

August 20, 2024

Patrick P. Gelsinger, Chief Executive Officer
Frank D. Yeary, Independent Board Chair
Intel Corporation
2200 Mission College Blvd.
Santa Clara, California 95052

Via email, FedEx, and Strive.com

RE: Strive Asset Management Engagement with Intel Corporation

Dear Messrs. Gelsinger and Yeary,

We write on behalf of Strive Asset Management's clients who are Intel shareholders.

Intel is a company in crisis. On August 1, its shares suffered their largest drop in over four decades, following a disappointing earnings and growth forecast.¹ Year to date, the company's stock has declined nearly 60%.² As a result, Intel has announced plans to lay off more than 15% of its workforce and suspend dividend payments for the first time since 1992³ – a move that has already led some shareholders to sue Intel.⁴

These developments are no doubt painful for Intel, its employees, and its shareholders. But **they also provide an opportunity**. As the company strategizes on how to regroup and chart a path forward, it must focus on value-creation. More specifically, **Intel must drop value-destroying ESG initiatives** like diversity, equity, and inclusion (DEI) goals, environmental targets, and other social mandates. It must make all decisions based on a quantitative, return-on-investment analysis. We understand that change doesn't come

¹ Ian King, "Intel Suffers Worst Stock Decline in Decades After Grim Forecast," *Bloomberg*, August 2, 2024, <https://www.bloomberg.com/news/articles/2024-08-01/intel-says-revenue-will-fall-short-of-expectations-cuts-jobs>.

² Yahoo Finance, "Intel Corporation (INTC) Stock Price, News, Quote & History," accessed August 5, 2024, <https://finance.yahoo.com/quote/INTC/>.

³ See Yahoo Finance, "Intel Corporation"; see also Asa Fitch, "Intel to Cut Jobs and Suspend Dividend in Cost-Saving Push," *Wall Street Journal*, August 1, 2024, <https://www.wsj.com/tech/intel-intc-q2-earnings-report-2024-6ec4ea69>.

⁴ Jonathan Sempel, "Intel shareholders sue chipmaker after job, dividend cuts cause stock plunge," *Reuters*, August 7, 2024, <https://www.reuters.com/legal/intel-is-sued-by-shareholders-alleging-securities-fraud-2024-08-07/>.

easily, but if Intel’s leadership is able to deliver on a company-wide reorganization focused on excellence alone, we have no doubt that Intel will regain its footing and earn its place as a great American technology powerhouse once again.

Intel Has Pursued ESG Goals at Great Shareholder Expense

Over the past several years, Intel has jumped headfirst into the stakeholder-capitalism movement to the detriment of its shareholders. It is a member of the Business Roundtable,⁵ which has purported to redefine the purpose of a corporation from one that serves shareholders to one that has a “fundamental commitment to all of [its] stakeholders,” including customers, employees, suppliers, and the communities in which it operates.⁶

Intel has also authored numerous articles supporting stakeholder capitalism⁷ – including one entitled “How to embed ESG values into the computer chips value chain.”⁸ That piece asserted that “it is more critical than ever to incorporate environmental, social and governance (ESG) principles into everyday practices” and “the chip industry must also take ESG into account when making business decisions.”⁹ Given its recent business failures, it’s fair to question whether these strategies have paid off for Intel’s shareholders or whether they have served as costly distractions.

One need only glance at Intel’s 123-page corporate social responsibility report to understand how far it has strayed from the pursuit of business goals.¹⁰ The report details:

⁵ Business Roundtable, “Members,” accessed August 5, 2024, <https://www.businessroundtable.org/about-us/members>.

⁶ Business Roundtable, *Statement on the Purpose of a Corporation* (Washington, D.C.: Business Roundtable, July 2021), <https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationJuly2021.pdf>; Business Roundtable, *Statement on the Purpose of a Corporation* (Washington, D.C.: Business Roundtable, August 19, 2019), <https://cdn.builder.io/o/assets%2F679146658e6d45af922aa9d9409fb683%2F862ec245323b478ea8dd7765fd37115f?alt=media&token=a995c8f5-142c-4396-b054-6f1bb27164a2&apiKey=679146658e6d45af922aa9d9409fb683>.

⁷ World Economic Forum, “Intel,” accessed August 5, 2024, <https://www.weforum.org/organizations/intel-corporation/>.

⁸ Keyvan Esfarjani, “How to Embed ESG Values into the Computer Chip Value Chain,” World Economic Forum, December 5, 2022, <https://www.weforum.org/agenda/2022/12/how-to-embed-esg-values-into-computer-chip-value-chain/>.

⁹ Esfarjani, “How to Embed ESG Values.”

¹⁰ See Intel, *2023-24 Corporate Responsibility Report* (Santa Clara, CA: May 7, 2024), <https://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2023-24-Full-Report.pdf>.

