor exploitation.” The report also noted that in Israel, “[t]raffickers use social media websites, including dating apps, online forums and chat rooms, and Facebook groups to exploit girls in sex trafficking.” Furthermore, in Kuwait, reports of “employers allegedly selling

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<sup>111</sup> <https://www.state.gov/reports/2022-trafficking-in-persons-report/>.

their workers to other employers on social media and online platforms like Instagram, Twitter, Facebook ... increased.”

**W. June 16, 2022 – 2021 Federal Human Trafficking Report**

143. On June 16, 2022, the Human Trafficking Institute publicly released the 2021 Human Trafficking Report (“2021 HTI Report”).<sup>112</sup> The 2021 HTI Report found that since 2000, traffickers have recruited 55% of sex trafficking victims online, usually through social media platforms, web-based messaging apps, online chat rooms, classified advertisements, or job boards. Defendants in federal sex trafficking cases used the internet as their primary method of soliciting buyers in 85% of the cases filed in 2021.

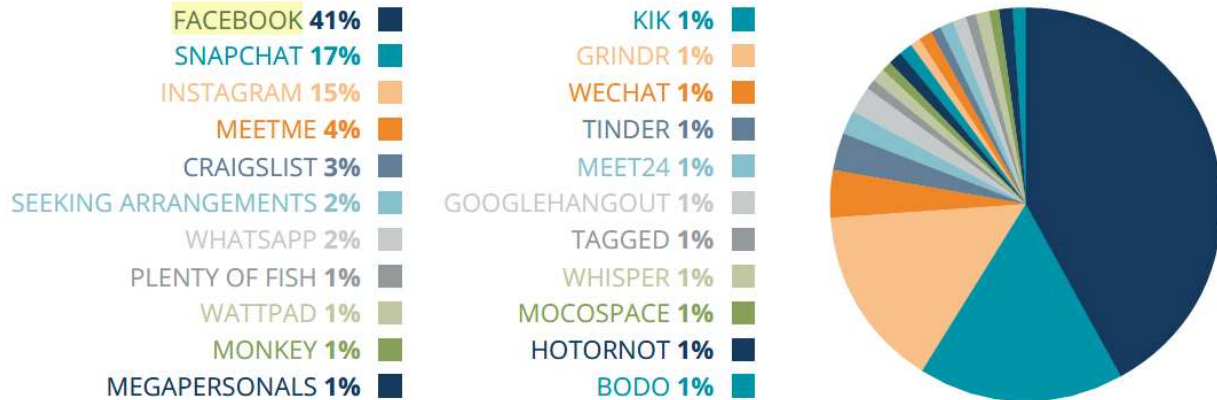
144. The 2021 HTI Report further found that when an online platform was used to recruit victims for criminal sex trafficking in new cases filed in 2019, 2020, and 2021, Facebook was used in 41% of the cases (more than twice as much than any other platform) and Instagram was used in 15% of the cases. In other words, based on these statistics the 2021 HTI Report concluded that more sex trafficking has occurred on Meta’s two largest platforms *than on every other platform in the world combined*.

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<sup>112</sup> <https://traffickinginstitute.org/2021-fhtr-is-now-available/>.



**PLATFORMS USED IN RECRUITMENT OF SEX TRAFFICKING VICTIMS SINCE 2019<sup>111</sup>**



**III. BOARD-LEVEL DOCUMENTS CONFIRM THAT THE BOARD HAS KNOWN THAT META HAS UTTERLY FAILED TO PREVENT, DETECT, OR RESPOND TO RAMPANT SEX TRAFFICKING ON ITS PLATFORMS—YET FAILED TO EXERCISE OVERSIGHT**

145. Despite committing to Plaintiffs that they would produce Board minutes, including committee minutes, related to sex and human trafficking and teen health, there was a complete lack of Board minutes produced by Defendants. The materials presented to the Board, however, demonstrate that the Board knew about Meta’s problems with trafficking and related issues.<sup>113</sup> Defendants woefully

<sup>113</sup> See, e.g., 1850 ( [REDACTED] ), 2229 (same), 2671 (same), 2726 ( [REDACTED] ), 3134 ( [REDACTED] ); see also 5069 (noting [REDACTED] to address [REDACTED] and [REDACTED] including [REDACTED] ), 5919 (noting a [REDACTED] ).

neglected their duty to respond to and address human trafficking on Meta's platforms.

146. As background, when Meta identifies a [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]<sup>114</sup> The materials provided to the Board on February 14, 2019 indicate the Board was

[REDACTED]  
[REDACTED]  
[REDACTED]<sup>115</sup> In addressing problems, Meta stated, [REDACTED]

[REDACTED]<sup>116</sup> Meta also has stated that [REDACTED]

[REDACTED]<sup>117</sup>

147. In the same document, Meta [REDACTED]

[REDACTED]  
[REDACTED]

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<sup>114</sup> META220\_0003179.

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

[REDACTED] respectively. *Id.* Hence, Meta [REDACTED]

[REDACTED]

**A. December 2017 – the Board Acknowledges the [REDACTED]**  
[REDACTED]

148. On December 7, 2017, the Board received a presentation titled “Board Updates & Approvals” for “*Directors Only*”<sup>118</sup> which discussed Meta’s “2017 DECEMBER – POLICY RISKS & OPPORTUNITIES.”<sup>119</sup> The presentation reported the following:

[REDACTED]

<sup>120</sup>

**B. March 2018 – the Board Is Informed that [REDACTED]**  
[REDACTED]

149. On March 1, 2018, the Board received a presentation on [REDACTED]  
[REDACTED] and was specifically warned that [REDACTED]  
[REDACTED] and noted that

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<sup>118</sup> META220\_0003014.

<sup>119</sup> META220\_0003132.

<sup>120</sup> META220\_0003134.

such [REDACTED]

[REDACTED]<sup>121</sup>

**C. 2019 – the Board Acknowledges [REDACTED]  
[REDACTED]  
and Admits that [REDACTED] in Addressing  
[REDACTED]**

150. A [REDACTED] recognizes that Meta's [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]<sup>122</sup>

151. In evaluating [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]<sup>123</sup> As to Meta's progress in addressing these problems, Meta coded [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]<sup>124</sup> Meta noted that its [REDACTED] included [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]<sup>125</sup>

**D. February 2019 – the Board Acknowledges [REDACTED]  
[REDACTED]**

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<sup>121</sup> META220\_0002955

<sup>122</sup> META220\_0002885.

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> META220\_0002890.

[REDACTED]  
[REDACTED]—Yet Does Not Prioritize Solving It

152. On February 13, 2019, the Audit Committee held a meeting during which it received a presentation which discussed “Law Enforcement Compliance.”<sup>126</sup> The presentation further discussed the [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED] [.]”<sup>127</sup>

153. On February 14, 2019, the Board received a “H1 2019 Board Update”<sup>128</sup> for the Facebook Board of Directors<sup>129</sup> which stated that Meta needed to [REDACTED] regarding [REDACTED]; noted that [REDACTED]; and set forth the [REDACTED] of Meta’s [REDACTED] regarding the [REDACTED]  
[REDACTED]<sup>130</sup> The update categorized Meta’s progress as [REDACTED]

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<sup>126</sup> META220\_0006220, 6233.

<sup>127</sup> META220\_0006233.

<sup>128</sup> META220\_0003172.

<sup>129</sup> *Id.*

<sup>130</sup> META220\_0003178.

[REDACTED]—and again noted that [REDACTED]

[REDACTED]<sup>131</sup>

154. The update stated that Meta’s progress addressing [REDACTED]

[REDACTED]

[REDACTED]<sup>132</sup>

155. The update also stated that Meta’s progress in addressing

[REDACTED]

[REDACTED] However, the update did not even mention sex/human trafficking as being an issue that Meta was even trying to address, nor did it state whether Meta had made any progress (or if it was even trying to make progress) addressing sex/human trafficking.

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<sup>131</sup> *Id.*

<sup>132</sup> *Id.*



156. Next, the update reviewed Meta's [REDACTED]



[REDACTED]<sup>133</sup> In that regard, the update predicted that

[REDACTED]<sup>134</sup> Regarding how Meta classified the

[REDACTED] the update included a [REDACTED]



[REDACTED]<sup>135</sup>

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<sup>133</sup> META220\_0003179.

<sup>134</sup> *Id.*

<sup>135</sup> *Id.* (emphasis in original).

157. The update stated that Meta's [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>136</sup> Thus, because Meta's

[REDACTED]

[REDACTED]

[REDACTED], as of the date of this update (December 2018),

Meta had only [REDACTED]

[REDACTED] to address this problem.

158. In contrast, the update stated that Meta's [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>137</sup> In other words, Meta's [REDACTED]

[REDACTED]

[REDACTED] Stated differently, whereas

Meta at least sought to [REDACTED]

[REDACTED]

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<sup>136</sup> *Id.*

<sup>137</sup> *Id.*



[REDACTED] Meta was content in *not* making any progress [REDACTED]

[REDACTED]

[REDACTED]

159. On another page, the update stated, [REDACTED]

[REDACTED] and listed purported

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>138</sup> Yet, noticeably absent from this page is any reference to Meta

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<sup>138</sup> META220\_0003181. Inexplicably, Meta had no [REDACTED]

[REDACTED] *Id.*

using its [REDACTED]

[REDACTED]<sup>139</sup> This is despite the fact that, just pages earlier, Meta had acknowledged that it had only [REDACTED]

[REDACTED]<sup>140</sup> on

[REDACTED], had also acknowledged that this

problem would [REDACTED], and had made clear that it had

no [REDACTED]

[REDACTED]

[REDACTED]<sup>141</sup>

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<sup>139</sup> *Id.*

<sup>140</sup> META220\_0003178.

<sup>141</sup> META220\_0003179.



**E. May 2019 – Meta Fails to Remove “Posts of Sexually Explicit or Exploitative Content” Despite Alerts from the BBC and Opposes a Shareholder Proposal for a Report Regarding Child Exploitation**

160. On May 30, 2019, Meta held its Annual Meeting of Shareholders. In connection with this meeting, the Board met and received a “PROXY PAPER”<sup>142</sup> from Glass, Lewis & Co., LLC (“Glass Lewis”), a proxy advisory firm, which recommended that Company shareholders vote “FOR” a shareholder proposal “[t]hat the Company report on the efficacy of its content policy enforcement.”<sup>143</sup> Glass Lewis reasoned that “[a]dditional disclosure of financial and reputational risks

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<sup>142</sup> META220\_0000754.

<sup>143</sup> META220\_0000785.

on account of recent content management controversies is warranted” and noted that “we believe support for this proposal would provide disclosure of an important area that we do not believe is being satisfactorily addressed by the Company[.]”<sup>144</sup> As support, the paper detailed how in 2016, Facebook had failed to remove “posts of sexually explicit or exploitative content” despite repeated reports and notifications regarding that content by the BBC:<sup>145</sup>

In 2016, *the BBC reported that the Company’s platform contained posts of sexually explicit or exploitative content and images, as well as “secret” groups used by pedophiles to connect and interchange images.* In response to these reports, the Company stated that it had improved its reporting and take-down measures. However, to test these claims, the *BBC* subsequently used the Company’s reporting mechanisms to alert it to 100 images which appeared to violate the Company’s guidelines. *Of these 100 images of what appeared to be child pornography, only 18 were removed.* The Company claimed the others had not violated its Community Standards. The *BBC* also discovered five accounts maintained by convicted sex offenders, specifically pedophiles, despite the Company’s rules which deny access to its platform by these individuals. The *BBC* notified the Company of the accounts via its platform’s notification system, but *none were disabled.* Pursuant to a follow-up investigation by the *BBC* one year later, the Company recognized the nature of the content and stated that it removed the items from its platform and reported them to the Child Exploitation & Online Protection Centre (Angus Crawford. ‘Facebook Failed to Remove Sexualised Images of Children.’ *BBC*. March 7, 2017).

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<sup>144</sup> *Id.*

<sup>145</sup> META220\_0000789.

**F. September 2019 – the Board Receives a [REDACTED]**  
[REDACTED]  
[REDACTED]  
[REDACTED]

161. On September 5, 2019, the Board received a presentation titled “Board Approvals & Updates” for “*Directors Only*” which discussed “Political Narratives and Our Response” and noted that one such narrative was that [REDACTED]  
[REDACTED] and that [REDACTED]

[REDACTED]<sup>146</sup>

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

162. Later in the same presentation, Meta stated that [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

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<sup>146</sup> META220\_0003252, 3364, 3366-67.

[REDACTED]

[REDACTED]

[REDACTED]<sup>147</sup>

163. Yet noticeably absent from the above statement was any mention of any policy against sex/human trafficking or any effort or progress in identifying or taking down content related to sex/human trafficking, or any ability of Meta (including its [REDACTED]) to [REDACTED] or take down content related to either child exploitation, prostitution, sexual solicitation, or sex/human trafficking.<sup>148</sup>

164. A presentation dated December 5, 2019, noted that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] . . . ”<sup>149</sup>

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<sup>147</sup> META220\_0003376.

<sup>148</sup> *Id.*

<sup>149</sup> META220\_0003508.

**G. 2020 – Meta Acknowledges that It Lacks [REDACTED]  
[REDACTED]  
[REDACTED] and that Meta [REDACTED]  
[REDACTED]**

165. A document titled “Policy 2020 H1/H2 Strategy”<sup>150</sup> discussed Meta’s

[REDACTED] and detailed certain [REDACTED]

[REDACTED]<sup>151</sup> This [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]”<sup>152</sup> The document stated that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>153</sup> The document

stated that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>154</sup> The document further noted that [REDACTED]

[REDACTED]

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<sup>150</sup> META220\_0003006.

<sup>151</sup> META220\_0003011.

<sup>152</sup> META220\_0003012.

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*

[REDACTED]

[REDACTED]

[REDACTED]<sup>155</sup>

166. Importantly, by acknowledging that [REDACTED]

[REDACTED]

[REDACTED]<sup>157</sup>—Meta was simultaneously

acknowledging that such [REDACTED]

[REDACTED] that Meta’s [REDACTED]

[REDACTED]

[REDACTED]<sup>158</sup> The document further acknowledged that [REDACTED]

[REDACTED]<sup>159</sup>

**H. February 2020 – the Board Opposes a “Stockholder Proposal Regarding Child Exploitation” Warning that “Instagram” Is “Linked to ‘Rampant Sex Trafficking’ and “Child Sexual Abuse”**

167. On February 13, 2020, a presentation to the Board’s Compensation Committee<sup>160</sup> attached a “Stockholder Proposal Regarding Child Exploitation” that

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<sup>155</sup> *Id.*

<sup>156</sup> *Id.*

<sup>157</sup> META220\_0003011.

<sup>158</sup> META220\_0003012.

<sup>159</sup> META220\_0003011.

<sup>160</sup> META220\_0001663.



noted that “Facebook [is] being sued in a Texas court for facilitating sex trafficking of minors”; that “Instagram [is] being linked to ‘rampant sex trafficking [and] child sexual abuse grooming’”; and that “Facebook may face significant regulatory risk if it cannot curb child sexual abuse on existing platforms”:<sup>161</sup>

Facebook and its subsidiaries have faced other recent controversies of child sexual exploitation, including:

- Facebook being sued in a Texas court for *facilitating sex trafficking of minors*;<sup>162</sup>
- Instagram being linked to “*rampant sex trafficking, child sexual abuse grooming*, as well as adult fetishization of young girls...”, “sexually graphic comments on minor’s photos” and allowing strangers to “direct message minors.”<sup>163</sup>
- Pedophiles “sharing Dropbox links to child porn via Instagram”;<sup>164</sup>

Facebook may face significant regulatory risk if it cannot curb child sexual abuse on existing platforms or on encrypted messaging. Senate Judiciary Committee member Marsha Blackburn stated in a December 2019 hearing that Facebook and peers need to “get your act together, or

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<sup>161</sup> META220\_0001850-1851.

<sup>162</sup> <https://www.nytimes.com/2019/12/03/technology/facebook-lawsuit-section-230.html>.

<sup>163</sup> <https://endsexualexploitation.org/articles/statement-instagram-is-predators-paradise-says-international-group-of-human-rights-ngos/>;  
<https://endsexualexploitation.org/articles/senate-hearing-uncovers-sexploitation-in-apps-and-social-media/>.

