

Investment Stewardship

Vote Bulletin: Intel Corporation

Company	Intel Corporation (NASDAQ: INTC)
Market and Sector	United States, Hardware
Meeting Date	12 May 2022
Key Resolutions ¹	<p>Item 1: Election of Directors</p> <p>Item 1d: Elect Director Alyssa Henry</p> <p>Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Item 6: Report on Third-Party Civil Rights Audit</p>
Key Topics	Executive compensation; diversity, equity, and inclusion
Board Recommendation	The board recommended shareholders vote FOR items 1, 1d, and 3, and AGAINST item 6
BlackRock Vote	BlackRock voted FOR items 1 and 1d and AGAINST items 3, and 6

Overview

Intel Corporation (Intel) is a major technology company headquartered in Santa Clara, CA. The company is the world's largest semiconductor manufacturer, and is also active in many other sectors globally, including cloud computing platforms, artificial intelligence, and data storage services.²

BlackRock Investment Stewardship (BIS) engages with companies to provide a long-term investor perspective on corporate governance best practices and to better understand how company leadership identifies and manages material risks and opportunities – including those related to environmental, social, and governance (ESG) factors – that we believe can impact their ability to deliver sustained financial performance for long-term investors like BlackRock's clients.

BIS has had an extensive and constructive engagement history with Intel's board - including members of the company's compensation committee – and with the management team. Our engagements with Intel have touched on a range of corporate governance issues which we believe are material to investors' – including our clients' – financial interests; particularly board composition, succession planning in the wake of CEO Bob Swan's departure last year, and compensation plans for named executive officers at the company, including Mr. Swan's replacement, Pat Gelsinger.³

¹ Intel Corporation. "[Definitive proxy statements](#)." March 30, 2022.

² Ibid

³ Mr. Gelsinger joined Intel as CEO in February 2021.

At Intel's 2021 Annual General Meeting of Shareholders (AGM), the company's proposed compensation plans for their named executive officers (NEOs) were not supported by a majority of shareholders,⁴ including BIS. In our view, the plans were not aligned with our clients' long-term economic interests. Previous years' proposals also received low support, but ultimately passed. BIS notes that in response to the 2021 vote and in advance of the 2022 AGM, Intel enhanced their disclosures related to executive compensation after they had conducted a series of engagements with shareholders to understand their concerns and gather feedback for the board's consideration.

Included on the ballot of Intel's 2022 AGM were management proposals on the election of members of the board's compensation committee, as well as the ratification of the compensation plans for the NEOs. Further, there were two shareholder proposals on the ballot, including one that would require Intel to initiate a third-party civil rights audit to investigate potential instances of racism in the company's culture. Discussed below is BIS' vote rationale on select proposals at Intel's 2022 AGM.

Rationale for BlackRock's vote

Item 1: Election of Directors (FOR)

BIS supported the election of directors nominated to Intel's Board Compensation Committee. While we remain concerned about compensation for the reasons outlined under item 3, we supported director elections at this year's AGM, reflecting, amongst other considerations, the need for continuity on the board as the company navigates an important business transformation.

As we explain in [Our approach to engagement on incentives aligned with value creation](#), we believe that poorly structured compensation policies – particularly ones which are not tied to delivering long-term value for shareholders – are investment risks and may invite additional public scrutiny. If, on our analysis, we determine that a board's compensation committee has not aligned the company's incentive plans with the creation of long-term value, we may reflect our concerns by not supporting committee members standing for election.

Item 1 on the ballot of Intel's 2022 AGM provided for the election of the Board's Compensation Committee. As outlined in the overview, shareholder support for Intel's compensation program decreased – to a low of 38.1% – at their 2021 AGM.⁵ BIS was among shareholders who did not support the program, based on our concerns that the potential awards and the plan structure were not aligned with long-term shareholder value creation. We also did not support the election of directors nominated to Intel's Board Compensation Committee.