- **Legally Dubious Race- and Gender-Based Quotas:** Intel employs race- and gender-based quotas when hiring employees, including a pledge to “[a]chieve 25% representation of women in senior leadership roles and achieve 12% representation of [black, Hispanic and Native American employees] in U.S. senior leadership roles” by 2030.¹¹ These “representation” goals appear to remain in place despite the fact that Intel received notice in July 2023 from thirteen state attorneys general that these practices appear to “violate[] both state and federal law” and warning that “as the chief law enforcement officers of our respective states we intend to enforce the law vigorously.”¹² Some of these AGs are already taking action against corporations with similar policies. In May, Florida Attorney General Ashley Moody called for an investigation into Starbucks for using a race-based quota system in its hiring practices, adding that “compensation is tied to that system.”¹³ Then in June, Missouri Attorney General Andrew Bailey filed a lawsuit against IBM over its race and gender quotas used in employment decisions.¹⁴ Intel could very well be next.
- **Expensive and Infeasible Climate Goals:** In 2023, Intel upped its net zero goals to include reducing its upstream Scope 3 emissions to zero by 2050 despite the fact that many companies are rescinding such goals¹⁵ as energy experts are increasingly recognizing that they are technologically infeasible and “hopelessly unrealistic.”¹⁶

¹¹ Intel, *Corporate Responsibility Report*, 56.

¹² See Kris W. Kobach et al., “Dear Fortune 100 CEOs”, letter, July 19, 2023,

<https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2023/pr23-27-letter.pdf>.

¹³ Office of Attorney General Ashley Moody, “Attorney General Moody Calls for Investigation into Starbucks Race-Based Quota Hiring Program,” May 22, 2024,

<https://www.myfloridalegal.com/newsrelease/attorney-general-moody-calls-investigation-starbucks-race-based-quota-hiring-program>.

¹⁴ Missouri Attorney General’s Office, “Attorney General Bailey Files Suit against IBM for Violating the Missouri Human Rights Act,” June 20, 2024, <https://ago.mo.gov/attorney-general-bailey-files-suit-against-ibm-for-violating-the-missouri-human-rights-act/>.

¹⁵ Jake Zajkowski, “Tractor Supply Ends Carbon Emission Goals, Drops DEI Initiatives,” Agri-Pulse, July 3, 2024, <https://www.agri-pulse.com/articles/21319-tractor-supply-company-ends-carbon-emission-goals-drop-dei-initiatives>;

Helena Horton, “Air New Zealand Is First Major Airline to Scrap 2030 Emissions Target,” *Guardian*, July 30, 2024,

<https://www.theguardian.com/business/article/2024/jul/30/air-new-zealand-is-first-major-airline-to-scrap-2030-emissions-target>; Amy Brown, “Why It Makes Sense for Companies to Scale Back Unrealistic Net-Zero Targets,” Triple Pundit, June 9, 2023, <https://www.triplepundit.com/story/2023/companies-push-back-net-zero-targets/776341>.

¹⁶ Jim Pickard and Nathalie Thomas, “Energy Expert Slams UK’s Net Zero Strategy as ‘Hopelessly Unrealistic,’” *Financial Times*, April 1, 2022, <https://www.ft.com/content/18ed12e9-30c5-49ce-8543-549930a552c3>.

- **Costly and Distracting Supplier Mandates & Audits:** Intel forces its vendors to sign a code of conduct filled with non-financial social goals and then audits those companies (at Intel’s expense) to make sure they are complying. Last year alone, Intel conducted hundreds of supplier audits to make sure vendors are supporting “environmental ethics” and various “human rights” causes far beyond any applicable law, increasing costs for Intel and its suppliers alike. Furthermore, Intel claims that by “working with diverse-owned suppliers, we can create more resiliency, while generating greater innovation and value within our global supply chain.”¹⁷ As evidence, the company cites a study by McKinsey claiming that diverse workforces outperform “their homogenous counterparts.” That McKinsey study has been thoroughly debunked.¹⁸
- **Bonuses that Incentivize ESG over Financial Goals:** Intel also allows executives to receive millions of dollars in cash bonuses for meeting corporate social responsibility targets that have nothing to do with the company’s actual financial performance.¹⁹ These targets include climate goals such as reducing carbon emissions, numeric quotas for racial and gender minorities in certain roles, and race- and gender-based supplier diversity goals—none of which have any place in an executive compensation plan.

None of these initiatives are designed to improve shareholder value, and many of them have likely had the exact opposite result. Per its report, Intel has funneled tens of millions of dollars to non-profit groups that discriminate based on race,²⁰ founding a “tech law and policy” center focused on “social justice,” and hosting “a series of visioning conversations” with “chief diversity and inclusion officer teams” across the United States²¹—even as its revenue plummeted \$8.9 billion between 2022 and 2023.²²

¹⁷ Jackie Sturm, “Strengthening Diversity in Semiconductor Supply Chains,” *Policy@Intel* (blog), April 3, 2023, <https://community.intel.com/t5/Blogs/Intel/Policy-Intel/Strengthening-Diversity-in-Semiconductor-Supply-Chains/post/1471606>.