<sup>164</sup> <https://www.dailymail.co.uk/news/article-6574015/How-pedophiles-using-Instagram-secret-portal-apparentnetwork-child-porn.html>.

we will gladly get your act together for you.<sup>165</sup> Most of the Committee supported that sentiment.<sup>166</sup>

168. The presentation noted that this stockholder proposal “[r]equest[ed] that the Board issue a report by February 2021 assessing the risk of increased sexual exploitation of children as the company develops and offers additional privacy tools such as end-to-end encryption.”<sup>167</sup> The same proposal was discussed in another presentation on the same day (February 13, 2020) titled “Board Updates & Approvals” for “*Directors Only*.”<sup>168</sup>

**I. May 2020 – Glass Lewis Recommends Voting “FOR” the Shareholder Proposal and Notes that “366 Federal Criminal Cases Over Seven Years Featured Suspects Using Facebook for Child Exploitation”**

169. On May 27, 2020, Meta held its Annual Meeting of Shareholders. In connection with this meeting, the Board met and reviewed the “Proxy Analysis & Benchmark Policy Voting Recommendations” by Institutional Shareholder Services Inc. (“ISS”), a proxy advisory firm, in which ISS discussed the above-referenced stockholder proposal for a “Report on Online Child Sexual Exploitation” and ISS

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<sup>165</sup> <https://www.politico.com/news/2019/12/10/tech-companies-bipartisan-congress-encryption-080704>.

<sup>166</sup> <https://www.judiciary.senate.gov/meetings/encryption-and-lawful-access-evaluating-benefits-and-risks-to-public-safety-and-privacy>.

<sup>167</sup> META220\_0001690.

<sup>168</sup> META220\_0000001, META220\_0000016.

recommended that the Board vote “FOR” the proposal and stated that “[a] vote FOR this proposal is warranted, as additional information on risks related to potential sexual exploitation of children through the company’s platforms would give shareholders more information on how well the company is managing related risks.”<sup>169</sup> ISS noted that “the board states that the requested report is unnecessary and recommends that stockholders vote against it.”<sup>170</sup> However, ISS noted that in March 2020, the TTP had released a study identifying “366 federal criminal cases over seven years that featured suspects using Facebook for child exploitation”.<sup>171</sup>

In March 2020, the not-for-profit investigative group Tech Transparency Project [(TTP)] released a study called “Broken Promises: Sexual Exploitation of Children on Facebook.” Results of the study have been published in The Guardian and elsewhere. By analyzing Department of Justice news releases from January 2013 through December 2019, the study finds that Facebook failed to catch hundreds of cases of child exploitation on its platform. The “top findings” section of the analysis states:

- “The review identified *366 federal criminal cases over seven years that featured suspects using Facebook for child exploitation*.
- Only 9 percent of the cases were initiated because Facebook or the National Center for Missing and Exploited Children (which receives cyber tips from Facebook) reported them to authorities,

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<sup>169</sup> META220\_0002627, 2671.

<sup>170</sup> META220\_0002672.

<sup>171</sup> META220\_0002674.

raising questions about the effectiveness of Facebook’s monitoring of criminal activity targeting children.”

170. Based on the above, ISS stated that “the company has experienced some recent controversy related to its alleged failure to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019.”<sup>172</sup> Accordingly, ISS concluded that “[g]iven the potential financial and reputational impacts of potential controversies related to child exploitation on the company’s platforms, shareholders would benefit from additional information on how the company is managing the risks related to child sexual exploitation, including risks associated with end-to-end encryption technologies. Therefore, this proposal merits shareholder support.”<sup>173</sup>

171. Also in connection with the Board’s May 27, 2020 Annual Meeting, Glass Lewis similarly recommended that the Board vote “FOR” the same shareholder proposal “[t]hat the Company report on the risk of increased sexual exploitation of children due to end-to-end encryption.”<sup>174</sup> As it had in May of 2019 (*see* § III.I *supra*), Glass Lewis reminded the Board that the *BBC* had alerted Meta that “the Company’s platform contained posts of sexually explicit or exploitative

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<sup>172</sup> *Id.*

<sup>173</sup> *Id.*

<sup>174</sup> META220\_0002725.

content and images” and “accounts maintained by convicted sex offenders, specifically pedophiles,” and that of “100 images” reported, “only 18 were removed” and “none” of the “pedophiles[’]” accounts “were disabled.”<sup>175</sup> Glass Lewis also reminded the Board—like ISS’s May 14, 2020 report—of the TTP’s March 2020 report which “review identified 366 federal criminal cases over seven years that featured suspects using [Meta’s] platform for child exploitation.”<sup>176</sup> Glass Lewis further reminded the Board that the “passage of the FOSTA-SESTA law, which for the first time made [Meta] liable to civil penalties for sex trafficking on its platform,” created “the potential for litigation.”<sup>177</sup>

172. Glass Lewis noted how “[i]n October 2018, the Company announced work that it had done over the prior year to develop new technology to fight child exploitation, including photo-matching technology, and *artificial intelligence and machine learning* to proactively detect child nudity and previously unknown child exploitative content when it is uploaded.”<sup>178</sup>

173. Glass Lewis further noted that “recent regulation has increased the level of legal and reputational risk related to this issue. Further, numerous investigations

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<sup>175</sup> META220\_0002728.

<sup>176</sup> *Id.*

<sup>177</sup> META220\_0002729.

<sup>178</sup> *Id.*

by the media have demonstrated the wide extent of this problem on the platforms maintained by the largest tech companies, including the Company. As such, management of this issue is of critical importance for companies involved in the distribution of digital media and messaging over the internet.”<sup>179</sup>

174. Glass Lewis concluded: “Accordingly, we do not believe that [Meta] has provided sufficient disclosure to demonstrate to shareholders that these risks will be managed as [Meta] expands its encrypted messaging services, nor do we have any reason to be assured that [Meta] will act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services.”<sup>180</sup>

175. On May 28, 2020, the Board received a presentation titled “Board Updates & Approvals” for “*Directors Only*,” which reviewed “Investor Feedback re: Governance Matters” and stated that “Investors were also interested i[n] . . . . Proposal 10 (Child Exploitation).”<sup>181</sup>

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<sup>179</sup> *Id.*

<sup>180</sup> META220\_0002729-30.

<sup>181</sup> META220\_0000159, 0252.

**J. December 2020 – the Audit Committee Learns that [REDACTED]**

[REDACTED]

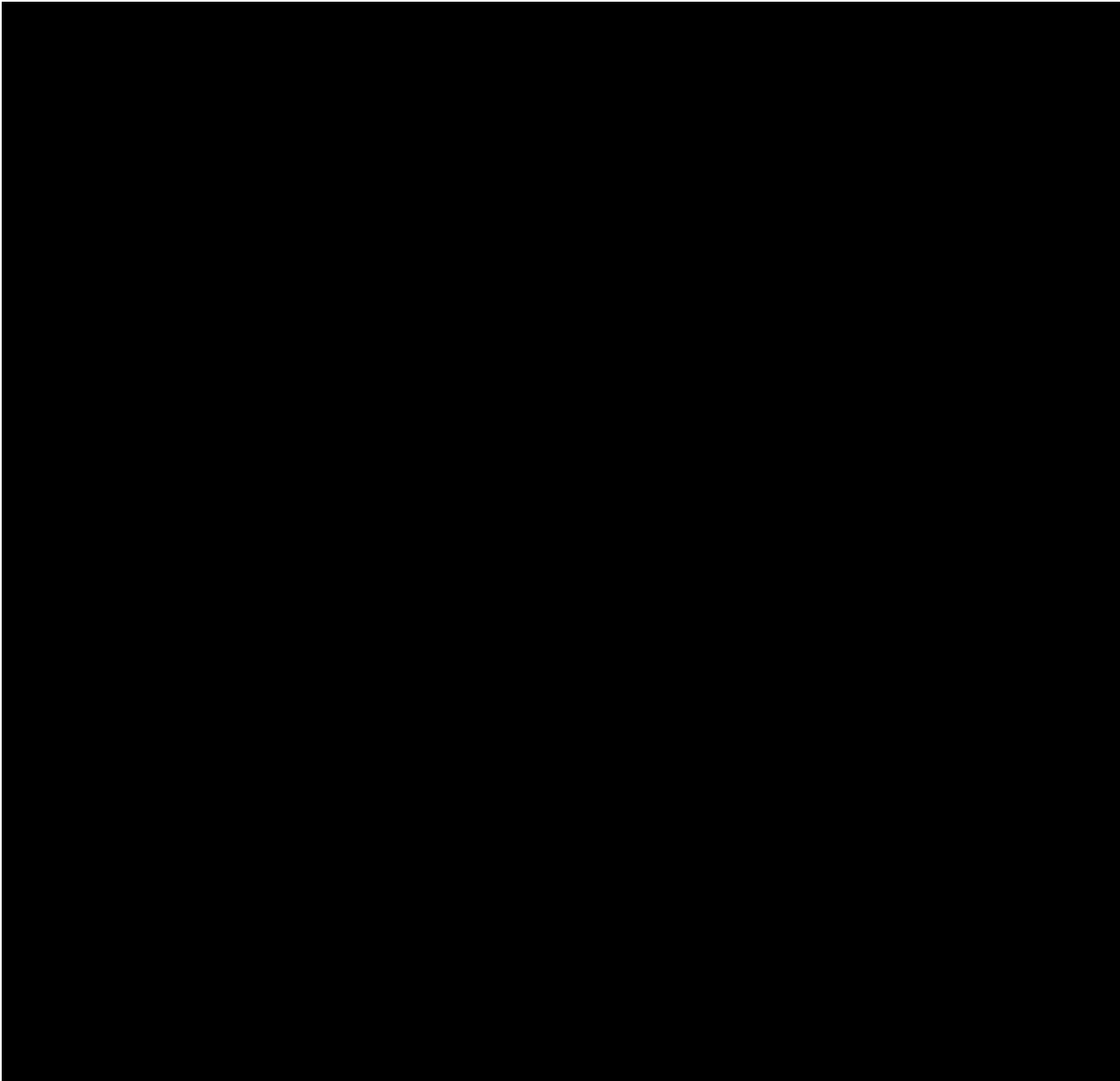
176. On December 2, 2020, the Board’s Audit Committee held a meeting at which they received an “Agenda” presentation that informed them of several [REDACTED]

[REDACTED]

[REDACTED] 182

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<sup>182</sup> META220\_0006395, 6468, 6471, 6599, 6672, 6675.



177. As noted above, one [REDACTED]

[REDACTED] and in particular that the [REDACTED]

[REDACTED]



[REDACTED]<sup>184</sup> In other words, despite frequently touting Meta’s technological capabilities to use artificial intelligence (“AI”) to detect harmful content,<sup>185</sup> the Company internally acknowledged to the Audit Committee that for [REDACTED]

[REDACTED]

[REDACTED] Even worse, the Company also acknowledged that

[REDACTED]

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<sup>183</sup> Meta’s website defines “ground truth data” as “*the foundation upon which we build models, generate inferences, and make decisions*.” What is ground truth data? We define it as a dataset that contains the values we want to infer for a particular population of interest (the data could be human labels, survey data, behavioral data, etc.). Whether it is modeling user characteristics to ensure appropriate and personalized user experiences, *detecting and removing harmful misinformation and hate speech*, or executing other data-driven tasks, the underlying *machine learning processes* rely on models trained and validated on some ground truth data.” See <https://research.facebook.com/blog/2022/8/-introducing-the-ground-truth-maturity-framework-for-assessing-and-improving-ground-truth-data-quality/>.

<sup>184</sup> META220\_0006468.

<sup>185</sup> See, e.g., “F8 2018: Using Technology to Remove the Bad Stuff Before It’s Even Reported” (May 2, 2018), available at <https://about.fb.com/news/2018/05/removing-content-using-ai/>; “Community Standards report” (Nov. 13, 2019) (“We have been making consistent progress in increasing the effectiveness of our AI systems to detect harmful content.”), available at <https://ai.facebook.com/blog/community-standards-report/>; “Our New AI System to Help Tackle Harmful Content” (Dec. 8, 2021), available at <https://about.fb.com/news/2021/12/metas-new-ai-system-tackles-harmful-content/>.

[REDACTED]

[REDACTED]<sup>186</sup>

178. Confronted with their utter failure to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] communicated to the Audit Committee that

[REDACTED]

[REDACTED]<sup>187</sup>

179. Simply put, not only did Meta not use its [REDACTED] to address [REDACTED] but it did not use [REDACTED]

[REDACTED] This appears to be the same failure that was eventually revealed and corroborated on October 25, 2021, by *USA Today*, which reported that “[i]n at least one case, Facebook deactivated a tool that was proactively detecting exploitation, according to internal documents.”<sup>188</sup>

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<sup>186</sup> META220\_0006468.

<sup>187</sup> *Id.*

<sup>188</sup> Terry Collins et al., *Live updates: Facebook papers whistleblower Frances Haugen testifies at Parliament*, USA TODAY (Oct. 25, 2021), available at <https://www.usatoday.com/story/tech/2021/10/25/facebook-papers-whistleblower-testimony-frances-haugen/6120082001/>.

180. Meta’s internal admission to the Audit Committee that it did not [REDACTED] is remarkable given that the Company’s 2020, 2021, and 2022 proxy statements, in recommending that shareholders vote “against”<sup>189</sup> the shareholder proposal for a report on Meta’s “detection technologies and strategies” to prevent “sexual exploitation of children,”<sup>190</sup> the Company repeatedly claimed that “[w]e deploy technology across all of our platforms to proactively surface as much illegal child exploitative content as we can, including through detection technology, *machine learning and artificial intelligence techniques . . .*”<sup>191</sup>

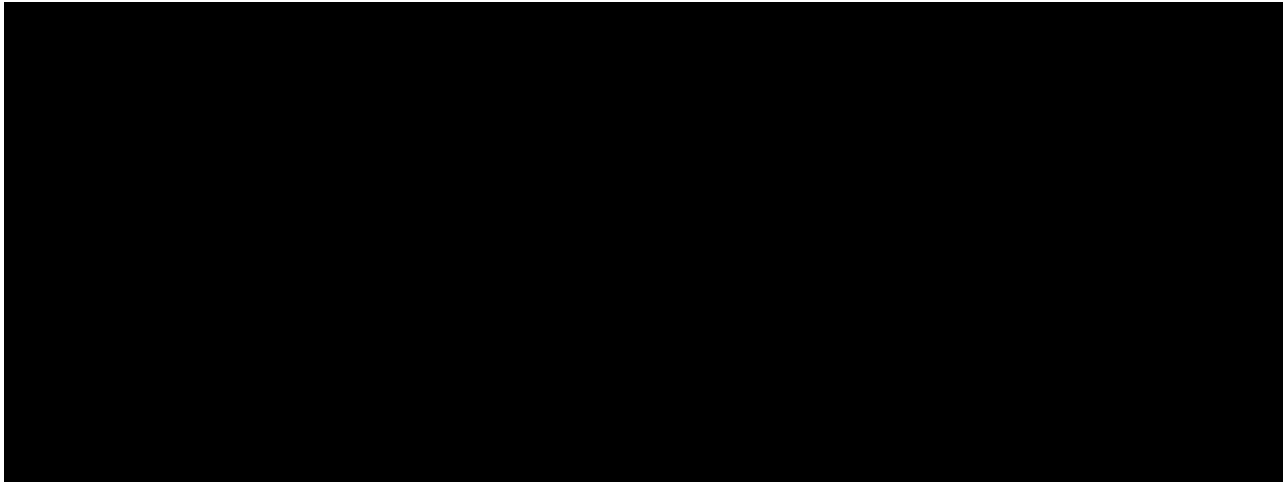
181. The same presentation identified a further [REDACTED] with respect to Meta’s [REDACTED]<sup>192</sup>

<sup>189</sup> See Meta, Proxy Statement (DEF 14A) at 79 (Apr. 10, 2020); Meta, Proxy Statement (DEF 14A) at 76 (Apr. 9, 2021); Meta, Proxy Statement (DEF 14A) at 83 (Apr. 8, 2022).

<sup>190</sup> See Meta, Proxy Statement (DEF 14A) at 77 (Apr. 10, 2020); Meta, Proxy Statement (DEF 14A) at 74 (Apr. 9, 2021); Meta, Proxy Statement (DEF 14A) at 80 (Apr. 8, 2022).

<sup>191</sup> See Meta, Proxy Statement (DEF 14A) at 79 (Apr. 10, 2020); Meta, Proxy Statement (DEF 14A) at 75 (Apr. 9, 2021); Meta, Proxy Statement (DEF 14A) at 82 (Apr. 8, 2022).

<sup>192</sup> META220\_0006471, 6675.



