



Dear Caspar,

There's been a lot of discussion in recent weeks about developing a corona app for helping to prevent further spread of the coronavirus. Nonetheless, the Dutch television program *EenVandaag* opinion panel has said that using a corona app seems generally supported by society: "60 percent feel that we should start using an app in the Netherlands that records people's interaction and contacts". There's a lot of debate on the use of apps, however, because it would breach people's privacy rights. Also, it's fairly unclear what standards a corona app would have to meet. For instance, there's no clear guidance on who would be responsible for processing the data. Would it be a private organisation, a healthcare body or the government?

Of course, the discussions about privacy are nothing new. Privacy is a fundamental human right, but it seems to be increasingly at odds with the business models of technology firms. These firms have become increasingly dependent on collecting, processing and sharing personal data, which is why data is also called the 'new oil': the raw material that powers the digital economy. But privacy breaches can still be just as damaging for tech giants as oil spills are for the oil companies. Facebook for instance, lost \$ 100 billion from its stock value when the data scandal involving Cambridge Analytica came to light.

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Investors therefore regard the way firms deal with privacy as an increasingly important criterion when deciding where to invest. Businesses are not simply assumed to be complying with the statutory standards. Investors (via active engagement programmes) are now more often asking businesses to be proactive and self-regulatory.

At the same time, facing the current pandemic, business in general is being asked to adapt to a new reality where the collection and exchange of personal data are being used in the battle against serious threats to public health. The question here is how far can businesses go when collecting data? Can you ask employees or customers whether they've visited a particular country, or whether they're experiencing any COVID-19 symptoms? As a business, how do you deal with home working if your employees need to access highly sensitive personal data? This poses a major dilemma for businesses, and the government is barely providing any lead on this issue.

As an investor, how do you look at this issue? How much is dealing with personal data regarded as an opportunity or a threat for stock values??

Regards,

Ruud Hadders
Responsible Investment Officer - ACTIAM

Hi Ruud,

If I answer your question honestly, it can be looked at in both ways. Personal data and how it is dealt with can either be an opportunity or a risk for a business and its stock value. In some cases, the stock market cares very little about how privacy is dealt with. One example in these days of corona is the video chat company Zoom. The use of Zoom has grown exponentially because of social distancing measures in virtually all developed countries. Using Zoom is controversial, however, because Zoom does not have full control over its users' privacy. "Zoom bombing" was possible, for instance, where troublemakers could enter chats relatively easily, leaving unwanted images in the chat rooms (not what you want if, for instance, you're teaching). Also, encryption isn't up to scratch yet, and privacy watchdogs have already said that some settings - like tracking the participants in a meeting - are undesirable. These issues are not reflected in the stock price, which has risen by nearly 100%, while the S&P500 has dropped by 10% this year.

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The negative impact of privacy-related cases, such as Facebook and Cambridge Analytica or even Equifax (where data on 143 million users ended up being hacked) seems to last for a limited time. The 100 billion dollars you refer to was earned back (and almost doubled) within 4 months. The response to problems with the earning model was greater - \$ 120 billion loss in market value, all within the same 4 month timeframe. Equifax also lost a huge amount, a third of its value. But, there again, one year on and this loss has been recouped.

So, are privacy and how we deal with personal data both opportunities? To a significant degree they are or have been. I'm thinking of the duopoly in the advertising world. The two companies in this duopoly are Facebook and Google. But what has privacy got to do with advertising and why does privacy offer opportunities? Google and Facebook are tech companies that we all know and that ostensibly offer free services: a social network (at no cost) and a search engine (but also a control system for phones, email accounts and so on). The way both of these companies make money is by finding out as much as possible about you, which they can do by using data linked to the free services they offer. This means they can direct advertisers to users who best fit the target group that the advertiser has in mind. The impossible mountains of data that Facebook and Google can gather 'free of charge', because we use their services, mean that they're now in a virtually unassailable position. So, privacy and personal data mainly offer opportunities, and if they're used well they can create leading positions for companies involved, in which investors are obviously keenly interested.

Regards,

Caspar Snijders
Portfolio Manager Equities - ACTIAM