Engagements this year with Intel provided an opportunity for BIS to better understand the company's justification as to why its executive compensation plan was appropriate, and for us to communicate our continuing concerns about them. We noted Intel's responsiveness and supported the directors standing for election this year considering the need for continuity on the board as the company navigates a transformation of its businesses and a leadership change at the executive level. For many years, Intel has sought to transform from a PC-centric to data-centric company. Amid ongoing operational delays, Intel's new CEO, Pat Gelsinger, hired in early 2021, has restructured the business, made additional senior leadership changes, attracted formerly-departed technical talent, and focused on driving innovation, expanding manufacturing capacity, establishing foundry capabilities as key elements of successfully turning the business around. We will continue engaging with Intel as the company seeks to integrate a high-caliber board that oversees management in driving long-term value for shareholders.

Item 1d: Elect Director Alyssa Henry (FOR)

As outlined in [our proxy voting guidelines for U.S. securities](#), BIS evaluates each director's election on a case by case basis, and may not support a director if the number of outside public boards they serve on

⁴ Intel Corporation, "2021 Form 8-K".

⁵ Ibid.

exceeds three total. While we consider Alyssa Henry to be overcommitted and remain concerned about compensation (see item 3 below), we believe the board is committed to moving in the right direction and supported the election of Ms. Henry. We will revisit how many professional commitments she has at the 2023 shareholder meeting.

We believe that the quality and composition of a company's board is directly material to the creation of long-term value for shareholders. Each individual director should have sufficient capacity to focus on the governance of the companies on whose boards they serve in order to be well positioned to advise and oversee management.

Alyssa Henry, who joined Intel's Board of Directors in 2020, is serving concurrently on two other boards of public companies in the technology sector: Unity Software and Confluent. She is also a NEO at Block, Inc., formerly known as Square. BIS is concerned that when directors are over-committed they may not be able to fulfil their responsibilities and thus their continuing service may not be in shareholders' interests.

In Ms. Henry's case, while we consider her to have too many board commitments, we recognize that the recent IPO at Block has put her in this position. We supported her election this year in anticipation of Ms. Henry re-assessing her professional commitments prior to next year's shareholder meeting.

Item 3: Advisory Vote to Ratify Named Executive Officers' Compensation (AGAINST)

BIS did not support management's proposal to ratify their named executive officers' (NEOs) compensation program due to our continuing concerns that compensation as currently structured is not aligned with sustained long-term shareholder value creation.

As long-term investors on behalf of our clients, we believe that compensation committees are best placed to develop and implement a company's executive compensation program. BIS recognizes that compensation programs are central to the attraction, retention, and motivation of high-quality talent in senior management positions. To drive long-term value for shareholders, we look to compensation committees to align a substantial portion of these programs with company performance by directly tying awards to the achievement of specific, measurable growth goals. We believe companies should disclose how components of the compensation program align with and support sustained long-term value creation.

We note Intel's robust engagements and enhanced disclosures after the previous year's failed proposal. However, we remain concerned about pay practices at the company for both Mr. Gelsinger, who joined Intel as CEO in February 2021, and other NEOs.

Over the past several years, BIS has engaged with management to convey our concerns about Intel's compensation program. BIS voted in 2020 to support Intel's compensation program but expressed concerns in our engagements that the program seemed to be misaligned with shareholders' long-term interests. Accordingly, in 2021, we did not support the company's "Say on Pay"⁶ proposal as our previously flagged concerns about misalignment with shareholders' interests played out. The new-hire compensation program for Mr. Gelsinger, previously disclosed in the 2021 proxy statement, appeared in the proxy compensation tables and details for the 2022 compensation program. As disclosed in the company's 2022 proxy statement, Intel's compensation committee "reverted to its historical approach to annual executive compensation." After assessing the company's compensation program for 2022, and after continued engagement on the matter over the past years, in our view, Intel has not taken the appropriate steps to mitigate shareholders' concerns and missed a valuable opportunity to incorporate shareholder feedback as it structured the compensation package for the incoming CEO.

