

# Facebook’s £2.7 million Mr Fixit

By **Jonathan Bucks, Daniel Bates** and **Mark Hookham**

THE summit in the Californian sunshine could hardly have gone better, judging by the warm note sent by a finance minister to Facebook’s newly appointed global affairs supremo Nick Clegg.

‘Dear Nick, hope early days of role are continuing to go well,’ Ireland’s Paschal Donohoe wrote in the hand-written message. ‘I hope our paths cross again soon.’

The meeting at Facebook’s head office in Silicon Valley was an opportunity for the Irish delegation to meet the man who billionaire founder Mark Zuckerberg hoped would rehabilitate the tech giant’s increasingly tarnished reputation.

But for the Facebook bosses, led by Sir Nick – who had taken up his role just three months earlier – it was a chance to address the growing threat to Facebook of punishing new taxes.

Minutes of the meeting obtained by The Mail on Sunday reveal how Facebook sought to cushion the blow of sales taxes on tech companies – which were being threatened by several European countries – by easing its tax burden in Ireland, where the company declared more than half of its £39billion global revenues.

The revelation is likely to raise eyebrows given that just three years earlier, former Deputy Prime

‘Clegg should explain why what was wrong in 2017 was OK two years later’

Minister Clegg had criticised Facebook and questioned whether it should be paying more tax.

The note and minutes form part of an extraordinary cache of documents that give a fascinating insight into how Clegg went from the Liberal Democrat leader, who led his party to electoral disaster in 2015, to become one of the world’s top power brokers. They show how he defended the tech giant following criticism of sickening self-harm images on its platforms and was involved in a lobbying campaign to protect Facebook’s vast profits from the threat of new taxes.

It comes as Chancellor Rishi Sunak today tells the MoS that he will attempt to broker a deal with US President Joe Biden to slap a tax on the super-profits of tech giants at the G7 meeting in Cornwall next month.

And it follows mounting pressure on Facebook over plans to introduce strong encryption on its mes-

saging apps – a move which will make billions of online messages secret and, according to the head of MI5, give terrorists a ‘free pass’.

Appointed in October 2018 as vice-president for global affairs and communications, Sir Nick commands a reported salary of £2.7million and has been tasked by Mr Zuckerberg to defend the tech giant’s interests abroad.

Trading in his £1.5million townhouse in Putney, South-West Lon-

don, for a £7million mansion in the sleepy Californian hamlet of Atherton, Clegg has embraced the Silicon Valley lifestyle.

Neighbours include tech titans Eric Schmidt, former head of Google, and Sheryl Sandberg, Facebook’s chief operating officer.

Soon after Clegg’s appointment, he launched a charm offensive to win over key power brokers in Brussels. In fact, he held at least 12 meetings with European Commissioners – the

EU’s most powerful officials – in less than three years.

The day after his appointment was announced, he emailed Margrethe Vestager, a Danish politician and the then European Commissioner for competition.

‘I know you have reservations about social media, and perhaps FB in particular, but I hope you’d agree it’s good to have a European and a liberal in the heart of Silicon Valley!’ he wrote. A senior figure in

Brussels, Ms Vestager has taken on the biggest technology companies in the world, including Facebook, which she fined €110million (£96.5million) for being opaque about its takeover of WhatsApp.

It should also perhaps have been no surprise that one of Clegg’s early key meetings at Facebook’s headquarters near San Francisco was with Irish politicians and officials.

Ireland plays a critical role for Facebook as it employs 5,500 people there and its Dublin office is one of the biggest of the company’s locations outside of California.

Perhaps more importantly, Ireland’s generous tax regime, and the complex way Facebook’s business empire is structured, have allowed it to avoid paying billions of pounds in tax in other countries.

In 2018, one of Facebook’s holding companies in Ireland recorded revenues of £21billion, more than half of the company’s total global turnover of £39billion.

That same year, Facebook’s main Irish subsidiary paid £75million in tax while recording profits of more than £10billion – equivalent to just 0.8 per cent.

But while Ireland has been keen to offer Facebook financial incentives, other European countries, including the UK, have grown increasingly frustrated at how little the company pays in tax.