182. Specifically, the Audit Committee was informed that [REDACTED]



[REDACTED]<sup>193</sup> [REDACTED]



[REDACTED]<sup>194</sup> In other words, Meta's management [REDACTED]

[REDACTED] were unable to [REDACTED]



[REDACTED] and therefore they had been unable to [REDACTED]



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<sup>193</sup> *Id.*

<sup>194</sup> *Id.*



*of child sexual abuse material online and, of that, 15.8 million — or 94 percent — came from the Facebook platform. . . . Reported incidents of child sexual exploitation and grooming . . . increased dramatically from year to year over the past decade. The bottom line is that Facebook’s efforts are not stopping these crimes against children - including infants and toddlers -- on its platforms.*

**K. February 2021 – the Board Opposes the Renewed Stockholder Proposal and Learns that the Supreme Court Had Declined to Hear Meta’s Appeal of the Texas Lawsuit by Victims of Trafficking**

184. On February 11, 2021, the Board’s Compensation Committee received a presentation regarding Meta’s “2021 Annual Meeting of Stockholders Agenda.”<sup>201</sup> The presentation attached and discussed a “Stockholder Proposal” which “[r]equest[ed] that the Board issue a report by February 2022 assessing the risk of increased sexual exploitation of children as the company develops and offers additional privacy tools such as end-to-end encryption. The report should address potential adverse impacts to children (18 years and younger) and to the company’s reputation or social license and assess the impact of limits to detection technologies and strategies.”<sup>202</sup> The shareholder proposal stated that “[t]he Facebook brand has been diminished in recent years due to the platform’s use as a tool for gross disinformation, hate speech, and to incite racial violence. What was envisioned as a tool to connect people . . . . has led to many instances of human suffering and death.

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<sup>201</sup> META220\_0001010, 1063.

<sup>202</sup> META220\_0001068; *see also* META220\_0001156.

Management and the board have failed to take effective action to stem these abuses, which has resulted in a series of negative impacts including: . . . [o]ver 45 million images of child pornography and torture made public.”<sup>203</sup>

185. The same presentation also attached a [REDACTED] [REDACTED] dated February 5, 2021, by [REDACTED]<sup>204</sup> The [REDACTED] informed the Committee that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>205</sup>

186. The same [REDACTED] further informed the Committee that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>206</sup>

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<sup>203</sup> META220\_0001162.

<sup>204</sup> META220\_0001219.

<sup>205</sup> *Id.*

<sup>206</sup> META220\_0001319.

187. Also on February 11, 2021, the Board received a presentation titled “Board Updates & Approvals” for “*Directors Only*”<sup>207</sup> that informed the Board of the same “Stockholder Proposal” discussed above requesting “that the Board issue a report by February 2022 assessing the risk of increased sexual exploitation of children as the company develops and offers additional privacy tools such as end-to-end encryption.”<sup>208</sup> The same presentation set forth a [REDACTED] [REDACTED] which stated:<sup>209</sup>

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>207</sup> META220\_0004201.

<sup>208</sup> META220\_0004214.

<sup>209</sup> *Id.*



[REDACTED]

188. Yet, as discussed herein, Meta's supposed [REDACTED] were not necessarily being used for [REDACTED] and therefore this statement was misleading to investors. *See supra* Section II.U; *see also infra* Section III.O.

189. The same February 11, 2021 presentation included a section titled [REDACTED] [REDACTED] which acknowledged that Meta [REDACTED] [REDACTED] and that its [REDACTED] in that regard [REDACTED] [REDACTED].<sup>210</sup>

[REDACTED]

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<sup>210</sup> META220\_0004246.

**L. May 2021 – the Board Learns that “Shareholder Proposals” Regarding “Child Exploitation” Had “Garnered the Most Attention” and Meta Issues a “2021 Anti-Slavery and Human Trafficking Statement” that Fails to Mention Sex Trafficking**

190. On May 26, 2021, Meta held its Annual Meeting of Shareholders. In connection with the meeting, the Board met and reviewed a shareholder proposal similar to one it had received in 2020 seeking the Company to issue a report concerning child exploitation on Meta’s platforms and providing supporting facts. The Board also reviewed similar recommendations by ISS and Glass Lewis, proxy advisors who each recommended (as they had in 2020) that shareholders vote “FOR” the proposal.<sup>211</sup>

191. On May 27, 2021, the Board received a presentation titled “Board Updates & Approvals” for “*Directors Only*”<sup>212</sup> which discussed “Investor Feedback re: Governance Matters” and noted that “Shareholder proposals . . . that garnered the most attention were: Proposals 6 (Child Exploitation).”<sup>213</sup>

192. Also on May 27, 2021, the Compensation Committee received a presentation that similarly discussed “Investor Feedback re: Governance Matters”

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<sup>211</sup> META220\_0000885-886, 897, 916-920, 923-924, 926-927, 933, 938, 962-968, 991.

<sup>212</sup> META220\_0003530.

<sup>213</sup> META220\_0003595.

which noted that “Shareholder proposals . . . that garnered the most attention were: Proposals 6 (Child Exploitation).”<sup>214</sup>

193. The May 27, 2021 “Board Updates & Approvals” presentation included a discussion of “Key Policies Applicable to Directors” which listed Meta’s “Anti-Slavery and Human Trafficking Statement” and noted that “[c]hanges/updates to policies marked in RED are being proposed for approval at the 5/26 [Audit Committee] meeting or 5/27 [Compensation Committee] meeting. Redlined versions of these policies have been included in the following slides for reference.”<sup>215</sup> As indicated, the presentation included a “redlined” version of “Facebook’s Anti-Slavery and Human Trafficking Statement,” in which deletions were indicated in red in strikethrough font and additions were indicated in blue underlined font.<sup>216</sup>

194. Meta’s 2021 Anti-Slavery and Human Trafficking Statement was also notable in that it *did not* discuss, focus on, or even comment on whether sex trafficking or sexual exploitation had been occurring on Meta’s platforms. Instead, this statement focused on whether “modern slavery and human trafficking” were

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<sup>214</sup> META220\_0001380, 1385.

<sup>215</sup> META220\_0003530, 3605.

<sup>216</sup> META220\_0003625-30.

occurring within Meta’s own business operations or in Meta’s supply chains.<sup>217</sup> In this latter regard, Meta concluded, “[w]e consider the risks of modern slavery and human trafficking to be *relatively low* in our direct business operations as our direct workforce is largely comprised of professionally qualified or skilled personnel. However, we are aware that inherent and potential risks of modern slavery and human trafficking could be present in our supply chains.”<sup>218</sup>

195. Meta’s 2021 “Anti-Slavery and Human Trafficking Statement” is perhaps most noticeable in the language that the Board approved to be deleted and which had been in the earlier 2020 version of that statement. Specifically, Meta deleted the portion of language which stated that they remove content related to human trafficking:<sup>219</sup>

~~In an effort to disrupt and prevent harm, we remove content on Facebook that facilitates or coordinates the exploitation of humans, including human trafficking. We define human trafficking in our Community Standards as the business of depriving someone of liberty for profit. It is the exploitation of humans in order to force them to engage in commercial sex, labor, or other activities against their will. It relies on deception, force and coercion, and degrades humans by depriving them of their freedom while economically or materially benefiting others.~~

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<sup>217</sup> *Id.*

<sup>218</sup> META220\_0003625.

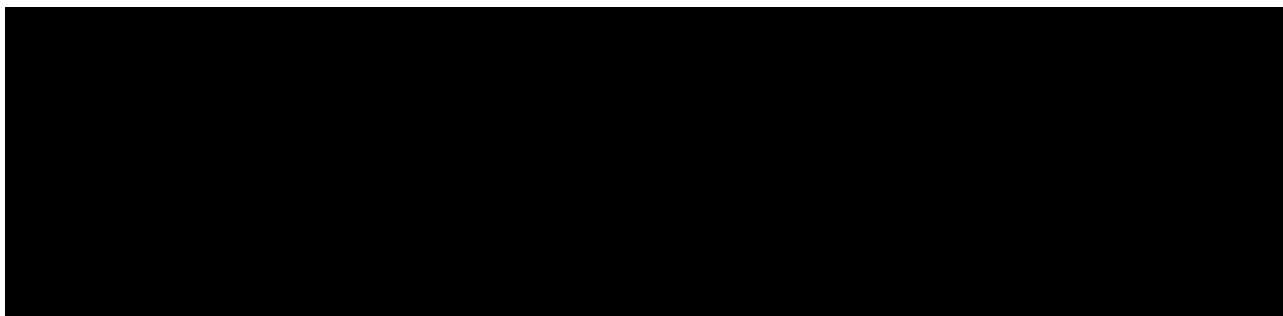
<sup>219</sup> META220\_0003629.

196. The final, published versions of Meta’s 2020, 2021, and 2022 “Anti-Slavery and Human Trafficking Statement” remain available online and reflect Meta’s deletions of the above language from the 2021 and 2022 versions.<sup>220</sup>

**M. September 2021 – the Audit Committee Learns that [REDACTED]  
[REDACTED]  
[REDACTED] Including a [REDACTED]  
[REDACTED] and [REDACTED]**

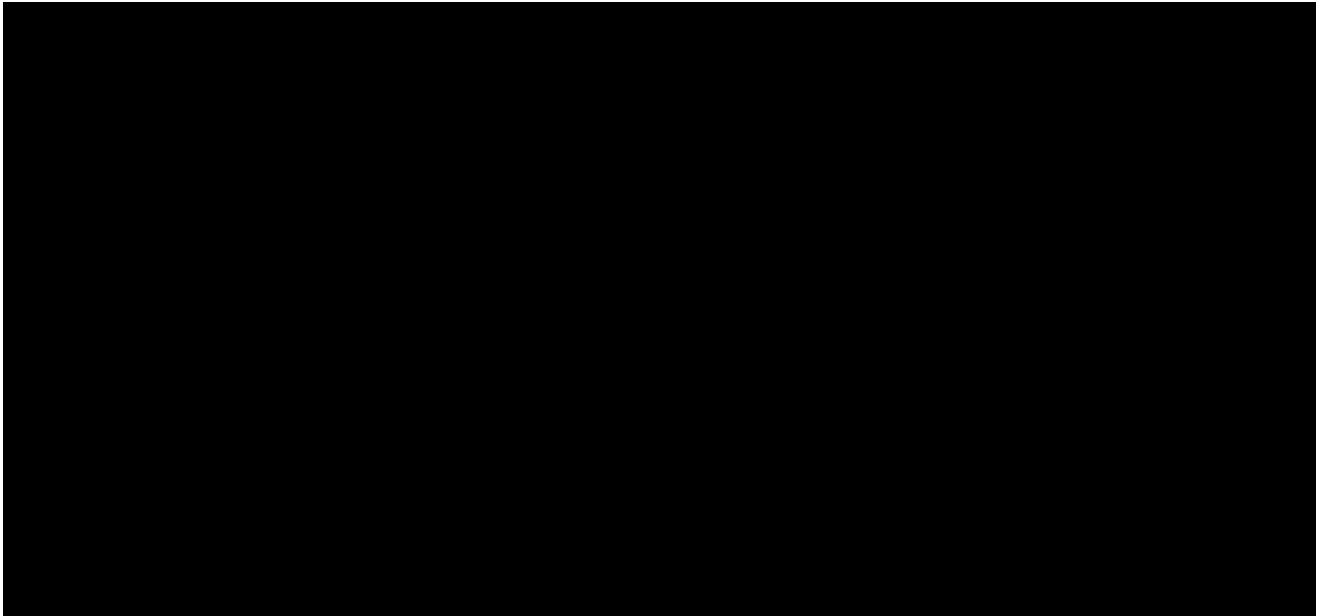
197. On September 1, 2021, the Audit Committee held a “Zoom Meeting” during which the Board reviewed a presentation reviewing several [REDACTED]  
[REDACTED] which concluded, among other things, that [REDACTED]

[REDACTED]<sup>221</sup>



<sup>220</sup> Neither Meta’s 2021 or 2022 Anti-Slavery and Human Trafficking Statements make any mention of “sex trafficking” or provide any attempt to define or refer to human trafficking as involving commercial sex or sexual exploitation. Instead, Meta blithely noted that “[w]e consider the risks of modern slavery and human trafficking to be relatively low in our direct business operations as our direct workforce is largely comprised of professionally qualified or skilled personnel.” See ANTI-SLAVERY AND HUMAN TRAFFICKING STATEMENT 2021 available at [https://s21.q4cdn.com/399680738/files/doc\\_downloads/2021/06/2021-Facebook’s-Anti-Slavery-and-Human-Trafficking-Statement.pdf](https://s21.q4cdn.com/399680738/files/doc_downloads/2021/06/2021-Facebook’s-Anti-Slavery-and-Human-Trafficking-Statement.pdf); ANTI-SLAVERY AND HUMAN TRAFFICKING STATEMENT 2022 available at [https://s21.q4cdn.com/399680738/files/doc\\_downloads/2022/06/30/2022-Anti-Slavery-and-Human-Trafficking-Statement.pdf](https://s21.q4cdn.com/399680738/files/doc_downloads/2022/06/30/2022-Anti-Slavery-and-Human-Trafficking-Statement.pdf).

<sup>221</sup> META220\_0004766, 4867; *see also* META220\_0004968, 5069.



198. On another slide, the presentation identified several [REDACTED]

[REDACTED], including that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

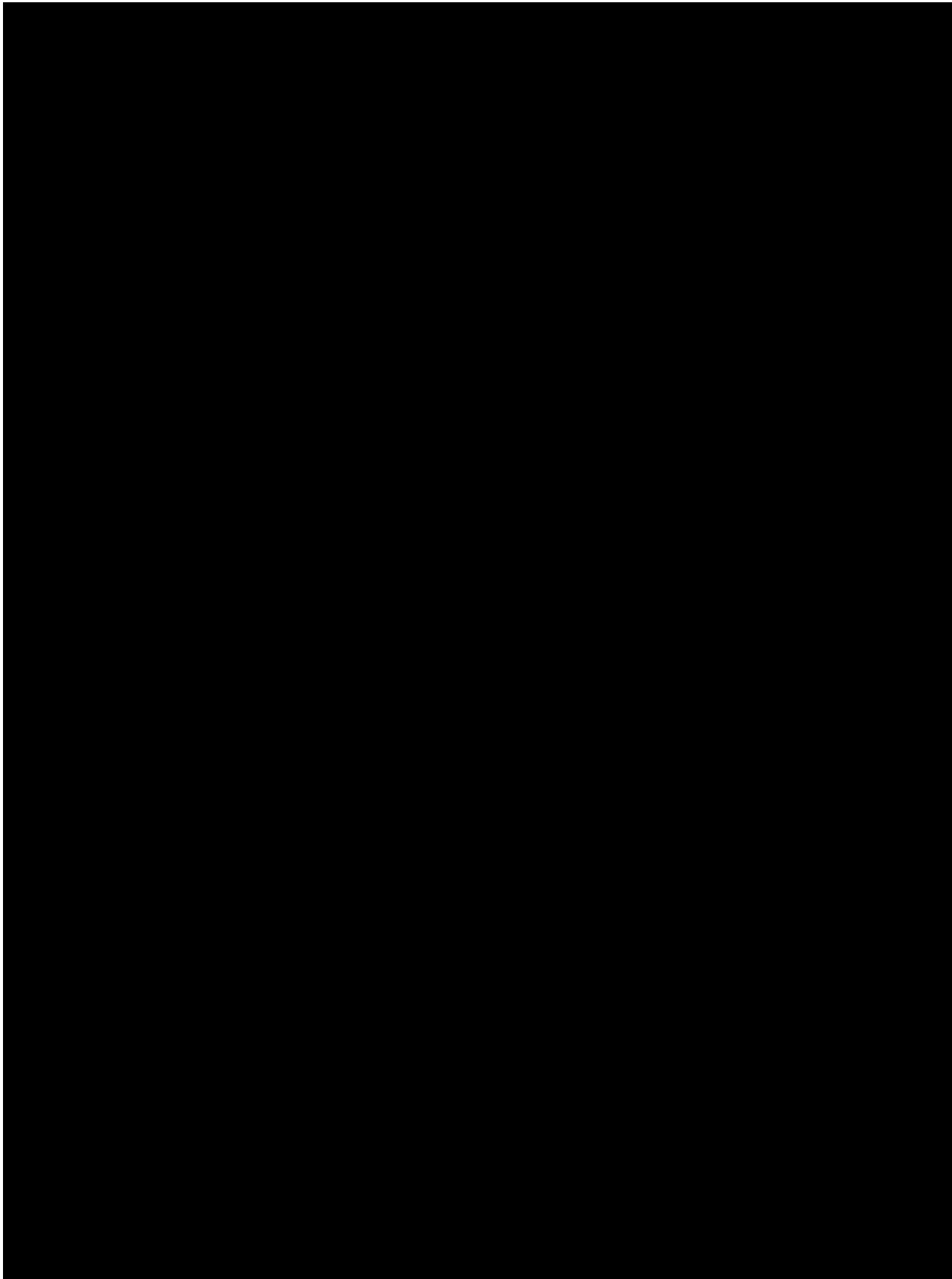
[REDACTED]

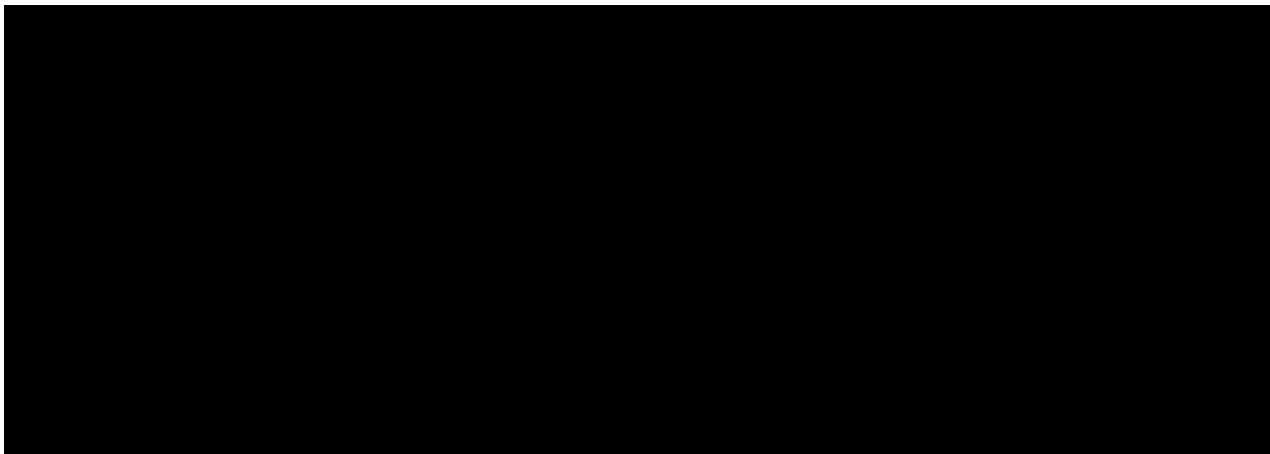
[REDACTED].<sup>222</sup>


[REDACTED]

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<sup>222</sup> META220\_0004907.

