

Investment Stewardship Group

Voting bulletin: Qualcomm

As part of our fiduciary duty, BlackRock’s Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental, social, and governance factors that potentially have material economic, operational or reputational ramifications for the company. The BIS team’s key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted, and (where relevant) providing information around our engagement with the issuer.

These Voting Bulletins are made public on, or shortly after, the day of the meeting.

Company	Qualcomm Inc.
Meeting Date	10 th March 2020
Resolutions	Multiple
Board recommendation	In favor
BlackRock Vote	BIS held the board accountable by voting against election of longest-tenured compensation committee member and against the Advisory Vote on Compensation

Overview

Qualcomm is a multinational technology company headquartered in San Diego, California that creates technologies and products used in mobile devices and other wireless products. They derive revenues principally from sales of integrated circuit products and licensing intellectual property, including patents and other rights.

BlackRock Investment Stewardship (BIS) regularly reviews Qualcomm’s governance structure and risk profile. In prior engagements with the company’s board and management team, we discussed a range of material issues driving long-term shareholder value including board composition, corporate strategy, oversight of material risks such as litigation and anti-competitive issues, human capital management, and adopting TCFD/SASB-aligned reporting.

Compensation

In recent years, Qualcomm's unique business model – particularly the licensing of intellectual property rights – and executive compensation package have garnered public attention. The company has also experienced several material events, including a settlement and related supply/licensing agreements with Apple in 2019 which significantly increased its previously suppressed stock price.

In response to the settlement and related agreements, Qualcomm awarded a one-time equity grant to CEO Steve Mollenkopf and one-time grants to other executive officers.

As we describe in our [approach to executive compensation](#), BlackRock believes compensation committees should have discretion to make adjustments to executive compensation plans. Where discretion has been used, we expect disclosure relating to how and why it was used and further, how the adjusted outcome is aligned with the interests of shareholders. The company provided such disclosure, emphasizing the one-time equity awards were connected to the aforementioned settlement and related agreements. We recognize the importance of this event to Qualcomm's business given ongoing litigation and regulatory risks impacting the company. However, the company did not provide sufficient justification for why this outcome with Apple is outside Mr. Mollenkopf's realm of responsibilities as CEO, which are already covered in the company's long-term executive compensation plan.

Ultimately, granting this one-off award suggests a pay plan that is not aligned with shareholders' long-term interests, which is difficult to reconcile with ongoing underperformance versus Qualcomm's peers, raising a perceived pay-for-performance disconnect. The prior year's executive compensation plan also included a one-time award which we supported as the award was conditioned on achieving certain performance targets that can help ensure alignment with long-term shareholder interests.

We engaged with the Chairman of the Board to express our concerns regarding the appropriateness of awarding the special grant. We also discussed other elements of the plan structure, including the company's approach to peer selection, mix of awards over time, and lack of performance, or time-vesting conditions, associated with Mr. Mollenkopf's special grant.

Rationale for BlackRock vote

The agenda items for the 2020 AGM, upon which BlackRock voted against:

- (1) To elect to the Board of Directors: Harish Manwani
- (4) To approve, on an advisory basis, executive compensation.

Based on our analysis and engagement with the company, we voted against the advisory vote on executive compensation. In addition, because BlackRock believes that when a company is not effectively addressing a material issue, its directors should be held accountable, we voted against the election of the longest-tenured compensation committee member, Harish Manwani.

We will continue to engage with the board and management of Qualcomm on a range of governance, compensation, and material sustainability issues, and we intend to monitor and provide feedback on the quality of relevant disclosures.