Around half of European countries have either proposed or implemented new taxes on technology firms, with the UK Government last April imposing a 2 per cent tax on the revenue that internet companies gain from British users.

Under such a system, Facebook

access self-harm, suicide and other damaging material on social media sites.

It said YouTube had to remove 1.4million videos flagged as dangerous by users.

The Government is planning an Online Safety Bill, which will hit social media firms with huge fines if they fail to curb harmful content.

A Facebook spokesman said: ‘Using industry-leading technology, 99 per cent of this content is proactively detected and taken down before it’s reported to us.’

‘All of these figures are published regularly so we can be held to account for the progress we’re making on this internet-wide problem.’

## How vile child abuse pictures are posted to Facebook every second

MORE than one child abuse image, video or post is uploaded to Facebook every second, a harrowing report has revealed.

Official documents seen by The Mail on Sunday show the social media giant took down 35.9million pieces of content relating to child nudity and exploitation last year.

Facebook last night insisted its technology identified and removed ‘99 per cent’ of those posts before they were flagged by users.

However, this newspaper understands that the firm does not track who has seen the content or how long it remains online before it is taken down.

It also means as many as 360,000 child abuse posts had to be reported

by concerned members of the public before they were removed.

The total number of child abuse images circulating on Facebook could be even higher because it is not known how many go undetected by its technology or its users.

Facebook has previously admitted that it failed to spot vast amounts of dangerous content towards the end of 2020 due to a ‘technical issue’.

Children’s charities criticised the company for doing too little to tackle appalling online content.

Andy Burrows, of the NSPCC, said: ‘It’s vital this horrific content is

removed as soon as possible. Behind every image is a child who has been sexually abused.’

The horrifying harm being caused to children and teenagers online was revealed in a report buried on the Government website.

The study found that tech firms, which are legally required to report child abuse posts to US authorities, logged almost 70million such cases in 2019 in total.

Of these, 79,798 related to UK victims or offenders and were passed on to our National Crime Agency. The UK is now set to start collecting its own data on child abuse online.

The report also looked at how children and teenagers can freely



FRIENDS IN HIGH PLACES: Nick Clegg with Mark Zuckerberg, above, and Sheryl Sandberg, right



TRADING UP: The Cleggs' £7million home in California's Silicon Valley

can be taxed twice on the same revenue in two different countries.

Minutes of the meeting in California in January 2019 – marked confidential – reveal how Facebook lobbied to ease its tax burden in Ireland to offset the hundreds of millions of pounds it faced paying out as other EU countries imposed new taxes.

‘Facebook raised an issue with regard to whether payment of national digital sales taxes in some jurisdictions through its Irish subsidiary could be offset against Irish tax,’ the minutes state.

Facebook has since wound up the key Irish holding company, and two others, amid criticism that it

was shifting profits to Ireland to avoid tax.

In 2016, Clegg criticised Facebook and suggested the company should be paying more tax.

‘I’m not especially bedazzled by Facebook,’ he wrote in the London Evening Standard.

‘While I have good friends who work at the company, I actually find the messianic Californian new-worldy-touchy-feely culture of Facebook a little grating.’

‘Nor am I sure that companies such as Facebook really pay all the tax they could – though that’s as much the fault of governments who still haven’t got their tax act together.’

Former Cabinet Minister David

Jones highlighted how in 2017 Clegg also told The Times that companies such as Facebook were ‘flagrantly, blatantly on the wrong side’ on tax and should pay up.

He added: ‘Clegg should explain why what was wrong in 2017 was OK just two short years later.’

Facebook last night said the Irish delegation had requested the meeting and it was the tech firm’s finance team, not Sir Nick, who raised the issue of tax.

A spokesman added that Clegg has ‘been clear that tech companies should be prepared to pay more tax in Europe, which is why Facebook has backed new international tax rules for the digital economy’. ‘He

life after looking at pictures on Instagram, which is owned by Facebook, that glorified self-harm and suicide.