¹⁸ See Strive, *Racial and Gender Diversity’s Effect on Corporate Performance* (Columbus: Strive, August 28, 2023), https://www.strive.com/documents/FG/strive/news/627521_Shortened_McKinsey_White_Paper.pdf.

¹⁹ Intel Corp, Form DEF 14A (filed March 28, 2024), <https://www.sec.gov/Archives/edgar/data/50863/000005086324000057/intc-20240327.htm>, 65.

²⁰ For example, see GEM Fellowship, <https://www.gemfellowship.org/>.

²¹ Intel, *Corporate Responsibility Report*, 65.

²² Intel, “Intel Reports Fourth-Quarter and Full-Year 2023 Financial Results,” January 25, 2024, <https://www.intc.com/news-events/press-releases/detail/1672/intel-reports-fourth-quarter-and-full-year-2023-financial>.

Now Is The Time For a Shareholder-Focused Reset

While the circumstances are far from ideal, Intel's current reorganization provides an opportunity for the company to commit to a full reset that puts shareholders first.

More specifically, we expect that Intel will undertake the layoffs, cost cuts, and reorganization described in Mr. Gelsinger's memo to employees²³ by focusing on what's best for Intel's shareholders and without consideration for outside stakeholders. That means:

- **The “reduc[ti]on in operational costs”** must include the elimination of its Chief Diversity and Inclusion Officer role and all subordinates, along with any other non-business roles and departments within the organization. In our view, these roles should be eliminated *before* additional layoffs occur, to ensure that Intel's decisions about who to let go and who to retain are not tainted by the views of a department whose race-based employment actions have already been accused of “odious” and “illegal” discrimination.²⁴
- **The “reduction in headcount”** must be conducted based on business needs alone. While we defer to your judgment on how and whether to encourage voluntary departures, any layoffs must be based on merit and expected contribution to Intel's going-forward business plans. Race, age, gender, and other immutable characteristics can play no role. And to avoid any possible misunderstanding on that front, Intel must immediately rescind its race- and gender-based representation targets. Retaining those targets while conducting layoffs will serve only to fuel discrimination claims, presenting unacceptable legal and reputational risks to Intel that its shareholders should not be forced to bear.
- **The “reduc[ti]on in capital and other costs”** must include defunding non-business ESG initiatives including donations to special interest groups, diversity

²³ Intel, “Actions to Accelerate Our Progress,” August 1, 2024, <https://www.intel.com/content/www/us/en/newsroom/news/actions-accelerate-our-progress.html#gs.db7zbt>.

²⁴ See Kris W. Kobach et al., “Dear Fortune 100 CEOs”, letter, July 19, 2023, <https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2023/pr23-27-letter.pdf>; see also Jathon Sapsford, “Republican Attorneys General Warn Top U.S. Businesses over ‘Discrimination’,” *Wall Street Journal*, July 14, 2023, <https://www.wsj.com/articles/republican-attorneys-general-warn-top-u-s-businesses-over-discrimination-1eb78d29>.

programs, climate initiatives, ESG-linked executive pay packages, and similar causes. It also means selecting suppliers based on a return-on-investment analysis alone, without regard to the skin color of the owner or any other demographic characteristics of the supplier or its owners. In addition, Intel should immediately cease diverting shareholder resources to drafting and enforcing a supplier code of conduct that turns Intel into a mini-regulator, forcing small businesses to voluntarily comply with social obligations above and beyond those required by law.

- **The “elimin[ation of] complexity”** must include elimination of the RISE framework²⁵ in its entirety. Per Intel’s website, the RISE framework is an additional “governance framework” superimposed upon Intel “so that Intel’s environmental, social and governance (ESG) efforts are integrated throughout our business.”²⁶ The accompanying image is a flow chart showing ESG responsibilities, committees, and ownership at various levels of the organization. On its face, the RISE framework appears to be the very definition of unnecessary bureaucracy, administrative burden, and complexity. Any serious efforts to “reduce layers” and “streamline [Intel’s] go-to-market motions” must therefore include the immediate and complete disbanding of the RISE framework.

We are encouraged to see that Intel is prepared to take the aggressive action necessary to turn the company around, and seek only to confirm that Intel intends to execute its plan in a way that is fully compliant with its legal obligations not to discriminate, as well as its fiduciary obligations to put shareholders first. We look forward to engaging with you on these issues.

With best regards,



Justin Danhof
EVP, Corporate Governance, Strive Asset Management

²⁵ Intel, “RISE Strategy and Goals,” accessed August 5, 2024, <https://www.intel.com/content/www/us/en/corporate-responsibility/2030-goals.html>.

²⁶ Intel, “RISE Strategy and Goals.”