



Sundar Pichai
Chief Executive Officer
Alphabet
Mountain View, CA 94043

Cc: Board of Directors

20th January 2023

Dear Sundar,

I have appreciated our recent dialogue concerning Alphabet's cost base. I am encouraged to see that you are now taking some action to right size Alphabet's cost base and understand that it is never an easy decision to let people go.

I argued in my previous letter that Alphabet's headcount has grown beyond what is required operationally. Over the last 5 years, Alphabet more than doubled its headcount, adding over 100,000 employees, of which over 30,000 were added in the first 9 months of 2022 alone. The decision to cut 12,000 jobs is a step in the right direction, but it does not even reverse the very strong headcount growth of 2022. Ultimately management will need to go further.

I believe that management should aim to reduce headcount to around 150,000, which is in line with Alphabet's headcount at the end of 2021. This would require a total headcount reduction in the order of 20%.

Importantly, management should also take the opportunity to address excessive employee compensation. The median salary at Alphabet in 2021 amounted to nearly \$300,000, and the average salary is much higher. Competition for talent in the technology industry has fallen significantly allowing Alphabet to materially reduce compensation per employee. In particular, Alphabet should limit stock-based compensation given the depressed share price.

I hope to have further dialogue with you on these matters in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C Hohn", written in a cursive style.

Christopher Hohn

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