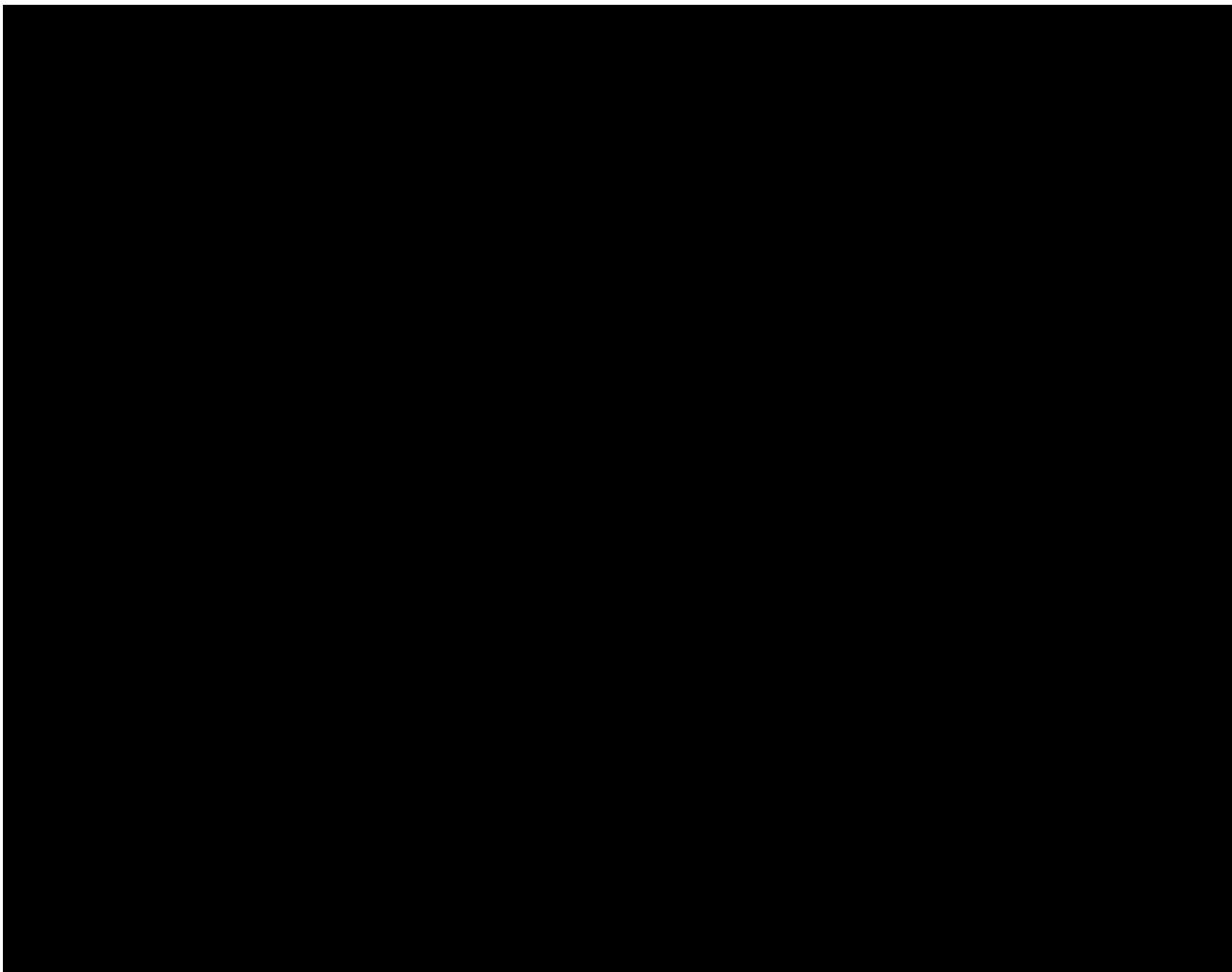




199. On another slide, the presentation identified the additional 



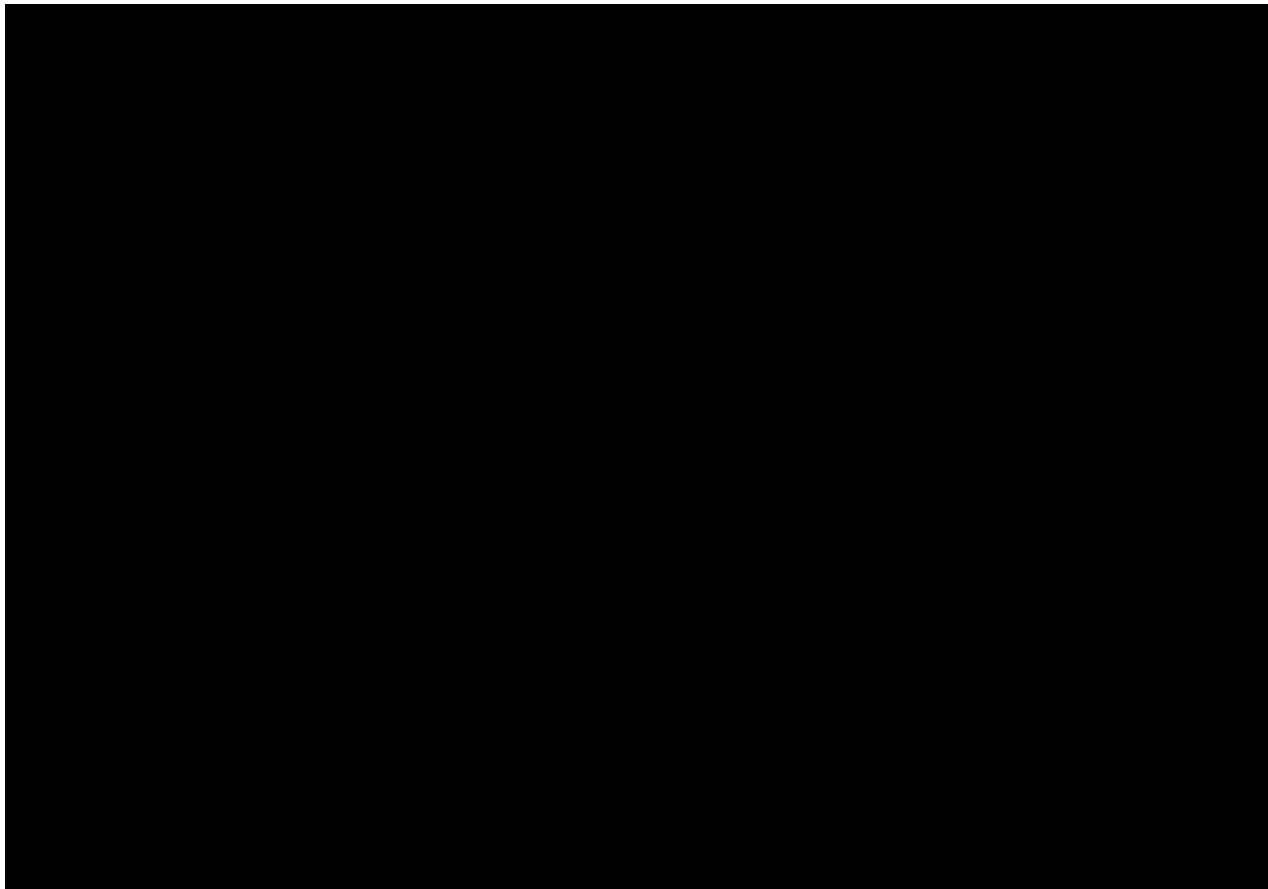
.223



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<sup>223</sup> META220\_0004908.





200. On September 2, 2021, the Board received a presentation titled “Board Updates & Approvals” for “*Directors Only*.”<sup>224</sup> The documents attached to the September 2, 2021 Board update included a letter dated May 25, 2021, from Matt Crossman of Rathbone Investment Management Ltd. to Defendant Zuckerberg.<sup>225</sup> In the letter, Mr. Crossman wrote:<sup>226</sup>

With regard to the AGM [i.e., annual general meeting] planned for the 26<sup>th</sup> May 2021, we wish to formally notify the board of our intention to

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<sup>224</sup> META220\_0004350.

<sup>225</sup> META220\_0004433-34.

<sup>226</sup> *Id.*

voting against the recommendation of management on the following items:

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- Item 6: Report on Online Child Sexual Exploitation: We have determined to vote FOR this resolution.

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With regard to item 6, we have determined to vote against management by providing our support for the request that the company report on risks related to the sexual exploitation of children as it develops additional privacy tools, such as end-to-end encryption. Additional information on risks related to potential sexual exploitation of children through the company's platforms would give shareholders more information on how well the company is managing related risks, and we are generally in favour of improved disclosure.

201. Also on September 2, 2021, the Compensation Committee received a presentation<sup>227</sup> attaching the "ISS Proxy Analysis & Benchmark Policy Voting Recommendations" in which ISS stated, "[s]upport for the shareholder proposal requesting a report assessing risks related to the potential sexual exploitation of children through the company's platforms (Item 6) is warranted, as additional information would aid investors in assessing the company's management of related risks."<sup>228</sup>

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<sup>227</sup> META220\_0000813.

<sup>228</sup> META220\_0000885.

**N. December 2021 – the Board Learns that Meta’s [REDACTED] and Meta Is “Wracked by Management Missteps and Lack of Board Oversight” and “Subject to Unparalleled Regulatory Scrutiny”**

202. On December 8, 2021, the Audit Committee received a presentation

[REDACTED]

[REDACTED]<sup>229</sup>

[REDACTED]

203. The presentation stated that [REDACTED]

[REDACTED] and that [REDACTED]

[REDACTED]<sup>230</sup> The presentation also noted that

[REDACTED]<sup>231</sup> The

presentation further noted that [REDACTED]

[REDACTED]<sup>232</sup>

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<sup>229</sup> META220\_0005477, 5529.

<sup>230</sup> META220\_0005529.

<sup>231</sup> *Id.*

<sup>232</sup> *Id.*

204. On December 9, 2021, the Board received a presentation marked for “DIRECTORS ONLY”<sup>233</sup> that included a shareholder proposal stating that “[t]he *Meta (formerly Facebook) brand has continued to be wracked by management missteps and lack of Board oversight, resulting in continued harm by its platform including . . . . [l]ack of cooperation with authorities to prevent and detect child exploitation and abuse.*”<sup>234</sup>

205. The proposal also told the Board that “[a] whistleblower complaint filed with the SEC argues that the Company has failed to adequately warn investors about the material risks of dangerous and criminal behavior . . . on its sites,” and that Meta’s “failure to control these activities reflects a grave lack of oversight by management and the board.”<sup>235</sup>

206. The proposal also criticized and sought information regarding “the effectiveness of Meta’s algorithms to locate and eliminate content that violates the Community Standards” and “the effectiveness of Meta’s staff and contractors in locating and eliminating content that violates the Community Standards[.]”<sup>236</sup>

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<sup>233</sup> META220\_0004573.

<sup>234</sup> META220\_0004673 (citing <https://www.theguardian.com/technology/2021/jan/21/facebook-admits-encryption-will-harm-efforts-to-prevent-child-exploitation>).

<sup>235</sup> META220\_0004673 (citing <https://www.washingtonpost.com/technology/2021/10/22/facebook-new-whistleblower-complaint/>).

<sup>236</sup> META220\_0004674.

207. The proposal concluded that Meta’s “enforcement of ‘Community Standards’ . . . has proven ineffective at controlling the dissemination of user content that . . . incites violence and/or harm to public health or personal safety.”<sup>237</sup>

**O. February 2022 – the Audit Committee Learns that Meta’s [REDACTED] [REDACTED] Have [REDACTED] [REDACTED] and that [REDACTED] [REDACTED]**

208. On February 9, 2022, the Audit Committee held a meeting and reviewed a presentation titled “Audit & Risk Oversight Committee Agenda.”<sup>238</sup> The presentation discussed Meta’s [REDACTED]<sup>239</sup>

and, as part of that discussion, reviewed [REDACTED] [REDACTED] [REDACTED] [REDACTED].<sup>240</sup> One such [REDACTED]

concerned Meta’s [REDACTED] and found that Meta had [REDACTED].<sup>241</sup>

209. In the same presentation, another [REDACTED] concerning Meta’s [REDACTED] found that Meta had [REDACTED] [REDACTED].<sup>242</sup>

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<sup>237</sup> META220\_0004673.

<sup>238</sup> META220\_0005786.

<sup>239</sup> META220\_0005902.

<sup>240</sup> META220\_0005919-5920, 5922.

<sup>241</sup> META220\_0005919.

<sup>242</sup> META220\_0005920.

210. Yet another [REDACTED] concerning Meta's [REDACTED] [REDACTED] found, among other things, that (1) Meta's [REDACTED] [REDACTED]; (2) Meta had an [REDACTED] [REDACTED]; (3) [REDACTED] [REDACTED]; and (4) [REDACTED] [REDACTED]. [REDACTED] [REDACTED].”<sup>243</sup>

211. With regard to [REDACTED] [REDACTED] [REDACTED], the presentation stated that [REDACTED] [REDACTED] [REDACTED]<sup>244</sup> In other words, Meta internally acknowledged to the Audit Committee not only that [REDACTED] [REDACTED],” but that at the same time, Meta did not have any [REDACTED] system that it could use for [REDACTED] [REDACTED]. And while Meta was [REDACTED] [REDACTED]

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<sup>243</sup> META220\_0005922.

<sup>244</sup> *Id.*

[REDACTED]

[REDACTED]<sup>245</sup>

212. With regard to [REDACTED]

[REDACTED], the presentation stated that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]<sup>246</sup> In other words, Meta internally

acknowledged to the Audit Committee that a [REDACTED]

[REDACTED]

[REDACTED]” but that this [REDACTED] [.]”<sup>247</sup>

Even worse, while Meta had developed a [REDACTED]

[REDACTED] Meta had not yet

even [REDACTED]

[REDACTED]<sup>248</sup>

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<sup>245</sup> *Id.*

<sup>246</sup> *Id.*

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

213. Meta’s acknowledgement to the Audit Committee that as of January 20, 2022, the Company did not yet have [REDACTED] [REDACTED]<sup>249</sup> is notable when considered alongside Meta’s prior acknowledgement to the Audit Committee that as of December 2, 2020, the Company did not yet have a [REDACTED] [REDACTED] to [REDACTED] [REDACTED]<sup>250</sup> Hence, in December 2020, Meta could not [REDACTED] [REDACTED], and in January of 2022, Meta had no [REDACTED] [REDACTED]—and apparently as a consequence, Meta had a [REDACTED] [REDACTED]

214. On February 10, 2022, the Board held a “Q1 2022 Board of Directors Meeting”<sup>251</sup> during which the Board reviewed a presentation which described a “Shareholder Proposal” the Board had received and a [REDACTED]

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<sup>249</sup> *Id.*

<sup>250</sup> META220\_0006395, 6468.

<sup>251</sup> META220\_0000481.