In our view, the new CEO's total compensation package – which includes a one-time new hire equity award – is not necessarily aligned with long-term shareholder value creation. Intel's compensation committee assigned

⁶ The terminology can vary across markets, but "Say on Pay" is the generic expression referring to the ability of shareholders to vote on a company's compensation policy, plan, and/or practices.

Mr. Gelsinger a total direct compensation of approximately \$26.3 million USD. In addition, the committee offered a one-time new hire equity award in the form of Performance Stock Units (PSUs), performance-based stock options, and restricted stock units (RSUs) that, in aggregate, are valued at approximately \$110 million USD.⁷

In explaining the necessity of the award to bring Mr. Gelsinger on board, the board noted the uniqueness of the incoming CEO's qualifications – including his previous service at Intel as the company's first Chief Technology Officer and, more recently, as the CEO of VMware.⁸ We understand the importance of attracting and retaining the right leader and we commend the current board for identifying and retaining a well-credentialed executive. However, it is worth highlighting that this leadership transition – and related compensation decisions – reflect steps to address some of the Board's historic succession planning challenges which resulted in 3 different CEOs leading the business over the span of 4 years – each with varying impacts on strategy, culture and retention of talent.

Moreover, we find the structure of the compensation program to be concerning. In particular, the stock price goals – which are achieved by attaining stock price hurdles for only 30 trading days – reward relatively short-term stock price performance rather than long-term value creation, and therefore is difficult to reconcile with a long-term incentive plan. In addition, we found the general performance metrics of Intel's NEOs compensation programs to be concerning. For example, Intel discloses that for 2022 performance stock unit awards based on revenue growth percentage and cash flow from operations, they will set goals on an annual basis for each of the three years in the performance period. While we appreciate the flexibility that setting goals on a yearly basis offers, the use of annually set one-year targets within the long-term incentive program undermines the connection between long-term sustained value creation and executive pay outcomes.

An additional concern is the change in comparator group used in the program's relative total shareholder return (TSR) performance award. The company signaled that in 2022, the benchmark for the relative TSR awards will change from the sector-specific S&P 500 IT Index to the broader S&P 500 Index. We are concerned that this shift may dilute the pay-for-performance connection by rewarding (and penalizing) executives for trends in sector performance, which are reflected in the value of earned and owned shares, instead of focusing more narrowly on performance against a closer set of comparable companies.

We continue to be interested in understanding how the board intends to motivate management to outperform Intel's relevant industry peers, rather than allow compensation outcomes to ebb and flow based on the relative performance of the sector versus the broader market. For this collection of reasons, BIS did not support Item 3.

Item 6: Report on Third-Party Civil Rights Audit (AGAINST)

BIS recognizes that civil rights audits can benefit companies by identifying and helping to address possible material risks to long term shareholder value. However, we did not support this shareholder proposal, as we believe that Intel is a recognized industry leader in implementing and disclosing diversity, equity and inclusion (DEI) policies and actions in relation to their workforce.

The proposal asked Intel's Board to "...oversee an independent third-party audit analyzing whether written policies or unwritten norms at Intel reinforce racism in company culture, and report to shareholders on planned remedies the Board intends to take in response."⁹

As explained in [Our approach to engagement on human capital management](#), BIS looks to companies to disclose how they are advancing DEI, including any efforts to, for example, recruit, retain, and develop diverse talent, create an inclusive workplace for all workers, support executive training for underrepresented groups,

⁷ Intel Corporation. "[Definitive proxy statements](#)." Page 68.

⁸ Ibid, Page 2

⁹ Ibid, Page 122.

and address any compensation gaps across different workforce demographics.¹⁰ In our experience, companies that build strong relationships with their stakeholders – including their workforce who executes their long-term strategy – are more likely to meet their strategic and financial objectives, while poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks and jeopardize their long-term success.

