

July 14, 2015

VIA EMAIL AND FEDERAL EXPRESS

Laura D. Koss, Esq.
Reenah L. Kim, Esq.
Bureau of Consumer Protection
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington, DC 20850

Re: *In re Facebook, Inc.*, FTC Docket No. C-4365

Dear Mses. Koss and Kim:

We received your letter dated June 4, 2015 seeking clarification of the scope of Facebook's assessment ("the Assessment") for the period from February 12, 2013 to February 11, 2015 (the "Assessment Period") pursuant to the Agreement Containing Consent Order ("the Order"), particularly with respect to entities acquired by Facebook during the Assessment Period. This letter endeavors to provide information regarding the processes assessed as they relate to acquisitions. PricewaterhouseCoopers LLP ("PwC") has also provided a letter explaining its approach to acquisitions in its Assessment.

Please note that material contained in this response constitutes Facebook's confidential business information and should be treated with the highest degree of confidentiality pursuant to 5 U.S.C. §§ 552(b)(3) & (b)(4) and 15 U.S.C. § 46(f).

Facebook's Privacy Program is designed to address privacy risks related to the development, management, and use of new and existing Facebook products and the information of Facebook's users. The Order limits the scope of the required assessment to evaluating the practices of Facebook, Inc. However, as will be explained further below, Facebook assesses and addresses the impact of every acquisition on Facebook's Privacy Program and incorporates acquired entities into its formal Privacy Program controls where appropriate.

Facebook's Privacy Program is defined by nine assertions which are supported by 61 controls designed to ensure that Facebook achieves its privacy objectives. To the extent that an acquired entity's technology, product, or feature is integrated into products or services for Facebook consumers, those acquired entities are subjected to Facebook's formal Privacy Program. Documentation of the Privacy Program controls was made available to PwC in

performing its examination, including documentation of the controls as applied to integrated acquired entities. Moreover, even those acquired entities that continued to operate independently of Facebook after acquisition engaged with Facebook's Privacy Program and benefited from a number of controls tested by PwC.

Overview of Facebook's Acquisitions

Facebook's acquisitions come in different shapes and sizes; they include purely talent acquisitions, as well as tech-related acquisitions, and acquisitions of companies that will operate as independent affiliates. Each acquired entity is unique with respect to the nature of its business or technology and the ways in which it is integrated into Facebook products and features. Each acquired entity is therefore also unique with respect to any potential privacy implications it poses and the nature and degree of privacy-related review needed. As will be discussed further below, this means that there are some controls that are applicable to all acquired entities, while there are other controls that are only relevant to certain kinds of acquired entities due to the nature of their engagement with Facebook products and features.

(b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

After

acquisition, acquired entities continue to be subject to applicable controls to the extent they impact Facebook's Privacy Program. For example:

Onboarding and Provisioning. Acquired entities are typically subject to several controls related to onboarding employees and provisioning equipment, including background checks and training.

Security Controls and Security Risk Assessments. Ongoing security-related controls are applied to any acquired entity that utilizes or poses a threat to Facebook infrastructure or data.

Ongoing XFN Review. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Privacy Risk Assessments and the Privacy Summit. Facebook considers privacy risks as part of its Privacy Risk Assessments and its Privacy Summits, including those risks introduced by acquired entities.

A key feature of Facebook's Privacy Program is that, in addition to top-down privacy assessments like the Privacy Summit, the program provides for identifying and escalating

privacy issues from the ground-up. Various team members that are either part of or strategically assigned to a number of Facebook engineering, product development, and security teams (to name a few), are specifically tasked with recognizing privacy issues and driving them into the Privacy Program processes. As a result, the application of the Privacy Program controls to Facebook's acquired entities derives directly from the nature of an acquired entity's products and operations and the extent to which its integration with Facebook products, features, data, or infrastructure implicates privacy processes. Some Privacy Program controls may apply to acquired entities. Others are only applicable to certain kinds of acquired entities because of these differences in their degree of integration. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Onboarding and Provisioning

Facebook's onboarding processes are designed to ensure that employees, including those gained through an acquisition, have the proper background and incentives to protect Facebook's systems and consumer information.

Prior to accessing Facebook's systems or data, personnel employed by acquired entities and affiliates are subject to many of the same policies as Facebook employees. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Facebook provides laptops to employees of its acquired entities. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Security Controls and Risk Assessments

(b)(4); (b)(3):6(f)

Specifically, to the extent an acquired entity uses Facebook's infrastructure for its own technology or its employees have access to Facebook infrastructure, it is subject to the following security mechanisms: (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

All of these mechanisms apply to risks posed to Facebook's infrastructure or data by acquired entities and affiliates. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Ongoing XFN Review

(b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Privacy Risk Assessments and Privacy Summits

In its annual Privacy Risk Assessments, Facebook identifies reasonably foreseeable, material risks, both internal and external, that could result in Facebook's unauthorized collection, use, or disclosure of covered information, and assesses the sufficiency of any safeguards in place to control these risks. As a part of this process, Facebook considers all risks to Facebook, including those introduced by its acquired and affiliate entities, as well as the processes needed to address those risks.