Board stated, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

<sup>256</sup>

#### IV. FIDUCIARY DUTIES OF THE DEFENDANTS

##### A. Defendants' Fiduciary Duties Under *Caremark*

216. By reason of their positions as directors, officers, and/or fiduciaries of Meta and because of their ability to control the business and corporate affairs of Meta, Defendants at all relevant times owed fiduciary duties to Meta and its stockholders, including the duties of care, loyalty, and good faith.

217. Under *Caremark* and its progeny, a board of directors of a Delaware corporation, as well as its officers, have the specific fiduciary duties to:

- (a) implement an information and reporting system and controls of compliance; and
- (b) oversee and monitor the operations of that information and reporting system.<sup>257</sup>

Under the second prong of *Caremark*, directors and officers breach their fiduciary duty of loyalty if, having implemented a reporting and information system and

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<sup>256</sup> META220\_0000611.

<sup>257</sup> *In re Caremark Int'l. Inc. Derivative Litig.*, 698 A.2d 959 (Del. Ch. 1996).

controls, they consciously failed to monitor or oversee its operations thus disabling themselves from being informed of risks or problems requiring their attention.<sup>258</sup>

218. The *Caremark* duty is especially heightened with respect to the monitoring of fraudulent or criminal conduct, as opposed to other, more general business risks. As the Delaware Court of Chancery has stated, “[d]irectors should, indeed must under Delaware law, ensure that reasonable information and reporting systems exist that would put them on notice of fraudulent or criminal conduct within the company. Such oversight programs allow directors to intervene and prevent frauds or other wrongdoing that could expose the company to risk of loss as a result of such conduct.”<sup>259</sup>

219. Moreover, the Delaware Court of Chancery has recently confirmed that *Caremark* duties extend to corporate officers. As Vice Chancellor Laster noted, “[t]he same policies that motivated Chancellor Allen to recognize the duty of oversight for directors apply equally, if not to a greater degree, to officers. The Delaware Supreme Court has held that under Delaware law, corporate officers owe

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<sup>258</sup> *Stone v. Ritter*, C.A. No. 1570-N, 2006 WL 302558, at \*1-2 (Del. Ch. 2006), *aff’d sub nom. Stone ex rel. AmSouth Bancorporation v. Ritter*, 911 A.2d 362, 370, (Del. 2006).

<sup>259</sup> *In re Citigroup Inc. S’holder Deriv. Litig.*, 964 A.2d 106, 131 (Del. Ch. 2009).

the same fiduciary duties as corporate directors, which logically include a duty of oversight.”<sup>260</sup>

220. As noted above, it is an axiomatic tenet of Delaware corporate law that Delaware corporations may only pursue “lawful business” by “lawful acts.” 8 *Del. C.* §§ 101(b), 102(a)(3). “Delaware law does not charter law breakers. Delaware law allows corporations to pursue diverse means to make a profit, subject to a critical statutory floor, which is the requirement that Delaware corporations only pursue ‘lawful business’ by ‘lawful acts.’ As a result, a fiduciary of a Delaware corporation cannot be loyal to a Delaware corporation by knowingly causing it to seek profit by violating the law.”<sup>261</sup>

221. Here, one of the most significant risks Meta faced was legal and regulatory compliance. Defendants were well aware that Meta was at a heightened risk for running afoul of these requirements because of multiple governmental departments’ keen focus on sex/human trafficking and child exploitation on Meta’s online platforms and those platforms’ roles in promoting and facilitating the recruitment of trafficking victims. Accordingly, Defendants were required to be

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<sup>260</sup> *In re McDonald’s Corp. S’holder Deriv. Litig.*, --- A.3d ---, 2023 WL 407668, at \*1 (Del. Ch. Jan. 26, 2023).

<sup>261</sup> *In re Massey Energy Co. Derivative & Class Action Litig.*, C.A. No. 5430-VCS, 2011 WL 2176479, at \*20 (Del. Ch. May 31, 2011) (quoting 8 *Del. C.* §§ 101(b), 102(a)(3), (b)(7)).

especially vigilant that the proper systems were in place to detect and deter such illegal conduct.

222. As set forth in greater detail below, Defendants breached their fiduciary duties by both failing to implement any adequate information reporting systems or controls to detect, prevent, and address sex/human trafficking and child exploitation (under the first prong of *Caremark*); and, to the extent any such ostensible systems or controls may have existed (if only nominally), by failing to oversee and monitor such systems or controls (under the second prong of *Caremark*). As alleged in Sections IV.A to IV.C *infra*, Defendants owed very specific responsibilities to monitor their information and reporting systems for fraudulent and criminal conduct and to ensure that the Company's business practices complied with all legal and regulatory requirements. Moreover, these responsibilities indisputably were known by Defendants. In conscious disregard of these responsibilities, Defendants failed to monitor or oversee the operations of Meta's information and reporting system, thereby disabling themselves from being informed of the non-compliance and fraudulent/unlawful sales practices. By failing to act in the face of a known duty to act, and by demonstrating a conscious disregard for their responsibilities, Defendants failed to act in good faith and breached their fiduciary duty of loyalty.

**B. The Audit Committee’s Charter Gave the Audit Committee Defendants the Specific Duty to Oversee Legal and Regulatory Compliance, Community Safety and Security, and Content Governance**

223. In June 2018, Facebook announced that it changed its Audit Committee Charter to cover risk oversight responsibilities like data privacy, community safety, and cybersecurity. Defendant Bowles, Chair of the Audit Committee at that time, made the statement that “Facebook has grown significantly since going public, and so has the role of the audit committee, especially its role managing risk oversight. To reflect this, the Board updated the Audit Committee’s charter to clarify how its role has grown, as well as to address other evolving issues, particularly in the areas of privacy and data use, community safety and security, and cyber-security.”<sup>262</sup> At that time, the Audit Committee was renamed the Audit & Risk Oversight Committee (which is referred to herein as the “Audit Committee”).

224. The Charter of the new Audit Committee (effective June 14, 2018) (the “2018 Charter”) stated that the purpose of the Audit Committee was “to oversee (A) the independence, qualifications, and performance of the independent auditor, (B) the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company, (C) the Company’s internal audit function, and (D) certain risk exposures of the Company.” Because the

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<sup>262</sup> <https://www.axios.com/2018/06/14/facebooks-board-expands-role-of-a-1529004696>.

responsibilities and duties of the Audit Committee are set forth in its Charter, the members of the Board indisputably were aware of these duties.

225. The Audit Committee is required to meet no less frequently than once each quarter, “or more frequently, as determined appropriate by the Committee.” Furthermore, the Committee, “in discharging its responsibilities, may conduct, direct, supervise or authorize studies of, or investigations into, any matter that the Committee deems appropriate, with full and unrestricted access to all books, records, documents, facilities and personnel of the Company.” Further, the Committee “has the sole authority and right, at the expense of the Company, to retain legal and other consultants, accountants, experts and advisers of its choice to assist the Committee in connection with its functions, including any studies or investigations.” In other words, the Audit Committee is provided the necessary access to management and to the internal auditor in order to fulfill the Committee’s responsibilities.

226. Among its responsibilities, the Audit Committee is required to oversee the internal audit function. As part of this responsibility, the Audit Committee is required to “oversee the activities of the Company’s internal audit function, including review of any process of appointment and/or replacement of the senior employee in charge of the internal audit function.” Further, the “Committee will periodically meet separately with the internal audit function out of the presence of the Company’s management.”

227. A key responsibility assigned to the Audit Committee under the 2018 Charter is to oversee risk. As part of this responsibility, the Audit Committee is responsible for overseeing the management of the below major risk exposures set forth in the 2018 Charter:

1. *Financial and Enterprise Risk.* The Committee will review with management, at least annually, the Company's major financial risk and enterprise exposures and the steps management has taken to monitor or mitigate such exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management.
2. **Legal and Regulatory Compliance.** *The Committee will review with management, at least annually, (a) the Company's program for promoting and monitoring compliance with applicable legal and regulatory requirements, and (b) the Company's major legal and regulatory compliance risk exposures and the steps management has taken to monitor or mitigate such exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management.*
3. *Privacy and Data Use.* The Committee will review with management, at least annually, (a) the Company's privacy program, (b) the Company's compliance with its consent order with the U.S. Federal Trade Commission, as well as the laws, and (c) the Company's major privacy and data use risk exposures and the steps the Company has taken to monitor or mitigate such exposures, including the Company's procedures and any related policies with respect to risk assessment and risk management.
4. **Community Safety and Security.** *The Committee will review with management, at least annually, the Company's assessment of the major ways in which its services can be used to facilitate harm or undermine public safety or the public interest, as well as the steps the Company has taken to monitor or mitigate such abuse, including the Company's procedures and any related policies with risk to risk assessment and risk management.*



5. *Cybersecurity*. The Committee will review with management, at least annually, the Company’s cybersecurity risk exposures and the steps the Company has taken to monitor or mitigate such exposures, including the Company’s procedures and any related policies with respect to risk assessment and risk management.
6. *Other Risk Oversight*. The Committee will periodically review with management the Company’s risk exposures in other areas, as the Committee deems necessary or appropriate from time to time.

228. In December 2020, section (d) *Community Safety and Security* was amended to reference Meta’s monitoring of “content”: “The Committee will review with management, at least annually, the Company’s assessment of the major ways in which its services can be used to facilitate harm or undermine public safety or the public interest, ***including through the sharing of content on its services that violate the Company’s policies***, as well as the steps the Company has taken to monitor, mitigate, and prevent such abuse.”

229. In 2021, Meta changed the title of this section from “Community Safety and Security” to “Social Responsibility,” stating that:

The Committee will review with management, (a) at least annually, the Company’s assessment of the major ways in which its services can be used to facilitate harm or undermine public safety or the public interest, including through the sharing of content on its services that violate the Company’s policies, as well as the steps the Company has taken to monitor, mitigate, and prevent such abuse, and (b) from time to time, such other program, policies, and risk exposures related to social responsibility as the Committee deems necessary or appropriate.

230. These responsibilities are affirmed in Meta’s proxy statement disclosures. According to Meta’s 2022 Annual Proxy Statement filed with the SEC

on April 8, 2022,<sup>263</sup> the “Principal Responsibilities” of the Audit Committee include “[r]eviewing our program for promoting and monitoring compliance with applicable legal and regulatory requirements,” and “[o]verseeing our major risk exposures (including in the areas of financial and enterprise risk, legal and regulatory compliance, environmental sustainability, social responsibility (including content governance, community safety and security, human rights, and civil rights), and cybersecurity) and the steps management has taken to monitor and control such exposures, and assisting our board of directors in overseeing the risk management of our company.”<sup>264</sup>

231. Under the Audit & Risk Oversight Committee Charter, effective as of September 8, 2022 (“2022 Charter”),<sup>265</sup> one of the Audit Committee’s principal duties is to monitor the Company’s financial statements and disclosures. As part of this responsibility, the Audit Committee is required to:<sup>266</sup>

- a. Meet to review and discuss with the independent auditor and the Company’s management the Company’s quarterly financial statements and annual audited financial statements, including the Company’s specific disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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<sup>263</sup> <https://www.sec.gov/Archives/edgar/data/1326801/000132680122000043/meta2022definitiveproxysta.htm>.

<sup>264</sup> *Id.* at 21.

<sup>265</sup> [https://s21.q4cdn.com/399680738/files/doc\\_downloads/governance\\_documents/2022/09/Audit-and-Risk-Oversight-Committee-Charter-\(9.8.2022\).pdf](https://s21.q4cdn.com/399680738/files/doc_downloads/governance_documents/2022/09/Audit-and-Risk-Oversight-Committee-Charter-(9.8.2022).pdf).

<sup>266</sup> *Id.* at 3-4.

- b. The Committee will be responsible for recommending to the Board whether the annual audited financial statements should be included in the Company's annual report on Form 10-K.
- c. The Committee will cause to be prepared and review a report to the Company's stockholders for inclusion in the Company's proxy statement as required by the Commission Rules.
- d. The Committee will discuss with the independent auditors and they Company's management any items appropriate or required to be discussed in accordance with applicable PCAOB standards in connection with the preparation of financial statements of the Company.

232. The responsibilities set forth above in the 2022 Charter, and affirmed in the Company's proxy statement disclosures, clearly encompass oversight of the Company's compliance with criminal laws, regulatory compliance, and community safety and security.

### **C. Additional Duties Imposed by Meta's Corporate Governance Guidelines and Code of Conduct**

233. All of the Director Defendants became fully aware of their responsibilities and duties to oversee and monitor the Company for compliance risks when they joined the Board. Meta's Corporate Governance Guidelines state that "these Corporate Governance Guidelines . . . reflect the Board's strong commitment to sound corporate governance practices and . . . encourage effective policy and decision making at both the Board and management level, with a view to enhancing long-term value for Meta shareholders."<sup>267</sup> The Corporate Governance Guidelines

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<sup>267</sup> Meta, Corporate Governance Guidelines (Amended as of Apr. 3, 2022) at 1,

also provide that “[e]ach member of the Board is expected to spend the time and effort necessary to properly discharge such director’s responsibilities.” *Id.*

234. According to the Company’s Code of Conduct one of the five principles that guide Meta’s work includes “[k]eep[ing] people safe and protect[ing] privacy—we are committed to protecting our communities from harm.”<sup>268</sup> The Code of Conduct specifically applies to “[m]embers of the Board of Directors, officers, and employees of Meta, as well as contingent workers (including vendor workers, contractors and independent contractors)[.]”<sup>269</sup>

235. The Code of Conduct specifically exhorts employees to:

- Consider a broad range of potential impacts on people, communities and society, looking across different dimensions of responsibility, such as inclusion, safety, privacy and others[.]
- Raise and address potential harms early and often throughout the product development process[.]

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available at [https://s21.q4cdn.com/399680738/files/doc\\_downloads/governance\\_documents/2022/04/Meta-Corporate-Governance-Guidelines-\(April-3-2022\).pdf](https://s21.q4cdn.com/399680738/files/doc_downloads/governance_documents/2022/04/Meta-Corporate-Governance-Guidelines-(April-3-2022).pdf);

*see also* Facebook, Corporate Governance Guidelines (Amended as of Dec. 3, 2020) at 1.

<sup>268</sup> Meta, Keep Building Better: The Meta Code of Conduct [effective September 7, 2022] at 5, available at [file:///L:/S&CF/471%20-%20Derivative/Facebook%20Human%20Trafficking%20\(1000380.000\)/Hickey/20%20Cx/Cited%20or%20Quoted/20220907\\_Meta\\_Code\\_of\\_Conduct.pdf](file:///L:/S&CF/471%20-%20Derivative/Facebook%20Human%20Trafficking%20(1000380.000)/Hickey/20%20Cx/Cited%20or%20Quoted/20220907_Meta_Code_of_Conduct.pdf); *see also* Facebook, Keep Building Better: The Facebook Code of Conduct at 5, available at 5 [https://s21.q4cdn.com/399680738/files/doc\\_downloads/governance\\_documents/2021/06/FB-Code-of-Conduct.pdf](https://s21.q4cdn.com/399680738/files/doc_downloads/governance_documents/2021/06/FB-Code-of-Conduct.pdf).

<sup>269</sup> *See* sources cited *supra* note 269, at 6.

- Seek out expert voices, diverse perspectives and the resources and tools we have at Meta to inform our decisions[.]
- Engage in necessary reviews, such as Privacy Review and Integrity XFN review[.]
- Work quickly to identify and remove harmful content from Meta platforms, such as hate speech, harassment, child exploitation, threats of violence and terrorism[.]
- Design and build products that prioritize safety, privacy, provide appropriate warnings where necessary and articulate instructions for safe and responsible use[.]

236. The Code of Conduct specifically states that “we have a legal obligation to report to the National Center for Missing and Exploited Children any apparent violation of laws pertaining to child exploitation imagery.”<sup>270</sup> The Code of Conduct further states that “[w]e have teams that are specially trained to review, escalate and report this [CEI] content, which must be done in a secure manner exposing the fewest people to this material.” *Id.* In contrast, Meta’s Code of Conduct fails to recognize any legal obligation to address human trafficking, nor does Meta list any teams that are specially trained to review, escalate, or report content related to human trafficking.

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<sup>270</sup> *Id.* at 30.

## V. DEFENDANTS' BREACHES OF FIDUCIARY DUTY

### A. **Meta's Rampant Promotion and Facilitation of Sex/Human Trafficking and Child Exploitation Is a Mission-Critical Risk that Exposes Meta, Its Board, and Its Executives to Criminal/Civil Liability, Regulatory Risk, and Reputational Harm**

237. The fact that Meta's platforms promote and facilitate rampant sex/human trafficking and child exploitation is a mission-critical risk that exposes the Company, its executives, and its Board to criminal and civil liability, regulatory risk, as well as monetary and reputational harm.

