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Sustainability Soapbox

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AEGON **INSIGHTS**

Social media's social license: Why teen wellbeing is becoming a material risk

Every generation has its fears about teen crazes turning kids into rebels. In the 1950s, parents worried Elvis' gyrations would lead their daughters into scandal. By the 1960s, comic books were seen as gateways to crime and violence. In the 1980s, supermodel culture began to encourage eating disorders in young women. Concerns were not completely without cause, but the threats to adolescents today have become far more pervasive thanks to the ubiquitous nature of technology.

Nearly half of U.S. teens (ages 13-17) say they are online "almost constantly", and social media usage begins early - approximately 30% of children aged 5 to 7 in the UK use TikTok. Despite most social media platforms setting minimum age limits at 13, a Snapchat executive revealed in a 2022 email that "any child who knows how to type a fake birthday can create an account".

And the question today - is 13 old enough? Social media can impact wellbeing at any age, but it remains particularly pernicious for adolescent brains during the critical development period from ages 10 to 19. Changes in the brain make social rewards start to feel a lot more gratifying when you're a teenager - but arriving at school with a new hair style hoping your crush will "ask you out" is worlds away from posting on a global platform that has the possibility of getting thousands of likes. Suddenly, the real world is boring compared to the dopamine hit of 10000 views.

Social media companies are increasingly aware of the negative impacts of their products, and many have implemented measures to strengthen controls. For instance, Instagram and TikTok have introduced features that allow users to set daily usage limits and receive reminders to take breaks. Meta have recently introduced 'Teen Accounts', which are aimed at supporting parents in ensuring their teens have the right protections in place when online.

There is a paradox in these efforts. While social media companies are taking steps to mitigate risks for adolescents, they also monetise a significant amount of the data that teenagers post. This data is used for targeted advertising and other revenue-generating activities, which can further entrench addictive behaviours and expose young users to potentially harmful content. Policies to restrict time on devices fail to address the underlying issue of their addictive design.

Georgina Laird
Senior Responsible Investment Associate

Georgina Laird is a senior responsible investment associate responsible for analyzing and monitoring environmental, social and governance factors within the firm's sustainability-themed equity and multi-asset mandates, and engaging with investee companies on a regular basis.

We don't think it's just up to the social media companies to address these issues. The companies may implement restrictions, but as we know some teenagers (with or without the support of their parents) will find a way to access the platforms. This can lead to "fomo" and bullying. It requires a multi-faceted approach including policymakers, parents, and educators.

Encouragingly, recent regulations brought in such as the EU Digital Services Act has spurred moderation. In response to an EU investigation, TikTok have halted a feature in their 'lite' version of the app which allowed users to earn points by watching and liking videos due to its addictive nature.

Several countries have started to implement regulations with Australia the first to move towards a ban for children under 16, though it remains to be seen how this will be implemented. The UK has passed the Online Safety Act, which mandates stricter age verification and content moderation standards. In the US the majority of new protections being implemented are at the state level - New York has introduced laws to prevent targeted marketing to teens based on their information, and California limits the collection of geolocation data from minors. All examples of the various ways that policy can help to protect minors, allowing them to use social media safely.

For sustainable investors, ongoing concerns around mental health, misinformation, and data privacy make it increasingly difficult to justify investment in social media companies. At the same time, mainstream investors should be mindful that growing regulatory scrutiny and reputational challenges could carry financial implications - affecting everything from user growth to reputational damage - and should be factored into ESG integration processes to ensure a more complete view of risk.

Some of those original aims of Zuckerberg and his college roommates still stand - connecting friends and families, providing support networks, a platform for creativity and expression, a powerful tool for small businesses. Whether their business models are ethical or not, the cat is already out of the bag. Social media has become the digital glue that binds modern society. But as more regulators and educators move to limit exposure to social media, considering digital wellbeing will be increasingly important for social media companies to consider in order to maintain their social license to operate.

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