

May 31, 2018

ITEP Senior Policy Analyst Richard Phillips Remarks at Facebook Shareholders Meeting in Favor of Tax Principles Resolution

My name is Richard Phillips and I am here to present Item 8 on behalf of the AFL-CIO Office of Investments. This proposal requests that the board articulate a set of responsible global tax principles that ensure the company pays taxes where value is created, ensure these tax practices are aligned with Facebook's stated values regarding sustainability, and consider the economic and reputational impact of Facebook's global tax strategies.

The company's stated principle of complying with existing tax law is noble, but a commitment to legal compliance alone is clearly not enough to ensure the company's tax principles are aligned with desired sustainability and transparency goals. Nor has it resulted in tax practices that do not cause reputational harm to the company. The company has already been caught up in multinational tax scandals in the UK and the US and is investing significant time and resources into a legal battle with the IRS. Facebook itself has acknowledged that it could end up owing between \$3 to \$5 billion in additional taxes due to the IRS challenge.

Scandal is not good for the company's bottom line. Trying to increase profits through tax avoidance strategies provides an inaccurate picture of a company's financial performance and health and doesn't make up for reputational damage and losses resulting from scandals.

Growth in new membership and engagement are currently expected to decline. The loss of young users in recent years and the loss of US users' trust following the Cambridge Analytica scandal have been widely covered in the media. Another tax scandal could result in even greater losses of users and reputation, which reduces the attractiveness of the platform to advertisers—the company's almost sole source of revenue.

The tax avoidance strategies used by Facebook and other companies have attracted attention from governments and policymakers here and in Europe who face rising public pressure to end such practices. As tax laws change and enforcement increases, the possibility of large fines and interest payments may also increase. A set of responsible tax principles will help the board more easily adapt strategies as laws change, avoiding or limiting fines and interest payments and putting the company ahead of the curve by reducing uncertainty caused by changes in tax laws and enforcement.

Corporate tax avoidance has resulted in the loss of tens of billions of dollars from US tax revenues, which has had devastating effects on many communities. Facebook is about building and connecting communities. Shouldn't its tax practices contribute to that goal? I think so. We urge all shareholders to vote in favor of this resolution.