The next day, Facebook hosted the world’s business and political elite at a venue opposite Davos’s Grand Hotel Belvedere to discuss ‘the responsibility and action’ the firm was taking to tackle ‘the biggest challenges of the digital age’.

When asked about Molly’s death four days after the Davos conference, Clegg told the BBC: ‘I can tell you firstly we’re going to look at this from top to bottom, change everything we’re doing if necessary, to get it right.’

The files also reveal how Clegg defended Facebook after it blocked access in Australia to media pages on its website in a row about paying for news. The tech giant prevented its 17million Australian users from

‘The claims always were and remain false’

sharing news or accessing pages for more than a week in retaliation against legislation to make it and other tech companies pay for journalism.

In an email to Ms Vestager on March 1 this year, Sir Nick defended Facebook over the storm and said claims the company stole journalism ‘always were and remain false’.

In other emails, Clegg defended Facebook against allegations that it hosts horrifying self-harm and suicide images. In a message to Ms Vestager on March 11, 2020, he said he wanted to address a ‘Danish documentary you mentioned regarding Instagram and suicide and self-injury content’. He insisted that the tech giant did not allow the promotion of self-injury and suicide and ‘some of the images shown in the piece were against our policies, and we removed them’.

Clegg claimed Facebook had ‘new machine learning technology’ to find such images.

He has also sought to influence MEPs, the documents reveal. Emails obtained from the US Trade Representative, a US government agency, indicate that Clegg claimed he was meeting MEPs to ‘advise’ them on tech regulation.



Robert Gerber, a director at the agency, emailed a group of colleagues: ‘In fact, he said he has been leading sessions with MEPs in Brussels to advise them on the development of regulations.’

One replied: ‘Sounds like Clegg knows his stuff.’

Last night Facebook said: ‘Facebook and Nick Clegg have spent the last few years vocally calling for regulation of the internet, so it should be no surprise that he meets with regulators.’

‘As vice-president for global affairs at Facebook, Nick also regularly makes himself available to outside interests – including publishers – seeking to pursue their own commercial interests on social media.’



By Jonathan Bucks,  
Daniel Bates and Glen Owen

MEDIA regulator Ofcom faced questions about its transparency last night after it refused to disclose information about meetings between its chief executive and Facebook lobbyist Nick Clegg.

The former Deputy Prime Minister met Dame Melanie Dawes shortly before he reportedly tried to interfere with the appointment of a new chairman of the watchdog.

The Mail on Sunday has established that Sir Nick met Dame Melanie on two occasions – April 16, 2020, and February 3 this year – but Ofcom has refused to reveal what was discussed.

In response to a Freedom of Information request lodged by this newspaper, the regulator said it could not release any details without Facebook's permission, or unless the law required it – and neither condition had been met.

The refusal came after governments from five countries, as well

## Lobbying concerns delay choice of new regulator

as the European Union, fully cooperated with our requests, releasing a slew of documents and minutes about exchanges involving Sir Nick.

They included details of an email conversation between the former Lib Dem leader and Margrethe Vestager, a Danish politician who was the European Commissioner for competition when Clegg was appointed Facebook's head of global affairs in 2018.

The day after his new role was announced, Sir Nick emailed her: 'I know you have reservations about social media, and perhaps FB [Facebook] in particular, but I hope you'd agree it's good to have a European and a liberal in the heart of Silicon Valley!'

Sir Nick later joined forces with Google to lobby against the proposed appointment of former Daily Mail editor Paul Dacre as head of the watchdog, according to the Daily Telegraph. Mr Dacre emerged as Boris Johnson's favourite to chair the watchdog's board last summer because of his willingness to 'challenge the status quo'.

Facebook denied interfering with

# Facebook's Nick Clegg had two meetings with Ofcom boss – but the watchdog won't reveal what they talked about



**SECRET:** Ofcom will not disclose what Sir Nick discussed with Dame Melanie

the appointment process, which is now being re-run after Culture Secretary Oliver Dowden said he had become aware of concerns 'about lobbying and undeclared interests from candidates'.

The interview panel containing

outside executives and a civil servant could now be replaced.

