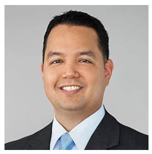
ESG Investment



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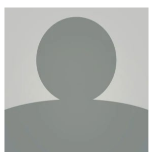

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Key Takeaways

- Social media litigation is entering a new phase, with recent court decisions suggesting legal and regulatory risk is shifting away from user-generated content toward platform design, with claims increasingly focused on addictive features and youth mental health.
- Leading platforms have strengthened content governance through oversight mechanisms, youth safety initiatives and AI moderation, yet investors still need clearer evidence that these measures are effective in practice.
- As the regulatory landscape evolves, active stewardship on youth safety, content moderation and disclosure can help assess whether companies are managing emerging legal, reputational and operational risks effectively.

Social media companies are coming under increasing pressure from state attorneys general, school districts and parents arguing platforms such as Meta Platforms' Facebook and Instagram, Snapchat, TikTok and Alphabet-owned YouTube knowingly designed features that are addictive to young users and failed to adequately warn about mental health risks.

The success of recent lawsuits in California and New Mexico against Meta and YouTube could be impactful for social media broadly, raising regulatory and financial risk and creating the potential for reputational damage.

In New Mexico, a jury awarded $375 million in civil penalties against Meta for misleading the public about predator exploitation on its platforms in violation of state consumer protection law.

Not long after, a jury in Los Angeles became the first to hold social media companies responsible for contributing to a plaintiff's mental health harm via addictive design. The jury determined that Meta and YouTube were liable for negligence and failure to warn related to the plaintiff's alleged social media addiction. The plaintiff was awarded $6 million in damages.

These lawsuits are notable for not seeking action against the content featured on the platforms — for years, such attempts were unsuccessful, largely due to Section 230 of the Communications Decency Act, which protects social media companies from liability related to content posted by their users. Instead, the lawsuits attempt to find fault in the design of the products.

They also follow several milestone national regulations around the world that have involved restrictions on youth access to social media (Exhibit 1). Several U.S. states — such as Utah, Arkansas, Louisiana, Florida, Georgia, Tennessee and Nebraska — have also passed laws restricting minors' use of social media, although many of these are currently being challenged in court.

Exhibit 1: National Restrictions on Youth Access to Social Media

2023	France	Prohibits most social media accounts for children under 14 and parental consent for ages 14-15
2024	Australia	First country to enact nationwide min. age of 16 for social media
2025	Australia	Under 16 ban enters into force
2025	Malaysia	Establishes nationwide min. age of 16 for social media
2025	Portugal	Establishes nationwide min. age of 16 for social media

As of June 30, 2026. Source: ClearBridge Investments.

Social Media Platforms and Active Ownership

ClearBridge owns both Meta and Alphabet in several portfolios, and we are cognizant of the risks to both society from social media and the companies via potential liability. Against this backdrop, we recently engaged with Meta to discuss youth safety. In our conversation in May, we sought to test the real-world effectiveness, credibility and trade-offs of Meta's youth safety efforts, while probing regulatory risk, reputational risk with financial penalties and competitive positioning.

Meta shared that it believes its youth safety measures such as AI-based age verification, content moderation and privacy and parental controls are best-in-class, although this could be challenged. The company also shared that it supports youth safety regulation; its requests for regulation would be for no outright bans, consistency across geographies and equal application to all social media companies.

Meta noted that its Teen Accounts enable the above safety measures by default, it employs AI to screen account content for signs that a user may have lied about his or her age and it automatically age gates as appropriate. In aggregate, these features have led to a "marked improvement" in compliance and outcomes, according to the company. In response to critics that claim these features still let through inappropriate content, the company believes these instances of algorithm failure are exceptions rather than the norm.

We advised the company to disclose the data supporting its claims that its youth initiatives are working and leading to "marked improvement," as it did not provide any during the meeting. Further, we shared our preference that, to lend greater credibility to the claims, this data should be audited by a third party.

We also explained our difficulty in locating information on these issues on Meta's websites. We noted that information difficult to find for professional investors would likely be even more challenging for everyday users — parents, for example — to locate and to inform their decisions to use the platform. We asked the company to consolidate all its statements on this subject in a single place — rather than spread it out across several different websites — to make it easier for various stakeholders to find and evaluate, similar to what the company does for its environmental disclosures. Meta was receptive to our input.

> ClearBridge's approach focuses on the companies' risk management regardless of the source of risk.

In June a trust and safety company that helps platforms and AI developers detect and prevent harmful online behavior and unsafe AI outputs published a study in cooperation with Meta that used Meta's content standards to compare the Teen Accounts content experience on Instagram versus a competitor platform. Testing was conducted from mid-December 2025 to mid-January 2026 and found that the safeguards applied to Teen Accounts on Instagram performed better than a competitor platform across several dimensions. While the period may seem short for such a study, Meta has disclosed that Teen Accounts are in the hundreds of millions; as users access the apps multiple times a day, this would aggregate to a statistically significant sample, although ideally the company could disclose time series data showing content moderation improvement over a longer horizon. Also in June, Meta rolled out its Teen Accounts protections globally to all apps as well as parental alert notices for inappropriate content searches by teens.

Conclusion

Content responsibility remains a key component in assessing social media platforms such as those operated by Meta and Alphabet. ClearBridge's approach stresses several components of this topic: rigorous content moderation can potentially limit harmful or illegal content while seeking to maintain platform integrity, and child safety raises questions of regulatory and reputational risk.

Over the years of ClearBridge's ownership with Meta and Alphabet, we have witnessed both companies improving their content responsibility (Exhibit 2). Meta has made progress on its content policy by appointing an independent content oversight board and then growing its scope. After historically having some issues around brand safety and protecting children from sensitive content, YouTube has made significant progress in this area through staffing, technology and policy development. In 2021, YouTube became the first digital platform to receive accreditation for content-level brand safety from the Media Rating Council (MRC), following an independent audit of its content moderation, monetization and ad placement systems.

At the same time, recent litigation with social media suggests the risk profile for these companies is evolving; regulatory risk is shifting from content moderation to product design. ClearBridge's approach focuses on the companies' risk management regardless of the source of risk. As our engagement with Meta shows, we also focus on transparency, as investors need evidence that youth safety initiatives are working in practice, not only descriptions of policies or tools.

Exhibit 2: Content Responsibility Improvement Timeline

Year	Meta	Alphabet
2018	Announces Oversight Board	Expands AI moderation investments
2020	Oversight Board established	COVID-19 misinformation policies
2021	Oversight Board begins issuing decisions	First MRC content-level brand safety accreditation
2022	Updated Community Standards enforcement, explanation and review	Enhanced election misinformation measures
2023	AI content labeling initiatives launched	Generative AI safety commitments
2024–2025	Expanded AI-generated content policies	Gemini AI safeguards and synthetic media labeling

Source: ClearBridge Investments.

Social media is a fast-moving topic involving billions of participants — Meta reports 3.5 billion daily active users, while Alphabet reports over 2 billion signed-in monthly users for YouTube. We continue to educate ourselves on the sustainability factors affecting this industry as we monitor the evolution of litigation and the broader social media bans; we will continue to actively incorporate this analysis into our investment process and stewardship activity.