We also believe a diverse and inclusive workforce contributes to a company's ability to innovate, adapt, and be attuned to the customers and communities it serves. We acknowledge demographic characteristics may vary by country, as do data collection and disclosure regulations, so we look for companies to report this information in accordance with regional frameworks. For example, U.S. companies could report and disclose in line with the Equal Employment Opportunity Commission's EEO-1 Survey. After analyzing Intel's disclosures, we believe the company not only meets but goes beyond the data collection requirements of the U.S. Equal Employment Opportunity Commission.¹¹ For example, the company has not only disclosed demographic workforce data since 2019, but also discloses pay data as part of Intel's commitment to pay equity.¹²

In addition, Intel was an early mover in making advancements to the oversight of DEI matters within the company. In a structure that was formalized in 2003, Intel's board has direct oversight of corporate responsibility, which includes DEI. Since 2008, Intel has linked a portion of compensation for both executives and employees to DEI metrics.¹³ Intel also leverages 30 different employee resource groups and seven leadership councils, utilizes trainings to mitigate unconscious bias in the hiring process, engages in external partnership, establishes commitments to enhance supplier diversity, and surveys employees to assess their experiences related to inclusion. Additionally, since 2016, through the confidential program called "the Warmline," Intel aims to provide all employees with the support to work through personal and professional challenges and concerns beyond their direct reporting lines. Intel continues to pilot and iterate with internal programs around sponsorship and career development as well as industry-wide initiatives such as hosting a series of DEI conversations, resulting in the Alliance for Global Inclusion which developed an Inclusion Index.

In terms of measuring success, in 2019, Intel met, two years early, their stated goal of achieving "full representation"¹⁴ for underrepresented minorities and women in the U.S. workforce – the product of a U.S. \$300 million initiative launched in 2015 to advance DEI within the company and throughout the technology industry. Lastly, in their RISE 2030 strategy – launched in 2020 – Intel has continued setting ambitious goals such as increasing the number of women in technical roles to 40% and doubling the number of women and underrepresented minorities in senior leadership. Consistent with these medium-term goals, executives' and employees' annual cash bonuses are linked to an annual 10% increase in the representation of Black/African American employees in senior, director, and executive level roles in the United States.^{15 16} The progress of these specific initiatives – as well as broader human capital metrics, including diversity and inclusion – are regularly shared with Intel's board.¹⁷

Given the specific actions outlined above, as well as Intel's continued commitment to advance DEI and to hold leadership accountable to investors, and other stakeholders, through the publication of such disclosures, support for this shareholder proposal is unwarranted. BIS will continue to monitor Intel's progress in advancing workforce engagement.

¹⁰ BlackRock Investment Stewardship, "Our approach to engagement on human capital management", August 2022.

¹¹ More information on the Equal Employment Opportunity Commission's EEO-1 Survey is available at: <https://www.eeoc.gov/employers/eo-1-survey>.

¹² Intel Corporation. "Intel 2019, 2020 and 2021 EEO-1 pay disclosure."

¹³ Intel Corporation. "2021-22 Corporate Responsibility Report."

¹⁴ Intel 2018 CSR report, footnote defines full representation: Full representation means that Intel's workforce reflects the percentage of women and underrepresented minorities available in the U.S. skilled labor market.

¹⁵ For context, since 2008, Intel has linked a portion of executive and employee compensation to corporate responsibility metrics, including diversity and inclusion metrics.

¹⁶ Intel Corporation. "Definitive proxy statements." Page 124

¹⁷ Ibid, Page 4.

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. 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 (ESG) 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.¹⁸

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 sustainable, 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

contactstewardship@blackrock.com

This Vote Bulletin is provided for information and educational purposes only and does not constitute legal advice, a recommendation or an offer or solicitation to buy or sell the securities of any company. The information here is as of September 8, 2022. BlackRock has no obligation to provide any updates. Investing involves risk, including the loss of principal.

Prepared by BlackRock, Inc.

©2022 BlackRock, Inc. All rights reserved. BLACKROCK is a trademark of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

¹⁸ 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.