238. *First*, as noted above (*see* Sections I.A to I.D *supra*), numerous federal and state statutes make sex/human trafficking a crime. *See, e.g.*, 18 U.S.C. § 1591(a); 11 *Del. C.* § 787(b). In that regard, in response to the same sort of rampant sex trafficking that has occurred and continues to occur on Meta's platforms, Congress passed FOSTA-SESTA, which makes it a crime to "own[], manage[], or operate[] an interactive computer service . . . with the intent to promote or facilitate the prostitution of another person" as well as to "act[] in reckless disregard of the fact that such conduct contributed to sex trafficking, in violation of [section] 1591(a)" and subjects violators to statutory fines and/or up to 25 years in prison. 18 U.S.C. § 2421A(a), (b)(2).

239. *Second*, federal law exposes internet service providers who facilitate trafficking to civil liability. In that regard, FOSTA-SESTA states that "[a]ny person injured by reason of a violation of section 2421A(b) may recover damages and

reasonable attorneys' fees in an action before any appropriate United States district court" and that "in addition to any other civil or criminal penalties authorized by law, the court shall order restitution for any violation of subsection (b)(2)." 18 U.S.C. § 2421A(c)-(d).

240. **Third**, the extent of Meta's facilitation of, and reckless disregard toward, trafficking on its platforms, as revealed by Ms. Haugen's whistleblower complaints, led to a securities fraud class action titled *Ohio Public Employees Retirement System v. Meta Platforms, Inc.*,<sup>271</sup> as a result of which Meta and its officers and directors face substantial risk of liability and as a result of which the Company is incurring substantial legal costs.

241. **Fourth**, also as a result of Meta's promotion and facilitation of sex/human trafficking on its platforms—as revealed by Ms. Haugen's whistleblower complaints, federal and state case law, reports by the news media, and Congressional and Parliamentary hearings and other negative publicity—Meta has faced substantial reputational damages, and as a result, declining users, declining revenue, increased regulatory risk, and a declining stock price.

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<sup>271</sup> No. 21-cv-08812-JST (N.D. Cal. filed Nov. 12, 2021), consol. sub nom. *In re Meta Platforms, Inc. Sec. Litig.*, No. 21-cv-08812-JST (N.D. Cal. filed Oct. 28, 2022).

242. *Fifth*, numerous federal and state laws also make the sexual exploitation and abuse of children a crime. *See, e.g.*, 18 U.S.C. §§ 2251-2260A. Internet service providers who commit such crimes are not protected by Section 230 of the CDA. *See* 47 U.S.C. § 230(e)(1). Yet, an accumulating mass of federal and state case law and news reports shows a raging epidemic of child sexual exploitation occurring—openly and unchecked—on Meta’s platforms. Meta’s internal documents demonstrate the Board and management’s utter failure to provide the oversight necessary to address this growing problem. As a result, Meta has faced substantial reputational damages, and as a result, declining users, declining revenue, increased regulatory risk, and a declining stock price.

243. Thus, for all the reasons set forth above, Meta’s compliance with federal and state laws prohibiting sex/human trafficking, as well as the sexual exploitation and abuse of children—and particularly by internet service providers—was and is an essential mission-critical risk; the Board thus has had an imperative duty to make a good faith effort to put in place a reasonable board-level system of monitoring and reporting, and having implemented such a system, not to consciously fail to monitor or oversee its operations in the face of waving red flags.



**B. Meta’s Complete Lack of Any Board or Committee Minutes Discussing Sex/Human Trafficking or Child Exploitation Demonstrates the Board’s Utter Failure to Implement Any Board-Level Monitoring, Reporting, or Oversight for These Risks**

244. As noted above,<sup>272</sup> in responses to Plaintiffs’ books-and-records demands, Meta agreed that “[t]he Company will search for materials provided to the Board and Board minutes since January 1, 2017 relating to the two topics of (i) sex and human trafficking and (ii) teen health, including excerpts of minutes of meetings of the board of directors (or committees of the board) that reflect discussion of those two subjects . . . .”<sup>273</sup> Yet, in responses to Plaintiffs’ books-and-records demands—and despite this promise—Defendants produced no minutes whatsoever of any meeting by either the Board, the Audit Committee, or any other committee of the Board.

245. As reflected by the complete lack of minutes discussing sex/human trafficking, child sexual exploitation (or any other subject), it is evident that the Board and the Audit Committee consciously failed to monitor or oversee Meta’s operations insofar as they concern sex/human trafficking or child sexual exploitation.

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<sup>272</sup> See ¶¶ 16, 56-60 *supra*.

<sup>273</sup> Letter from David E. Ross to William S. Norton (Dec. 14, 2021) at 4.

246. This failure is even more notable when one considers how many times the Board met between 2017 and 2021. In 2017, the Board met five times and the Audit Committee met ten times. In 2018, the Board met twelve times and the Audit Committee met eleven times. In 2019, the Board met 13 times and the Audit Committee met ten times. In 2020, the Board met 15 times and the Audit Committee met nine times. In 2021, the Board met 12 times and the Audit Committee met ten times.

247. Throughout these many meetings, the Board and the Audit Committee had ample opportunity to discuss the fact that sex/human trafficking, and child sexual exploitation had been running rampant on Meta’s platforms—yet, they utterly failed to do so.

**C. Ignoring Glaring Red Flags, the Board Utterly Failed to Implement Any System or Controls to Address the Rampant Sex/Human Trafficking on Meta’s Platforms or Consciously Failed to Monitor or Oversee Whatever Controls May Have Existed**

248. *First*, the Board and management saw glaring red flags—in the form of shareholder proposals published in Meta’s proxy statements—that put the Board on actual notice that, among other things: “Facebook . . . facilitate[ed] sex trafficking of minors”; “Instagram [was] linked to ‘rampant sex trafficking’”; that “94 percent” of “Child Sexual Abuse Material” online “stem[s] from Facebook and its platforms, including Messenger and Instagram”; and that “[i]n 2020, 79 percent of U.S.

underage sex trafficking victims recruited online were recruited through Facebook or Instagram.” *See* ¶¶ 111, 169, 115, 139 *supra*.

249. Moreover, two of the Board’s proxy advisors, ISS and Glass Lewis, informed the Board—in recommending that the Board support the shareholder proposals mentioned above—that, among other things, that a TTP study identified “366 federal criminal cases over seven years that featured suspects using Facebook for child exploitation,” and in May of 2019, although the *BBC* had alerted Meta that “the Company’s platform contained posts of sexually explicit or exploitative content and images” and “accounts maintained by convicted sex offenders, specifically pedophiles,” and that of “100 images” reported, “only 18 were removed” and “none” of the “pedophiles[’]” accounts “were disabled.” *See* ¶¶ 162, 171, 173 *supra*.

250. In addition, between 2013 and 2023, at least 70 federal and state courts have issued written decisions in criminal and civil cases involving sex trafficking on Meta’s platforms. Likewise, Meta’s widespread and ubiquitous facilitation of sex trafficking and human trafficking was reported in more than 175 articles published in U.S. newspapers and other media outlets between 2009 and 2022. *See* Sections II.B & II.A *supra*.

251. ***Second***, that the Board did not monitor, discuss, or address sex/human trafficking is demonstrated by the fact that, as discussed above, Meta has absolutely

no minutes from any meeting of the Board, the Audit Committee, or any other committee discussing sex/human trafficking or child sexual exploitation.

252. *Third*, the Board had no regular process or protocols requiring management to apprise the Board of issues relating to sex trafficking, human trafficking, or even child safety or exploitation; instead, the Audit Committee only received intermittent, *ad hoc*, management-initiated communications regarding child safety—but no reports whatsoever regarding the extent of sex trafficking or human trafficking on Meta’s platforms, and no reports or indications whatsoever of any efforts or initiatives to detect, prevent, or address such trafficking.

253. *Fourth*, Meta’s management saw glaring red flags that Meta’s platforms facilitated widespread sex/human trafficking and child sexual exploitation but those additional red flags apparently never reached the Board due to the lack of reporting structure or oversight. In that regard, on October 23, 2019, Meta “received communication from Apple where the company threatened to pull FB & IG apps from its App Store due to them identifying content promoting ‘domestic servitude.’” In response, according to Meta’s records, Meta’s management concluded that that “Facebook’s statements about human trafficking were false” because, among other things, Meta internally acknowledged that Meta suffered from an “absence of proactive detection”; Meta had been “under-enforcing on confirmed abusive activity with a nexus to the platform”; and that Meta’s own “investigative findings

demonstrate that our platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks.”

## **VI. META HAS SUFFERED SIGNIFICANT DAMAGE AS A RESULT OF DEFENDANTS’ BREACHES**

254. As a result of Defendants’ breaches, Meta has suffered significant reputational harm as the Company has failed to address the widely known and publicized use of its social media platforms for human and child sex trafficking as described above. TechCrunch reported that in February 2022, the Company announced it had lost daily active users for the first time in the Company’s history. In addition, *Bloomberg* reported in October 2021 in the wake of Frances Haugen’s whistleblower revelations that U.S. teenagers were spending less time on Facebook, and the number of new teens signing up for Facebook accounts was also declining.

255. Because of Defendants’ failures to address the ongoing criminal trafficking activity via the use of Meta’s social media products, the severity of which was at least partially revealed by Frances Haugen’s, *The Wall Street Journal’s*, and *CBS News’s* disclosures in September and October 2021, the Company is also exposed to significant potential liability in the pending securities class action styled *In re Meta Platforms, Inc. Securities Litigation*.<sup>274</sup>

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<sup>274</sup> No. 21-cv-08812-JST (N.D. Cal.).

256. On October 28, 2022, the Lead Plaintiffs in *In re Meta* filed a detailed, 195-page consolidated amended complaint.<sup>275</sup> The *In re Meta* complaint alleges, among other things, that “[t]hroughout the Class Period, Meta made statements that the Company was able to, and in fact did, stop its platforms from being used to facilitate and promote human trafficking” but “in truth, Meta failed to ‘fix[] systems that allowed’ traffickers to operate despite extensive information concerning their activities and opportunities to remove that content” and that “as *The Wall Street Journal* reported, after a Meta team spent more than one year [in 2018/2019] investigating human trafficking in the Middle East, an internal document [from 2021] warned Meta to be cautious with statements against human trafficking in order to not ‘alienate buyers’ [i.e., buyers of enslaved domestic workers] who used Meta’s platforms.”<sup>276</sup>

257. As a result of these and other misrepresentations by Meta about its policies and practices concerning human trafficking and sex trafficking (and other forms of harmful content) and the eventual revelation of the truth regarding Meta’s true policies and practices, the *In re Meta* complaint alleges that “[f]rom the date of

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<sup>275</sup> Lead Pls.’ Consol. Am. Class Action Compl. for Violations of the Federal Securities Laws, *In re Meta*, No. 4:21-cv-08812-JST (N.D. Cal. Oct. 28, 2022) (ECF No. 97).

<sup>276</sup> *Id.* at ¶¶ 413-14.

the first article published by *The Wall Street Journal* on September 13, 2021, to the final disclosures on October 21, 2021, Meta’s stock price declined by \$54.08 per share, or over 14%, representing ***a total decline of more than \$130 billion in Meta’s market capitalization***[.]”<sup>277</sup>

258. Of particular relevance to this case, the *In re Meta* complaint alleges that as a result of *The Wall Street Journal*’s September 16, 2021 article, which revealed that “human traffickers used Facebook to facilitate their criminal enterprises, and that content violating the Company’s domestic servitude policy routinely makes its way on to Meta’s platforms without deletion,”<sup>278</sup> Meta’s stock price suffered a “***single-day drop [that] erased over \$2 billion of Meta’s market capitalization***.”<sup>279</sup>

259. Similarly, the *In re Meta* complaint also alleges that Meta stock dropped from a closing price of \$343.01 on October 1, 2021, to a closing price of \$326.23 on October 4, 2021, a steep decline of \$16.78 or more than 4%—a stock “drop [that] ***eliminated nearly \$40 billion of Meta’s market capitalization in a single business day***,”<sup>280</sup> following the revelations (1) on October 3, 2021, that

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<sup>277</sup> *Id.* at ¶ 514.

<sup>278</sup> *Id.* at ¶ 318.

<sup>279</sup> *Id.* at ¶ 319.

<sup>280</sup> *Id.* at ¶ 349.

“Facebook whistleblower, Frances Haugen, [gave] two in-depth interviews with *60 Minutes* and *The Wall Street Journal* in advance of her congressional testimony”;<sup>281</sup> and (2) that “on October 4, 2021, *CBS News* released the eight whistleblower complaints that Frances Haugen filed with the SEC,”<sup>282</sup> which included Haugen’s complaint detailing how Meta “misled investors and the public about its promotion of human trafficking / slavery / servitude.”

260. As a result of the Board’s utter failure of oversight, leading to the Company’s widespread facilitation of human trafficking and sex trafficking, and misrepresentations to its shareholders and the marketplace about its policies and practices concerning human/sex trafficking, Meta now faces massive liability to its shareholders in *In re Meta*, and has already begun incurring substantial legal costs of its defense.

261. In addition to *In re Meta*, the Company also faces liability and has been incurring legal costs as a result of *In re Facebook, Inc.*, 2021 WL 2603687, a case brought against Meta by three victims of sex trafficking who alleged that Meta “‘knows its system facilitates human traffickers in identifying and cultivating victims,’ but has nonetheless ‘failed to take any reasonable steps to mitigate the use

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<sup>281</sup> *Id.* at ¶ 514.

<sup>282</sup> *Id.* at ¶ 351.



of Facebook by human traffickers’ because doing so would cost the company users and the advertising revenue those users generate.”<sup>283</sup> Meta’s costs include at least two state court appeals and one attempted appeal to the U. S. Supreme Court, which have thus far proved unsuccessful in dismissing the victims’ case against Meta.

## **VII. DERIVATIVE ALLEGATIONS**

262. Plaintiffs bring this action derivatively to redress injuries suffered by the Company as a direct result of the breaches of fiduciary duty and other breaches by Defendants.

263. Plaintiffs have owned Meta stock continuously during the time of the wrongful course of conduct by the Defendants alleged herein and continue to hold Meta stock.

264. Plaintiffs will adequately and fairly represent the interests of Meta and its stockholders in enforcing and prosecuting the Company’s rights.

## **VIII. DEMAND ON THE BOARD IS EXCUSED BECAUSE IT IS FUTILE**

265. Plaintiffs have not made a demand on Meta’s Board to bring suit asserting the claims set forth herein because pre-suit demand is excused as a matter of law.

266. Meta’s Demand Board consists of nine directors: Defendant Zuckerberg, Defendant Sandberg, Defendant Alford, Defendant Andreessen,

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<sup>283</sup> *Facebook Cert.*, 142 S. Ct. at 1088 (2022).

Defendant Houston, Defendant Killefer, Defendant Kimmitt, and Defendant Travis. As set forth below, with respect to the claims for relief asserted by Plaintiffs, at least half the Board is not disinterested and independent.

**A. At Least Half of Meta’s Demand Board Faces a Substantial Risk of Liability**

267. Every one of the Demand Board members is a Defendant and faces a substantial risk of liability as a result of their failure to conduct oversight concerning, and to address, the use of Meta’s social media platforms for human trafficking and child exploitation.

268. Each of the Demand Board members knew that significant criminal activity involving sexual exploitation and human trafficking was taking place on Facebook and Instagram. The evidence of such activity was everywhere. As described in Section II.A, the involvement of both platforms in such activity was well publicized by the media, with over 175 articles published in the past decade in the United States detailing how sex/human traffickers have systematically used Facebook to commit their heinous crimes. Hundreds of criminal cases have been filed against criminals who conducted their crimes using the platforms. In presentations to the Board, Facebook’s management signaled that the problems were persistent and growing more severe. Facebook’s own founder and CEO was repeatedly questioned about Facebook’s lack of response by members of Congress. And in October 2021, a whistleblower went public to make clear that Facebook—

despite its representations—did *not* have controls in place sufficient to control human trafficking. The members of the Demand Board were well aware that the Company did not have the controls in place to halt such activity.

269. The misconduct that gives rise to this action was perpetrated both by management and the Board and constitutes knowingly and consciously presiding over rampant criminal activity within Meta’s products. For years, the Board has consciously turned a blind eye to systemic evidence of sex/human trafficking and child sexual exploitation. Because every member of the Demand Board faces a substantial likelihood of liability as Defendants in this action, demand on the Board is excused as futile.

### **Zuckerberg**

270. Defendant Zuckerberg is the CEO, chairman, and founder of Facebook and its parent company, Meta. Zuckerberg has served as CEO and as a member of the Board since he created the Company in 2004; he has served as Chairman of the Board since 2012. Zuckerberg is also Meta’s controlling shareholder.