Facebook also dedicates considerable attention to acquisitions, and to its acquired and affiliate

entities, in its annual privacy summits ("Privacy Summits"), during which key representatives from the Privacy XFN team review and update the Risk Assessment, consider the sufficiency of existing controls, and recommend changes to the Privacy Program. The Summits sometimes involve specific consideration of the acquisitions from the past year or the acquisitions that may take place in the year to come. Sometimes, the Summit involves an entire panel or full session on key acquisitions and lessons learned or areas for monitoring or improvement, both substantively and from a process perspective. In particular, the Summits have addressed key issues relevant to acquired and affiliate entities such as data sharing and integration and training of new employees.

(b)(4); (b)(3):6(f)

* * *

Sincerely,

Edward Palmieri
Director and Associate General Counsel, Privacy



VIA EMAIL

Mr. Edward Palmieri
Director and Associate General Counsel, Privacy
Facebook, Inc.
1299 Pennsylvania Avenue, NW Suite 800
Washington, DC 20004

July 14, 2015

Dear Edward:

As a follow-up to our recent conversation, we are providing you with additional information as requested by the Federal Trade Commission ("FTC") in their letter to you dated June 4, 2015. Specifically, the FTC requested that "...PwC verify in detail the extent to which its 2015 Assessment covered, for each entity Facebook acquired during the reporting period, whether and how Facebook addressed the acquisition's impact on its Privacy Program." As we have discussed with you, since the letter was addressed to Facebook, Inc. ("Facebook"), our client, we direct our response to the FTC's request included in that letter to you. We understand that this letter will be forwarded to the FTC Staff along with Facebook's separate response. PwC has also read your response letter to the FTC, dated July 14, 2015, and it is consistent with our understanding of Facebook's process to assess the impact of acquisitions on Facebook's Privacy Program (the "Privacy Program").

(b)(4); (b)(3):6(f)

As part of its acquisition process, Facebook assesses whether the operations and technology of an acquired entity will be integrated with Facebook or if it will remain independently operated. Facebook made numerous acquisitions during the reporting period. Facebook generally categorizes acquisitions as talent (i.e., employees), technology, or companies that continue to operate independently, though to varying degrees after acquisition. For example, the talent-only acquisitions that occurred during the reporting period were part of Facebook's Privacy Program as new employees were subject to the onboarding controls of the Privacy Program. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

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(b)(4); (b)(3):6(f)

As the scope of the Order requires a comprehensive privacy program for Facebook, any independently operated affiliates were not included in PwC's assessment of the Privacy Program. Although acquired entities that continued to operate independently of Facebook after acquisition were outside the scope of the assessment, as they integrate and interact with Facebook's products and processes they also engage with controls of Facebook's Privacy Program and are subject to our testing.

When the nature of the acquisition involved talent, talent were on-boarded by Facebook and were subject to the existing Privacy Program controls, (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f) When the nature of an acquisition included technology that was integrated into a Facebook product or service, or if the Facebook product or service was impacted by the acquired technology, these impacted products or services were subject to existing Privacy Program controls (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f) Additionally, integrated acquisitions were also subject to the Privacy Program enterprise-wide security controls, (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f) If acquired companies had relationships with third parties that handle or store user data, these third parties were also subject to the Privacy Program controls (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

Please let me know if there are additional questions. If it would be of assistance to the FTC Staff, we would also be happy to speak with them directly concerning the scope of PwC's work in this regard.

Sincerely,

Joseph V. DiVito, Jr.

Principal

(b)(6)

July 28, 2017

VIA ELECTRONIC AND U.S. MAIL

Reenah L. Kim
Bureau Of Consumer Protection
Division Of Enforcement
Federal Trade Commission
600 Pennsylvania Avenue NW, CC-9528
Washington, DC 20580

RE: *In the Matter of Facebook, Inc., Docket No. C-4365*

Dear Ms. Kim:

Thank you for your letter dated June 1, 2017 acknowledging receipt of the Biennial Independent Assessor's Report on Facebook's Privacy Program ("2017 Assessment"), which was submitted for the period February 12, 2015 to February 11, 2017 pursuant to the Agreement Containing Consent Order File No. 0923184. Your letter requested clarification regarding the scope of the 2017 Assessment with respect to Facebook's acquired entities and affiliates. Specifically, we understand you to be asking for confirmation that, as part of the 2017 Assessment, PricewaterhouseCoopers LLP ("PwC") evaluated whether and how Facebook's acquisitions during the reporting period impacted its Privacy Program by testing the application of Facebook's Privacy Program controls to acquired entities. This letter describes and confirms that Facebook, Inc. ("Facebook") assessed the impact of its acquisitions on its Privacy Program and that PwC tested (1) Facebook's process for assessing the impact of its acquisitions, as well as (2) the application of Facebook's privacy controls to acquisitions. Material contained in this response (including the attached letter from PwC) constitutes Facebook's confidential business information and should be treated with the highest degree of confidentiality pursuant to 5 U.S.C. §§ 552(b)(3) & (b)(4) and 15 U.S.C. § 46(f).

