

Say on Pay at Broadcom Inc.

May 2024

Company: Broadcom Inc. (Broadcom)

Meeting date: April 22, 2024

Proposal: Item 3: Advisory vote to ratify named executive officers' compensation

How the funds voted

At the 2024 annual meeting of Broadcom Inc., a global semiconductor and infrastructure software solutions company, the Vanguard-advised funds supported an advisory management proposal requesting that shareholders approve the company's executive compensation plan (i.e., "Say on Pay").¹

The funds' proxy voting policies

As articulated in the funds' proxy voting policies, the Vanguard-advised funds evaluate compensation plans on a case-by-case basis, taking into consideration the facts and circumstances at the company in question. Compensation policies linked to long-term relative performance are fundamental drivers of sustainable, long-term returns for a company's investors. Providing effective disclosure of compensation policies, their alignment with

company performance, and their outcomes is crucial to giving shareholders confidence in the link between executives' incentives and rewards and the creation of long-term returns for shareholders. We do not believe there is a one-size-fits-all approach to executive compensation, as the norms and practices for executive compensation vary by industry type, company size, company maturity, and region.

The Vanguard-advised funds are more likely to support compensation plans in which a majority of executive compensation remains variable, or "at risk," with rigorous performance targets set well beyond the next quarter. Some of the key considerations that we evaluate when reviewing executive compensation include:

Alignment of pay and performance. The funds look for evidence of clear alignment between pay outcomes and company performance. This is mainly assessed through alignment of incentive targets with corporate strategy and analysis of three-year total shareholder return and realized pay over the same period vs. a relevant set of peer companies. If there are concerns that pay and performance are not aligned, a fund may vote against a pay-related proposal.

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

Compensation plan structure. Plan structures should be aligned with the company's stated long-term strategy and should support pay-for-performance alignment. Where the funds have determined that a plan's structure has led to, or could in the future lead to, pay-for-performance misalignment, a fund may vote against a pay-related proposal. For compensation structures that are not typical of a market, the Vanguard-advised funds look for specific disclosure demonstrating how the structure supports long-term returns for shareholders.

Governance of compensation plans. The funds look for boards to have a clear strategy and philosophy on executive pay, utilize robust processes to evaluate and evolve executive pay plans, and implement executive pay plans responsive to shareholder feedback over time. The funds also look for boards to explain these matters to shareholders via company disclosures. Where pay-related proposals consistently receive low support, the funds look for boards to demonstrate responsiveness to shareholder concerns.

Analysis and voting rationale

In reviewing Broadcom's 2024 proxy statement, we noted that in 2022, Broadcom's CEO and another named executive officer (NEO) were granted equity awards valued at \$160 million and \$48 million, respectively, that were designed to retain and motivate these executives over the next five years. Given the front-loaded nature of these awards, neither executive is eligible to receive annual cash incentive payouts during the five-year period. The equity grants are fully earned only after achieving three stock price hurdles (ranging from 75% to 139% stock price appreciation) and only vest—if earned—in October 2027. At the time of our analysis, Broadcom's stock had already surpassed the highest hurdle, valuing the awards at \$1.1 billion and \$337 million, respectively. Given the structure and terms of the grants, this price level would still need to be sustained through at least 20 days during the earning period (between November 2025 and October 2027). Upon initial review, our

questions included the rigor of the performance thresholds (given how quickly the targets had been exceeded and their linkage to absolute, as opposed to relative, stock performance) and the long-term alignment of executive and shareholder interests (if executives were to lock in significant value while shareholders were exposed to longer-term underperformance).

Prior to the company's 2024 annual meeting, we engaged with the chair of Broadcom's Compensation Committee and gained additional insight into the Committee's rationale for granting these awards. The director shared the Compensation Committee's philosophy surrounding executive compensation and the Committee's desire to align compensation with long-term shareholder returns. The director highlighted that while the top stock price hurdle—which would represent an annualized rate of return of nearly 20% over five years—was surpassed in less than two years, the board believes that the company's strong fundamentals should result in sustainable, long-term growth in the stock, mitigating concerns that executives' and shareholders' interests may become misaligned over time.

Ultimately, we concluded that the board's governance of the compensation program and the company's stock price performance mitigated our concerns regarding the plan's structure. We noted that the company's stock appreciated more than 139% between the grant date and when the highest hurdle was hit (and remains above 180% as of April 30, 2024). The shares granted to the CEO and NEO through the equity awards represented less than 0.5% of the company's outstanding shares and nonemployee shareholders stand to gain the vast majority of the appreciation if the highest stock price hurdle is maintained throughout the earning and vesting period. This alignment of executive pay with the shareholder experience, coupled with the Compensation Committee's strong governance of Broadcom's compensation program, resulted in the Vanguard-advised funds' support of Say on Pay at the company's 2024 annual meeting.

Vanguard publishes Investment Stewardship Policy and Voting Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our effort to provide useful disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can provide. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

The funds for which Vanguard acts as investment advisor (Vanguard-advised funds) retain the authority to vote proxies that the funds receive. To facilitate the funds' proxy voting, the boards of the Vanguard-advised funds have adopted Proxy Voting Procedures and Policies that reflect the fund boards' instructions governing proxy voting. The boards of the funds that are advised by managers not affiliated with Vanguard (external managers) have delegated the authority to vote proxies related to the funds' portfolio securities to their respective investment advisor(s). Each external manager votes such proxies in accordance with its own proxy voting policies and procedures, which are reviewed and approved by the fund board annually.



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