

Investment Stewardship

Vote Bulletin: Broadcom, Inc.

Company	Broadcom Inc (NASDAQ: AVGO)
Market and Sector	United States, semiconductors & related devices
Meeting Date	3 April 2023
Key Resolutions ¹	<p>Item 1: Elections of Compensation Committee members: Harry L. You, Diane M. Bryant, Eddy W. Hartenstein, Check Kian Low</p> <p>Item 3: Approve an amendment and restatement of the 2012 stock plan</p> <p>Item 4: Advisory vote to approve named executive officer compensation</p>
Key Topics	Incentives aligned with financial value creation
Board Recommendation	The board recommended shareholders vote FOR all Items
BlackRock Vote ²	BlackRock voted FOR Item 3 and AGAINST Items 1a, 1d, 1e, 1i and 4

Overview

Broadcom, Inc. (“Broadcom”) is a designer, developer, manufacturer, and global supplier of a wide range of semiconductor and infrastructure software products.

BlackRock Investment Stewardship (BIS) engages with companies to better understand how company leadership identifies and manages the material risks and opportunities in their business model that, in our assessment, can impact their ability to deliver durable financial performance for long-term investors like BlackRock’s clients. BIS also engages to provide a long-term investor perspective on corporate governance practices. BlackRock’s previous engagements with Broadcom have focused on corporate governance issues such as executive compensation, succession planning, and sustainability-related disclosures.

As we outline in the BIS commentary on [our approach to engagement on incentives aligned with financial value creation](#), when we analyze a company’s compensation disclosures, BIS seeks to determine whether the board’s approach to executive compensation is rigorous, yet reasonable, in light of the company’s stated long-term corporate strategy and specific circumstances, as well as local market and policy developments. Where BIS finds apparent misalignments between executive pay and company performance, or has other concerns about a

¹ Broadcom, Inc., “[Notice of 2023 Annual Meeting of Stockholders](#),” February 17, 2023

² BIS conducts proxy voting for those clients who authorize BIS to vote on their behalf. As part of BlackRock’s Voting Choice program, eligible clients can have a say in the proxy voting process by selecting their own proxy voting policy or one of 14 available third-party policies. 47% (\$2.1 trillion of \$4.5 trillion) of our index equity assets are eligible to participate in Voting Choice, and clients representing 25% of the \$2.1 trillion in eligible assets are enrolled in Voting Choice. Currency shown in USD. Source: BlackRock. Data as of March 31, 2023

company's compensation policies, we may engage to better understand the company's approach. We may vote against members of the compensation committee or a management compensation proposal (where they are on the ballot) if the company subsequently fails to address our concerns or to adequately explain their approach.

Ahead of the April 2023 AGM, BIS engaged with members of Broadcom's board of directors to help inform our voting for the clients who have authorized us to vote on their behalf. During our engagement, we discussed the company's one-off grant to the CEO, the broader-based stock incentive plan, and the board's approach to succession planning.

Rationale for BlackRock's vote

Item 1: Elections of compensation committee members: Harry L. You, Diane M. Bryant, Eddy W. Hartenstein, Check Kian Low (AGAINST)

Item 4: Advisory vote to approve named executive officer compensation (AGAINST)

BIS did not support Broadcom's say-on-pay proposal which sought approval of pay policies that we did not consider to be aligned with the interests of long-term shareholders. As a result, we also determined not to support the re-election of the members of the Compensation Committee.

BIS has engaged the company on their executive compensation practices over the past several years to understand how pay outcomes aligned with strategy and incentivized long-term financial performance. In recent engagement, we raised concerns about the company's long-term incentive plan, the multi-year use of one-off awards, and the lack of a clawback policy. We also discussed the board's approach to succession planning.

We noted Broadcom's strong performance, which over last five fiscal years ending 10/31/22, exceeded that of the S&P 500 by an average of more than 5.5% per year. In addition, we welcomed the company's announced intention to introduce a clawback policy in the near term.

Our chief concern was a special equity award granted in financial year 2022. As discussed in our [Proxy voting guidelines for U.S. securities](#), we recognize that there may be instances when special awards are appropriate but they should be used sparingly. When evaluating these awards, we consider a variety of factors, including the magnitude and structure of the award, the recipients of it, the alignment with shareholder value, and the company's historical use of such awards, in addition to other company-specific circumstances.

According to the company's proxy, the 2022 special award, which had a target value of \$10 million, was "designed to reward significant achievement tied to our specific strategic priorities in Fiscal Year 2022 that went beyond the standard day-to-day operations responsibilities and were critical in a year when there were expectations of a possible realignment in the global markets and increased macroeconomic uncertainties." However, the proxy did not disclose specific performance criteria for the award to provide stakeholders with sufficient information to understand how compensation policies are aligned with corporate strategy and financial value creation. The duration of the performance period for this award was one year, and in the proxy, the company disclosed that "the independent directors determined that Mr. Tan satisfied all of the pre-established metrics and milestones and earned the shares under the FY 2022 Strategic PSU Award."

In engagement, we learned that one of these priorities was facilitating CEO succession planning. However, the company did not provide sufficient justification as to why this priority was not in scope of a CEO's standard responsibilities, which BIS considers executive talent development to be. BIS does recognize the company's elevated risk in relation to succession planning, which was underscored when an apparent potential successor

left to become CEO of another company last summer. We explained our interest in understanding, from future disclosures, how the board is ensuring they have an effective approach to succession planning.

In summary, we remained concerned about the disproportionate focus on short-term goals and the insufficient transparency in relation to compensation. As a result, we determined not to support the say on pay proposal and the election of the members of the Compensation Committee.

Item 3: Approve an amendment and restatement of the 2012 stock plan (FOR)

We voted in support of the omnibus stock plan proposal in recognition of the company's use of equity plans to incentivize employees beyond the executive leadership team.

Broadcom's board also recommended shareholders approve an amendment and restatement of the company's 2012 Stock Incentive Plan ("2012 Plan") and an increase in the "number of shares of common stock authorized for issuance by 25,000,000 shares" to be used to attract, motivate, and retain top talent – including in relation to potential acquisitions. This proposal was potentially quite dilutive to shareholders given Broadcom had over 19 million shares available.

However, we noted that the plan has features that offset our concerns about dilution. Importantly, the plan is employed across different organizational levels of the workforce to align the broader employee base beyond the senior executive team with the long-term strategy of the company. We also recognized the previous improvements the company has made, including removing the evergreen provision, which had allowed for automatic annual increases of shares available for grant without requiring further shareholder approval, and restricting stock option repricing.

Accordingly, we supported the proposal to approve the changes to Broadcom's omnibus stock plan to enable the company to incentivize employees, including those who will be joining as a result of the forthcoming acquisition of VMware.³

³ Broadcom, Inc., "[Broadcom to Acquire VMware for Approximately \\$61 Billion in Cash and Stock](#)," May 26, 2023

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders as appropriate. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability-related risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.⁴

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with durable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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⁴ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.