As we have explained and as you noted in your letter, Facebook designed its Privacy Program to accomplish two primary objectives: (a) to address privacy risks related to the development, management, and use of new and existing products, and (b) to protect the information Facebook receives from or about users. As noted in the Assessment, Facebook has designed and implemented a broad range of "controls" that together form its robust Privacy Program—a program that we believe is industry leading. The Privacy Program achieves and effectuates Facebook's objectives and specifically includes "assessing impact on the Privacy Program from acquisitions." See 2017 Assessment at 8. In fact, for the relevant

reporting period, in 2015 Facebook implemented a new control oriented specifically to assessing and addressing risks relating to acquisitions:

(b)(4); (b)(3):6(f)

See 2017 Assessment at 50 (Ref. H-6, Facebook's Control Activity). As you describe in your letter, and as reflected in Facebook's H-6 control, Facebook's assessment of the impact from acquisitions includes: (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

See *id.* at

50 (Ref. H-6, Facebook's Control Activity); see also *id.* at 32 (Ref. D-2, Facebook's Control Activity) (ongoing Privacy XFN review). Key members of the Privacy XFN team also review and update the privacy risk assessment. See *id.* at 24 (Ref. B-1, Facebook's Control Activity), 50 (Ref. H-5, Facebook's Control Activity). Consistent with your letter, Facebook's privacy risk assessments include, among other things, any identified material risks relating to acquisitions, including data sharing with and integration of acquired entities.

Your letter is correct that, (1) PwC tested Facebook's process for assessing risks presented by acquisitions, and (2) where Facebook's Privacy Program controls were applied to acquired entities, that application was subject to testing by PwC as part of the Assessment. (b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f)

In addition, acquired entities that continue to operate independently after acquisition sometimes made use of Facebook's Privacy Program controls. When that happened, consistent with your letter, PwC tested the controls—(b)(4);

(b)(4); (b)(3):6(f)

(b)(4); (b)(3):6(f) PwC concluded that Facebook's privacy controls were effective to protect the privacy of Facebook's covered information.

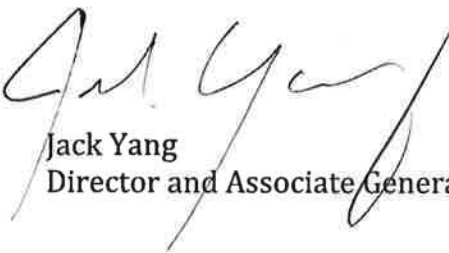
Finally, you are correct that, during the relevant time period, Facebook or one of its affiliates acquired (b)(4); (b)(3):6(f) (b)(4); (b)(3):6(f) Because not all acquisitions by Facebook or one of its affiliates will affect Facebook's compliance obligations, not all acquisitions require notice to the Commission, pursuant to Section VIII of the Consent Order. However, we approach the notice obligation thoughtfully and have, out of an abundance of caution, often notified the Commission while our assessment of an acquisition is ongoing or its effect on compliance is not yet known. Not infrequently, such acquisitions ultimately do not affect compliance. During the relevant period, Facebook or one of its affiliates completed four additional acquisitions that did not impact Facebook's compliance obligations, and therefore Facebook did not notify the Commission: (b)(4);

(b)(4); (b)(3):6(f) Facebook acquired talent and technology associated with (b)(4); shut down its consumer-facing operations, and deleted all user data. During the same period, one of Facebook's affiliates acquired (b)(4); (b)(3):6(f) All three resulted in acquiring technology for and talent to an affiliate company, and did not impact Facebook's compliance obligations. In the future, we intend to continue taking a thoughtful approach to notifying the Commission.

* * *

Thank you for your time in reviewing our Assessment. Please let us know if you have any additional questions.

Sincerely,



Jack Yang
Director and Associate General Counsel, Head of Privacy



VIA EMAIL

Mr. Jack Yang
Director and Associate General Counsel, Privacy
Facebook, Inc.
1 Hacker Way
Menlo Park, CA 94025

July 28, 2017

Dear Jack:

This letter is a follow-up to our recent conversation regarding the letter Facebook received from the Federal Trade Commission ("FTC") dated June 1, 2017 in regards to our Biennial Independent Assessor's Report on Facebook's Privacy Program ("Assessment"), which was submitted for the period February 12, 2015 to February 11, 2017. Specifically, the FTC requested from Facebook "clarification regarding the scope of this Assessment with respect to Facebook's acquired entities and affiliates."

PwC has read your response letter to the FTC, dated July 28, 2017, and your description of the process to assess the impact of acquisitions on Facebook's Privacy Program (the "Privacy Program") is consistent with the description of the controls included in the *Facebook Privacy Program Overview* section of the report dated April 12, 2017. These controls were tested by PwC as described in the *Facebook's Privacy Program: Assertions, Control Activities and PwC's Tests Performed and Results* section of our Assessment.

Please let me know if there are additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. V. DiVito, Jr.' with a stylized flourish at the end.

Joseph V. DiVito, Jr.
Principal

(b)(6)

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