271. As CEO and Chairman, Zuckerberg had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities. *See supra* Sections IV.B to IV.C. Zuckerberg was on the Board when it was repeatedly

advised—through the media,<sup>284</sup> by proxy advisors,<sup>285</sup> and by other stockholders—about the pernicious conduct occurring on Meta’s platforms.

272. Zuckerberg was also on the Board when it was told by management that:

- Congress would be pushing for Section 230 immunity because of concerns over sex trafficking on internet sites (December 2017);
- Facebook had [REDACTED] (2019);
- A narrative had developed that [REDACTED] (September 2019);
- A stockholder proposal was asserting that Facebook was being sued for “facilitating sex trafficking of minors”; that “Instagram [is] being linked to ‘rampant sex trafficking [and] child sexual abuse grooming’”; and that “Facebook may face significant regulatory risk if it cannot curb child sexual abuse on existing platforms” (February 2020);
- Facebook needed to [REDACTED] (2020);
- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and

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<sup>284</sup> See Exhibit 1 & Section II.A *supra*.

<sup>285</sup> See Section V.C *supra*.

- Glass Lewis “d[id not] have any reason to be assured that the Company] w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

273. In addition, multiple reports issued by governmental and non-governmental organizations in 2020, 2021, and 2022 made clear that Facebook was being used for sex and labor exploitation.<sup>286</sup> Zuckerberg was also on the Board in October 2019 when internal Company documents reportedly revealed that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks” and in 2021 when those internal documents were made public by a whistleblower. In 2018, 2019, and 2020, Zuckerberg testified before Congress and legislators repeatedly confronted him about evidence that human trafficking and sexual exploitation flourished on Facebook.<sup>287</sup> Numerous civil and criminal cases were brought in federal and state courts involving sex trafficking linked to the Company while Zuckerberg was on the Board.<sup>288</sup> And Zuckerberg was on the Board and served as CEO in 2018 when Congress addressed the pernicious sex trafficking in the country, including by eliminating the social media platforms’ immunity under Section 230 of

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<sup>286</sup> See *supra* Sections II.H, II.I, II.K, II.M, II.N, II.V, and II.W.

<sup>287</sup> See *supra* Sections II., II.E, and II.G.

<sup>288</sup> See *supra* Sections II.B and II.P.

the CDA. Zuckerberg and the other Demand Board members were well aware of the thriving and systemic predation occurring throughout the Company's products and of the increased risk to Meta as a result of these crimes.

274. Nevertheless, the Board, with Zuckerberg at the helm, failed to act concerning trafficking and exploitation, and in fact affirmatively rejected stockholder proposals that would provide transparency regarding any efforts to arrest these safety concerns. Furthermore, although the Board had in place a policy concerning child exploitation, it failed to put in place a policy concerning human trafficking. Zuckerberg was also on the Board when the Company "deactivated a tool that was proactively detecting exploitation . . ." <sup>289</sup> Zuckerberg therefore faces a substantial likelihood of liability for breaching his fiduciary duties under *Caremark*. Furthermore, Zuckerberg is not an independent director under NYSE listing standards.

### **Sandberg**

275. Defendant Sandberg is a director of Meta. Sandberg has served as a director since 2012 and served as COO from 2008 until August 2022.

276. As a director and COO, Sandberg had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and

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<sup>289</sup> See note 190 *supra*.

Instagram platforms, but consciously disregarded those responsibilities.<sup>290</sup> Sandberg was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Sandberg also was on the Board in October 2019 when internal Company documents reportedly revealed that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks” and in 2021 when those internal documents were made public by a whistleblower.

277. Sandberg was also on the Board when it was told by management that:

- Congress would be pushing for Section 230 immunity because of concerns over sex trafficking on internet sites (December 2017);
- Facebook had [REDACTED] (2019);
- A stockholder proposal was asserting that Facebook was being sued for “facilitating sex trafficking of minors”; that “Instagram [is] being linked to ‘rampant sex trafficking [and] child sexual abuse grooming’”; and that “Facebook may face significant regulatory risk if it cannot curb child sexual abuse on existing platforms” (February 2020);
- A narrative had developed that [REDACTED] (September 2019);

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<sup>290</sup> See Sections IV.B to IV.C *supra*.

- Facebook needed to [REDACTED] [REDACTED] (2020);
- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

278. Sandberg therefore faces a substantial likelihood of liability for breaching her fiduciary duties under *Caremark*. Furthermore, Sandberg is not an independent director under NYSE listing standards.

### **Alford**

279. Defendant Alford is a director of Meta and has been a director since 2019.

280. As a director, Alford had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>291</sup> Alford was on the Board when it was repeatedly advised—through the media, by proxy advisors, and

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<sup>291</sup> See Sections IV.B to IV.C *supra*.



by other stockholders—about the pernicious conduct occurring on its platforms. Alford also was on the Board in October 2019 when internal Company documents reportedly revealed that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks” and in 2021 when those internal documents were made public by a whistleblower.

281. Alford was also on the Board when it was told by management that:

- A narrative had developed that [REDACTED] (September 2019);
- Facebook needed to [REDACTED] (2020);
- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

282. Alford has been a member of the Audit Committee since 2019. The Audit Committee also received numerous reports that Facebook was failing to control trafficking and exploitation. For example, in December 2020, the Audit Committee was told that:

- [REDACTED];
- [REDACTED];
- The machine learning process [REDACTED]  
[REDACTED]  
[REDACTED]; and
- The Company lacked [REDACTED]  
[REDACTED] concerning child exploitative imagery.

283. Additionally, in September 2021, the Audit Committee was told that:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- There were [REDACTED];
- [REDACTED];
- [REDACTED] and
- [REDACTED]

284. Then, in February 2022, the Audit Committee was told that:

- [REDACTED]

- A [REDACTED] and
- Meta had not yet [REDACTED]

285. However, the members of the Audit Committee, including Alford, failed to take steps to put in place such controls.

286. Alford was also a member of the Compensation Committee in February 2021 when it was told by management that:

- A [REDACTED] indicated that sex trafficking lawsuits filed by survivors [REDACTED];
- Child advocates had demonstrated outside Facebook headquarters in October 2020; and
- [REDACTED]

287. Members of the Compensation Committee—including Alford—failed to act in response to these and other red flags.

288. Alford therefore faces a substantial likelihood of liability for breaching her fiduciary duties under *Caremark*.

## Andreessen

289. Defendant Andreessen is a director of Meta and has been a director since 2008.

290. As a director, Andreessen had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>292</sup> Andreessen was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Andreessen was also on the Board in October 2019 when internal Company documents reportedly revealed that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks” and in 2021 when those internal documents were made public by a whistleblower.

291. Andreessen was on the Board when it was told by management that:

- Congress would be pushing for Section 230 immunity because of concerns over sex trafficking on internet sites (December 2017);
- Facebook had [REDACTED] (2019);
- A stockholder proposal was asserting that Facebook was being sued for “facilitating sex trafficking of minors”; that “Instagram

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<sup>292</sup> See Sections IV.B to IV.C *supra*.

[is] being linked to ‘rampant sex trafficking [and] child sexual abuse grooming’; and that ‘Facebook may face significant regulatory risk if it cannot curb child sexual abuse on existing platforms’ (February 2020);

- A narrative had developed that [REDACTED] (September 2019);
- Facebook needed to [REDACTED] (2020);
- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

292. Andreessen has been a member of the Audit Committee since 2012.

The Audit Committee also received numerous reports that Facebook was failing to control trafficking and exploitation. For example, in December 2020, the Audit Committee was told that:

- [REDACTED]
- [REDACTED]
- The machine learning process [REDACTED] and

- The Company lacked [REDACTED] concerning child exploitative imagery.

293. In addition, in September 2021, the Audit Committee was warned that:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- There were [REDACTED]
- [REDACTED]
- [REDACTED] and
- [REDACTED]

294. In addition, in February 2022, the Audit Committee was warned that:

- [REDACTED]
- A [REDACTED] and
- Meta had not yet [REDACTED]

295. However, the members of the Audit Committee, including Andreessen, failed to take steps to put in place such controls.

296. Andreessen therefore faces a substantial likelihood of liability for breaching his fiduciary duties under *Caremark*.

### **Houston**

297. Defendant Houston is a director of Meta and has been a director since 2020.

298. As a director, Houston had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>293</sup> Houston was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Houston was also on the Board in 2021 when a whistleblower published internal Facebook documents reportedly revealing that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks . . . .”

299. Houston was on the Board when it was warned by management that:

- Facebook needed to [REDACTED]  
[REDACTED]  
[REDACTED] (2020);

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<sup>293</sup> See Sections IV.B to IV.C *supra*.

- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company] w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

300. Houston therefore faces a substantial likelihood of liability breaching his fiduciary duties under *Caremark*.

### **Killefer**

301. Defendant Killefer is a director of Meta and has been a director since 2020.

302. As a director, Killefer had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>294</sup> Killefer was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Killefer was also on the Board in 2021 when a whistleblower published internal Facebook documents reportedly revealing that Facebook’s “platform enables all

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<sup>294</sup> See Sections IV.B to IV.C *supra*.



three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks . . . ”

303. Killefer was on the Board when it was warned by management that:

- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

304. Killefer has been a member of the Audit Committee since 2020. The Audit Committee also received numerous reports that Facebook was failing to control trafficking and exploitation. For example, in December 2020, the Audit Committee was warned that:

- [REDACTED]
- [REDACTED]
- The machine learning process [REDACTED]  
[REDACTED]  
[REDACTED] and
- The Company lacked [REDACTED]  
[REDACTED] concerning child exploitative imagery.

305. In addition, in September 2021, the Audit Committee was told that:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- There were [REDACTED]
- [REDACTED]
- [REDACTED] and
- [REDACTED]

306. Then, in February 2022, the Audit Committee was warned that:

- [REDACTED]
- A [REDACTED] and
- Meta had not yet [REDACTED]

307. However, the members of the Audit Committee, including Killefer, failed to take steps to put in place such controls.

308. Killefer therefore faces a substantial likelihood of liability for breaching her fiduciary duties under *Caremark*.

### **Kimmitt**

309. Defendant Kimmitt is a director of Meta and has been a director since 2020.

310. As a director, Kimmitt had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>295</sup> Kimmitt was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Kimmitt was also on the Board in 2021 when a whistleblower published internal Facebook documents reportedly revealing that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks . . . ”

311. Kimmitt was on the Board when it was warned by management that:

- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and

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<sup>295</sup> See Sections IV.B to IV.C *supra*.

- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

312. Kimmitt therefore faces a substantial likelihood of liability for breaching his fiduciary duties under *Caremark*.

### **Travis**

313. Defendant Travis is a director of Meta and has been a director since 2020.

314. As a director, Travis had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>296</sup> Travis was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Travis was also on the Board in 2021 when a whistleblower published internal Facebook documents reportedly revealing that Facebook’s “platform enables all three stages of the human exploitation lifecycle (recruitment, facilitation, exploitation) via complex real-world networks . . . .”

315. Travis was on the Board when it was warned by management that:

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<sup>296</sup> See Sections IV.B to IV.C *supra*.

- ISS recommended that the Board “vote FOR” a stockholder proposal concerning child exploitation (May 2020);
- ISS observed that the Company had “alleged[ly] fail[ed] to catch hundreds of cases of child exploitation on its platform from January 2013 through December 2019” (May 2020); and
- Glass Lewis “d[id not] have any reason to be assured that the Company w[ould] act proactively rather than reactively, as demonstrated by numerous controversies related to the distribution of high-risk content on its platform and messaging services” (May 2020).

316. Travis has been a member of the Audit Committee since 2020. The Audit Committee also received numerous reports that Facebook was failing to control trafficking and exploitation. For example, in December 2020, the Audit Committee was told that:

- [REDACTED]
- [REDACTED]
- The machine learning process [REDACTED] and
- The Company lacked [REDACTED] concerning child exploitative imagery.

317. In addition, in September 2021, the Audit Committee was warned that:

- [REDACTED]
- [REDACTED]

- [REDACTED]
- [REDACTED]
- There were [REDACTED]
- [REDACTED]
- “The CS team does [not] monitor or have alerts to identify anomalies in enforcement volume of recidivist accounts”; and
- [REDACTED]

318. In addition, in February 2022, the Audit Committee was warned that:

- [REDACTED]
- A [REDACTED] and
- Meta had not yet [REDACTED]

319. Travis therefore faces a substantial likelihood of liability for breaching her fiduciary duties under *Caremark*.

**Xu**

320. Defendant Xu is a director of Meta and has been a director since January 2022.

321. As a director, Xu had fiduciary duties to monitor for compliance and violations of federal criminal law taking place on the Facebook and Instagram platforms, but consciously disregarded those responsibilities.<sup>297</sup> Xu was on the Board when it was repeatedly advised—through the media, by proxy advisors, and by other stockholders—about the pernicious conduct occurring on its platforms. Xu therefore faces a substantial likelihood of liability for breaching his fiduciary duties under *Caremark*.

**B. At Least Half of Meta’s Demand Board Lacks Independence**

322. In addition to being conflicted because they face a substantial risk of liability, six of the nine Demand Board members—Zuckerberg, Sandberg, Alford, Andreessen, Houston, and Killefer—are also conflicted because they lack independence.

**Zuckerberg**

323. Zuckerberg is incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation. Zuckerberg is Meta’s controlling stockholder, CEO and Chairman of the Board.

324. In addition to being CEO and Chairman, Zuckerberg controls the Board and has exercised such control since the Company was founded. Zuckerberg bragged in two July 2019 question-and-answer meetings with employees that if he

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<sup>297</sup> See Sections IV.B to IV.C *supra*.

were not his own boss, he would have been fired from Meta. As reported in a *CNBC* article, at the Meta meeting, Zuckerberg discussed his refusal to sell the Company to Yahoo in 2006, stating:

Yahoo came in with this big offer for a billion dollars, which . . . was going to, like, fulfill everyone's financial dreams for the company. And I was like, "I don't really think we should do this." . . . In 2006, when Yahoo wanted to buy our company, I probably would've been fired, and we would have sold the company. We wouldn't even be here if I didn't have control.<sup>298</sup>

325. The Board demonstrates its subservience to Zuckerberg by regularly supporting his attempts to maintain his voting control, despite shareholder proposals to dilute his hold on the Company. For example, Meta has long resisted separating the positions of Chairman and CEO, preferring that Zuckerberg occupy both roles (though Google, Microsoft, Apple, and Oracle have separate CEO and chairperson roles). A majority of the Company's independent stockholders have voted in favor of shareholder proposals requesting separation of the Chairman and CEO positions at each of the Company's annual meetings from 2019 through 2022. It was only through Zuckerberg's exercise of his ten votes per share Class B stock that the shareholder proposals were defeated. Despite widespread independent stockholder

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<sup>298</sup> Catherine Clifford, *Mark Zuckerberg: If I Didn't Have Complete Control Of Facebook, I Would Have Been Fired*, *CNBC* (Oct. 3, 2019), available at <https://www.cnbc.com/2019/10/03/zuckerberg-if-i-didnt-have-control-of-facebook-i-wouldve-been-fired.html>.



support, the Board has failed to act on stockholder concerns and instead chosen to continue to bend to Zuckerberg's desires.

### **Sandberg**

326. Sandberg lacks independence as she is beholden to Zuckerberg and is therefore incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation against Zuckerberg. Sandberg has been a close confidant and business partner of Zuckerberg at Meta since she joined the Company in 2008 as its COO, a role she only recently relinquished while retaining her seat on the Board. Moreover, Sandberg is one of the few individuals other than Zuckerberg who has held Class B stock entitled to ten votes per share. Sandberg converted all of her Class B shares and sold them as Class A shares through a Company repurchase program, thereby helping Zuckerberg maintain his control through his ownership of his own high-vote Class B stock.

327. Sandberg and Zuckerberg cultivated their friendship over dinners at Sandberg's home once or twice a week for six weeks before Zuckerberg decided to hire Sandberg as Meta's COO. Sandberg's late husband described the dinners as being "like dating."<sup>299</sup>

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<sup>299</sup> Ken Auletta, *A Woman's Place*, THE NEW YORKER (July 4, 2011).

328. During her time as Meta’s COO, Sandberg was widely considered the Company’s second-in-command, behind Zuckerberg, who credited Sandberg with “handl[ing] things I don’t want to.”<sup>300</sup>

329. Zuckerberg has in turn developed a role as Sandberg’s close personal confidant. After Sandberg’s husband passed away in 2015, Zuckerberg took the lead in planning his funeral, and Zuckerberg and his wife, Priscilla Chan (“Chan”), “talked to [her] every day ... and [were] just there for [her] and [her] children . . . in every way possible.”<sup>301</sup> Sandberg subsequently described Zuckerberg as “the greatest person in the world,”<sup>302</sup> and noted that Zuckerberg is “one of the people who really carried me.”<sup>303</sup>

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<sup>300</sup> *Id.*

<sup>301</sup> Seth Fiegerman, *Inside the partnership of Mark Zuckerberg and Sheryl Sandberg*, CNN (Feb. 7, 2019), available at <https://www.cnn.com/2019/02/07/tech/mark-zuckerberg-sheryl-sandberg/index.html>.