The tech giants were reported to favour the selection of Lord Vaizey, who enjoyed friendly relations with the sector when he was Culture Secretary under David Cameron.

The other candidates are Ofcom's deputy chairman Maggie Carver and Sir Tom Winsor, Her Majesty's Chief Inspector of Constabulary.

Ofcom currently regulates telecoms, broadcasting and the postal services, but its remit is being broadened to include the internet too.

Ministers will give Ofcom powers to regulate social media companies as part of the Online Safety Bill, meaning the successful candidate would oversee the implementation of rules holding the web giants to account for child sexual abuse images, terrorist material and harmful content about suicide on their services.

Last week, Julian Knight, the chairman of the Commons Culture Committee, criticised the 'unnecessary delay' to the process, saying: 'We are concerned about the lack of clarity on why the process... needs to be re-run.'

'As a result of this unnecessary delay, the communications regulator finds itself without a chair at what could not be a more critical

time as the Government prepares to legislate against online harms.'

A Facebook spokesman told the Daily Telegraph: 'Facebook has long called for new rules to set high standards across the internet. We already have strict policies against harmful content on our platforms, but regulations are

## 'Meetings with industry figures must be private'

needed so that private companies aren't making so many important decisions alone.'

An Ofcom spokesman said: 'It's a vital part of the chief executive's role to meet senior representatives from every industry we regulate.'

'These conversations must be open, frank and of commercial nature and therefore confidential.'

'We will continue to meet with senior leaders as we carry out our oversight of these important sectors.'

**FROM DEPUTY PRIME MINISTER TO £2.7m SILICON VALLEY MR FIXIT**

Pages 12, 13

# At last! How tech giant was forced to lift ban on Wuhan lab leak theory

FOR months Facebook banned any comments that dared to suggest Covid-19 was a man-made virus which came from a Wuhan lab.

But last week the social media giant made a dramatic U-turn, after US President Joe Biden ordered intelligence agencies to launch an inquiry into the lab leak theory.

It had previously sided with Left-leaning media organisations that scoffed at the idea that the Chinese government had covered up the source of the virus.

Liberal critics rubbished the notion when it was suggested by then-President Donald Trump last year.

The pioneering tech firm reversed its ban just hours after President Biden set up a probe to establish

By Michael Powell

the truth and report back to him in 90 days. It came after The Wall Street Journal reported that three researchers from Wuhan Institute of Virology became sick enough in November 2019 that they sought hospital care, according to a previously undisclosed US intelligence report.

'In light of ongoing investigations into the origin of Covid-19 and in consultation with public health experts, we will no longer

remove the claim that Covid-19 is man-made or manufactured from our apps,' Facebook announced on Wednesday.

MPs criticised Facebook's global policy chief Sir Nick Clegg as 'feeble' for allowing months of censorship on the social network over discussions of the theory.

Tory MP Bob Seely called Facebook's behaviour 'contemptible' and he hoped the company would now respect free speech rather than 'ingratiating' themselves with China, which has officially banned the website but remains a

£3billion-a-year advertising market for the social media giant.

Facebook has insisted that its ban was based on advice from experts, including the World Health Organisation (WHO).

The theory that the virus leaked from the Wuhan Institute has gathered pace after Beijing strictly controlled an on-site visit by WHO researchers in January.

The WHO team was allowed only three hours inside the lab and was unable to examine any of the Wuhan Institute's safety logs or records of testing on its staff. Dr Tedros Adh-

anom Ghebreyesus, director-general of the WHO, admitted that the visit was inconclusive, adding that 'all hypotheses are open' and warranted future study.

Following Facebook's about-turn, Conservative MP Peter Bone said: 'It does seem to me that Facebook is not an open platform for people to put their views on.'

'It is an open platform for people to put their views on, as long as they agree with Facebook.'

Former Conservative Party leader Iain Duncan Smith said: 'You have a real problem. I think the power now of the social media giants is transcending the power of governments. These are decisions about debate. They are not about conspiracy.'

**IS THIS COVID'S PATIENT ZERO?**

Pages 18, 19