<sup>302</sup> *Sheryl Sandberg Talks Grief, Appreciating Mark Zuckerberg and Why She Won’t Run for Public Office*, YAHOO! FIN. (Apr. 13, 2017), available at [https://www.yahoo.com/entertainment/sheryl-sandberg-talks-grief-appreciating-mark-zuckerberg-why-153537336.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce\\_referrer\\_sig=AQAAAIgCaKGoWPENaBMCMypLWx-dfsMMHzi1OMtvGj8zC5C\\_6zuN6dH6spvy1LIBKEpy8ADP8IV8ALbUTgK0uBRmwUW2I0Wnl7HLJDUjWbx6NyxdrRn8CQZXrspU7bZ8bRMG9bugU2TXsQx9CeSmy1E7DqgOpapnwUvVftckVQT7sCdi](https://www.yahoo.com/entertainment/sheryl-sandberg-talks-grief-appreciating-mark-zuckerberg-why-153537336.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAIgCaKGoWPENaBMCMypLWx-dfsMMHzi1OMtvGj8zC5C_6zuN6dH6spvy1LIBKEpy8ADP8IV8ALbUTgK0uBRmwUW2I0Wnl7HLJDUjWbx6NyxdrRn8CQZXrspU7bZ8bRMG9bugU2TXsQx9CeSmy1E7DqgOpapnwUvVftckVQT7sCdi).

<sup>303</sup> *Id.*

## **Alford**

330. Alford lacks independence from Zuckerberg and is therefore incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation against Zuckerberg. Alford is an executive at PayPal Holdings, Inc. Zuckerberg installed Alford as CFO and Head of Operations at Zuckerberg's personal philanthropy, the Chan Zuckerberg Initiative ("CZI"), the primary beneficiary of Zuckerberg's plans to sell or donate his Company stock. Following Alford's several year stint as Zuckerberg's trusted representative at CZI, Zuckerberg installed Alford on Meta's Board, a move widely viewed as "evidence that Zuckerberg is keen on building a firewall around him by only appointing loyalists."<sup>304</sup>

331. Alford also worked closely with Chan when both served as initial board members of Summit Learning Program, a nonprofit division of an online learning platform created by Meta and Summit Public Schools, a charter school network.

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<sup>304</sup> See Mark Emem, *Mark Zuckerberg's Machiavellian Strategy To Crush A Facebook Board Coup*, CCN (aka "Capital & Celeb News") (Sept. 23, 2020), available at <https://www.ccn.com/mark-zuckerbergs-machiavellian-strategy-to-crush-a-facebook-boardroom-coup/>.

## **Houston**

332. Houston lacks independence from Zuckerberg and is therefore incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation against Zuckerberg.

333. Houston is CEO of Dropbox, a cloud company with hundreds of millions of users and companies using its services for file-syncing and sharing of documents. Houston and Zuckerberg have been close friends for years, “with the former often turning to the latter for advice.”<sup>305</sup> Houston told an interviewer from Bloomberg that he often reaches out to Zuckerberg for business advice.<sup>306</sup> Zuckerberg has frequently turned up at Dropbox headquarters to visit Houston.<sup>307</sup> Zuckerberg went to Houston’s birthday party where they celebrated and played ping-pong against each other.<sup>308</sup> One article on the announcement that Houston was

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<sup>305</sup> See Avery Hartmans, *Mark Zuckerberg and Dropbox CEO Have Been “Close Friends” For Years*, Entrepreneur.com, available at <https://www.entrepreneur.com/business-news/mark-zuckerberg-and-dropbox-ceo-have-been-close-friends/347526>.

<sup>306</sup> See Eugene Kim, *How Mark Zuckerberg Helps His Friend, The CEO of \$10 Billion Dropbox*, BUS. INSIDER (June 25, 2015), available at <https://www.businessinsider.com/dropbox-ceo-drew-houston-turns-to-facebook-ceo-mark-zuckerberg-for-advice-2015-6>.

<sup>307</sup> See J.J. McCorvey, *Dropbox Versus The World*, FAST CO. (March 30, 2015), available at <https://www.fastcompany.com/3042436/dropbox-versus-the-world>.

<sup>308</sup> See Travis Kalanick and Mark Zuckerberg Blow Off Steam At Drew Houston’s Ping-Pong Birthday Party, CNBC (Mar. 9, 2017), available at <https://www.cnbc.com/2017/03/09/mark-zuckerberg-travis-kalanick-drew->

joining Meta’s Board specifically noted: “Houston and Zuckerberg have a long-running and well-documented friendship.”<sup>309</sup> Houston’s addition to the Board was viewed as adding “another figure to the board who is likely to be strongly supportive of Zuckerberg at a time of mounting regulatory and political scrutiny of the company.”<sup>310</sup> Another commentator, in discussing Houston’s appointment to the Board, stated: “Given the choice of acting in the interests of independent shareholders or his buddy, it’s obvious whose interests will be sacrificed.”<sup>311</sup>

### **Andreessen**

334. Andreessen lacks independence from Zuckerberg and is therefore incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation against Zuckerberg.

335. Andreessen’s lack of independence from Zuckerberg is well documented. Andreessen has long supported Zuckerberg’s belief that a company’s founder should maintain company control. In 2009, when Andreessen and Benjamin

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[houston-ping-pong-birthday-pics.html](https://www.businessinsider.com/dropbox-ceo-drew-houston-joins-facebook-board-directors-2020-2).

<sup>309</sup> See Rob Price, *Mark Zuckerberg’s Friend Dropbox CEO Drew Houston Is Joining Facebook’s Board of Directors*, BUS. INSIDER (Feb. 3, 2020), available at <https://www.businessinsider.com/dropbox-ceo-drew-houston-joins-facebook-board-directors-2020-2>.

<sup>310</sup> *Id.*

<sup>311</sup> See source cited *supra* note 306.

Horowitz cofounded AH Capital Management, LLC d/b/a Andreessen Horowitz, Andreessen's goal was to "design a venture capital firm that would enable founders to run their own companies."<sup>312</sup> In 2006, Yahoo! offered to buy Meta for \$1 billion dollars. According to Andreessen, "Every single person involved in Facebook wanted Mark to take the Yahoo! offer. The psychological pressure they put on this twenty-two-year-old was intense. Mark and I really bonded in that period, because I told him, 'Don't sell, don't sell, don't sell!'"<sup>313</sup>

336. Andreessen and his firm have also profited significantly through Andreessen's business ties with Zuckerberg. Meta purchased two Andreessen Horowitz portfolio companies, Instagram and Oculus VR. Andreessen Horowitz made \$78 million on the sale of Instagram. Zuckerberg helped facilitate Andreessen Horowitz's investment in Oculus VR, and Andreessen subsequently joined the company's four-member board. Shortly thereafter, Zuckerberg's Meta offered to acquire Oculus VR for \$2 billion. Andreessen Horowitz made \$270 million on the Oculus VR transaction.<sup>314</sup>

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<sup>312</sup> Ben Horowitz, "Why Has Andreessen Horowitz Raised \$2.7b in 3 Years?" BEN'S BLOG, (Jan. 31, 2012), available at <https://www.businessinsider.com/why-has-andreessen-horowitz-raised-27b-in-3-years-2012-6>.

<sup>313</sup> Tad Friend, *Tomorrow's Advance Man*, THE NEW YORKER (May 18, 2015).

<sup>314</sup> Anita Balakrishnan, *Facebook tried to do Oculus due diligence in a weekend, Zuckerberg reveals in court*, CNBC (Jan. 17, 2017), available at <https://www.cnbc.com/2017/01/17/facebook-did-oculus-due-diligence-in-a-weekend-zuckerberg-reveals-in-court.html>.

337. Andreessen is also known to have used back-channel communications to Zuckerberg during Board processes to protect Zuckerberg's personal interests. Stockholder litigation challenging the Company's 2016 attempt to issue a new class of shares revealed text messages showing that Andreessen, while serving as a member of the special committee created to represent stockholders considering the share issuance, betrayed stockholders and fed Zuckerberg information regarding the special committee's progress and concerns. These covert communications helped Zuckerberg negotiate against the purportedly independent committee. Andreessen and Zuckerberg communicated privately throughout the committee's negotiation process, with Andreessen providing Zuckerberg live feedback via text explaining how to convince the committee to approve the new class of shares.

## **Killefer**

338. Killefer lacks independence from Sandberg and is therefore incapable of making an independent and disinterested decision to institute and prosecute this derivative litigation against Sandberg. From 1997 to 2000, Killefer and Sandberg both worked at the U.S. Treasury Department. Killefer served as Treasury Assistant Secretary for Management, CFO, and Sandberg served as the Chief of Staff for Treasury Secretary Lawrence Summers. In addition, Killefer was a Senior Partner at McKinsey & Company when Sandberg was hired as a consultant in 1995. Killefer started working at McKinsey in 1979 and, except for her stint at the Treasury Department, worked there until she retired in August 2013. Sandberg remains involved with McKinsey through its partnership with her Lean In Foundation.

## **FIRST CLAIM FOR RELIEF** **(Against All Director Defendants and Former-Director Defendants for Breach of Fiduciary Duty)**

339. Plaintiffs repeat and reallege all of the preceding allegations as if fully set forth herein.

340. As Meta's directors, the Director Defendants Zuckerberg, Sandberg, Alford, Andreessen, Houston, Killefer, Kimmitt, Travis, and Xu, and the Former-Director Defendants Bowles, Chenault, Desmond-Hellmann, Hastings, Koum, Thiel, and Zients owed Meta the highest obligation of loyalty, good faith, due care, oversight and candor.



341. The fiduciary duties these directors owed to Meta included, without limitation, implementing and overseeing a system to monitor sex trafficking and other human trafficking on Meta’s online interactive platforms, as well as Meta’s legal compliance with all applicable laws and regulations. The Director Defendants and Former-Director Defendants had a fundamental duty to make good faith efforts to ensure that the Company’s online, interactive platforms were not and are not a danger to public safety.

342. The Director Defendants and Former-Director Defendants consciously breached their fiduciary duties and violated their corporate responsibilities in at least the following ways:

- a. despite being made aware of red flags that Meta’s platforms—which the Company owns, manages, or operates—promote, facilitate and contribute to widespread sex trafficking and other human trafficking—they consciously and repeatedly failed to assure that the Company’s reporting system was adequately designed to elevate all such reports, thus disabling them from being informed of risks or problems requiring their attention;
- b. consciously disregarding their duty to investigate red flags and to remedy any misconduct uncovered; and

- c. issuing false and misleading statements to Meta's shareholders regarding the Company's programs, systems, and capabilities to detect, prevent, and address the fact that Meta's online, interactive platforms promote, facilitate, and contribute to widespread sex trafficking and other human trafficking, as well as downplaying the extent of sex trafficking and other human trafficking on Meta's platforms.

343. The conduct of the Director Defendants and Former-Director Defendants, individually and collectively, as set forth herein, was due to their intentional, knowing, and/or reckless disregard for the fiduciary duties owed to the Company.

344. The Director Defendants and Former-Director Defendants consciously turned a blind eye to sex/human trafficking, child sexual exploitation, and other predatory conduct occurring on Meta's online platforms, which violated federal and state laws against sex/human trafficking and has exposed Meta to liability through FOSTA-SESTA and other laws. They further disregarded their duties to ensure that Meta was not operating online platforms that facilitated the prostitution of another person and that the Company was not acting in reckless disregard of the fact that conduct on its platform contributed to sex trafficking. The Director Defendants and Former-Director Defendants, consistent with their fiduciary duties, were required to implement and monitor policies and systems to monitor such illegal conduct.

345. The Director Defendants and Former-Director Defendants were required to fulfill their responsibilities as directors under the Audit Committee Charter, the Corporate Governance Guidelines and the Code of Conduct.

346. The Director Defendants and Former-Director Defendants had actual or constructive knowledge that they caused the Company to fail to maintain adequate internal controls and failed to provide adequate oversight to protect the Company from liability related to federal and state sex trafficking laws.

347. These actions were not good-faith exercises of prudent business judgment to protect and promote the Company's corporate interests and those of its shareholders.

348. As a direct and proximate result of the Director Defendants' and Former-Director Defendants' conscious failure to perform their fiduciary duties, Meta has sustained significant damages, both financially and to its corporate image and goodwill. Such damages to Meta include, and will include, substantial risk of liability, legal costs, increased regulatory scrutiny, reputational damages, declining users, declining revenue, declining stock price, increased cost of capital, and other costs, damages and liabilities.

349. For their conscious and bad faith misconduct alleged herein, Director Defendants and Former-Director Defendants are liable to the Company.

**SECOND CLAIM FOR RELIEF**  
**(Against the Officer Defendants for Breach of Fiduciary Duty)**

350. Plaintiffs repeat and reallege all of the preceding allegations as if fully set forth herein.

351. As executive officers of Meta, the Officer Defendants Bosworth, Schroepfer, Clegg, Cox, Newstead, Sandberg, Wehner, and Zuckerberg owed Meta the highest obligation of loyalty, good faith, due care, oversight and candor.

352. The fiduciary duties owed by the Officer Defendants included the obligation to operate the Company in compliance with state and federal laws and without undue risk to public safety, the duty to implement and oversee programs to ensure compliance with criminal and civil laws and regulations governing sex trafficking and other human trafficking, and the duty to report significant risks to the Board, governmental and civil authorities, and Meta and its stockholders.

353. The Officer Defendants, individually and collectively, breached their fiduciary duties and/or acted with gross negligence in at least the following ways:

- a. Acting in conscious disregard of the red flags that Meta's online platforms promote, facilitate, and contribute to widespread sex trafficking and other human trafficking and that Meta was benefiting financially from such illegal misconduct;
- b. Consciously and repeatedly failing to implement, maintain, audit, and/or monitor a compliance and safety program to detect, prevent, and

address the predation on Meta's online platforms, contributing to widespread sex trafficking and other human trafficking;

- c. Consciously disregarding their duties to investigate red flags and other evidence of wrongdoing and to remedy any misconduct uncovered; and
- d. Consciously failing to report to the Board and/or covering up red flags that Meta's online platforms promote, facilitate and contribute to widespread sex trafficking and other human trafficking.

354. As officers of the Company, the Officer Defendants are not entitled to exculpation under 8 *Del. C.* § 102(b)(7).

355. The Officer Defendants had actual or constructive knowledge that they caused the Company to fail to maintain adequate internal controls and failed to provide adequate oversight to protect the Company from liability related to federal and state sex trafficking laws.

356. These actions were not good-faith exercises of prudent business judgment to protect and promote the Company's corporate interests and those of its shareholders.

357. As a result of the Officer Defendants' breaches of fiduciary duty—including their conscious and/or grossly negligent failure to perform their fiduciary duties—Meta has sustained significant damages both financially and to its corporate image and goodwill. Such damages to Meta caused by the Officer Defendants'

misconduct include, and will include, substantial risk of liability, legal costs, increased regulatory scrutiny, reputational damages, declining users, declining revenue, a declining stock price, increased cost of capital, and other costs, damages, and liabilities described herein.

358. As a result of the misconduct alleged herein, the Officer Defendants are liable to the Company.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs request the following relief:

- A. An order declaring that Plaintiffs may maintain this action on behalf of Meta and that Plaintiffs are adequate representatives of the Company;
- B. An order declaring that Defendants have breached their fiduciary duties to Meta;
- C. An order determining and awarding to Meta the damages sustained as a result of the violations set forth above by all Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon;
- D. An order directing Meta to take all necessary actions to reform and improve its corporate governance, internal controls, and policies by implementing a Board-level reporting and information system—and to monitor that system—to ensure that the Company addresses the

rampant sex trafficking, human trafficking, and child sexual exploitation occurring on Meta's interactive computer platforms, and to ensure the Company's compliance with FOSTA-SESTA and other civil and criminal laws relating to sex trafficking, human trafficking, and child sexual exploitation (including the statutes set forth in Section I, *supra*);

- E. An order against all Defendants and in favor of the Company for extraordinary equitable and injunctive relief as permitted by law and/or equity as this Court deems just and appropriate;
- F. Awarding Plaintiffs' costs and disbursements for this action, including reasonable attorneys' fees and expenses; and
- G. Granting such other relief as this Court deems just and appropriate.

Dated: March 10, 2023

**GRANT & EISENHOFER P.A.**

*/s/ Christine M. Mackintosh*

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