

Vanguard's responsible investment policy

Policy overview

At Vanguard, our core purpose is to take a stand for all investors, treat them fairly, and give them the best chance for investment success. To guide us in this mission, we rely on our core values of integrity, focus, and stewardship in every decision we make. Vanguard's ownership structure means integrity is foundational to our character as an organization—we have no conflicting loyalties, and we're built to do the right thing for clients. Our long-term perspective and disciplined approach to investing puts our focus squarely on clients and the sustainable value of their investments. Our stewardship is reflected in a commitment to keep costs low and to protect our clients from undue risk. We believe responsible investment is inherently part of Vanguard's culture and is consistent with our fiduciary duty to manage investments in the best interest of clients.

Vanguard supports responsible investment by:

- **Voting** in support of proxy proposals that, in our view, will improve our clients' long-term investing outcomes.
- **Advocating** for responsible corporate governance, particularly with the companies in which we invest, as a driver of long-term value creation.
- **Acting** on material environmental, social, and governance (ESG) opportunities or risks in our investments.

Proxy voting

The most visible sign of Vanguard's engaged ownership is our funds' proxy voting at shareholder meetings. We have an experienced group of analysts on our Corporate Governance team that evaluates proposals and casts our funds' votes in accordance with our voting guidelines. Our guidelines are designed to promote long-term shareholder value by supporting good corporate governance practices. They frame the analysis of each proxy proposal, providing a basis for decision-making. In evaluating votes, the Corporate Governance team may consider information from many sources, including company management, shareholder groups, and various research and data resources. We periodically review our voting guidelines to consider further developments in governance standards or risks to long-term shareholder value.

Advocating through engagement

Our funds typically hold companies' stock for long periods of time, and in the case of index funds, we are near-permanent investors. We believe good corporate governance is key to helping these companies maximize returns over time, and we view effective management of environmental and social risks as an integrated component of good corporate governance practices. Significant analysis and effort are put into discussions with the directors and managers of the companies in which we invest; the level and frequency of these discussions may be influenced by the material impact to our funds and the contentiousness of the

issue. We believe these engagements, more so than voting, provide an opportunity to fully understand issues and target feedback and messaging to companies.

We characterize our approach as “quiet diplomacy focused on results”—providing constructive input that will, in our view, better position companies to deliver sustainable value over the long term for all investors.

We have a well-established process for identifying governance risks in our portfolio companies. Our key areas of focus for engagement include:

- A well-composed, independent, capable, and experienced board.
- Governance structures that empower shareholders.
- Sensible compensation that incentivizes long-term performance.

Furthermore, Vanguard promotes good corporate governance and responsible investment through thoughtful participation in industry events and discussions where we can expand our advocacy and enhance our understanding of investment issues. We also engage with index providers to understand the methodology, construction, and maintenance of various equity indexes. Finally, we actively contribute to the development of regulatory policy with other market stakeholders to raise standards and promote best practices around the globe.

Acting on ESG opportunities and risks in our investments

Fixed Income Group

Our actively managed fixed income mandates are supported by a global team of credit analysts that develops independent risk assessments and investment opinions for each fixed income issuer. The team seeks to understand the material implications of ESG risk as part of an overall independent risk assessment and to determine whether or not market pricing adequately reflects those risks. Focus is placed on consistently applying an ESG integration framework to our investment decision-making process and working with issuers to better understand risks and how improvements can be made to address them.

Equity Investment Group

The majority of our global investments, including most of our equity mandates, seek to track an index. Index providers determine the benchmark constituents, which may not take into account ESG risk when selecting or retaining investments. Our global product lineup includes a number of funds designed to track indexes that exclude companies that do not meet social responsibility criteria specified by the index provider.

Portfolio Review

The Portfolio Review team is responsible for the ongoing oversight of our external managers, as many of our active funds use external advisors to manage investments. The team's manager search and oversight process focuses on understanding the drivers of investment performance and a firm's ability to sustain investment success over the long term. Multiple inputs are considered when assessing an investment manager, including the firm's culture, ethics, and stability; the skill and depth of the investment team; the investment philosophy and process; and the firm's ability to implement its investment process while

managing risk effectively. The team engages with our external investment managers periodically to review their practices to better understand how ESG factors inform the investment process. Additionally, we retain documentation of each manager's responsible investment or ESG policy to help monitor improvements, developments, and changes over time.

Oversight and disclosure

The integration of ESG in Vanguard's investment and engaged ownership practices is currently overseen by the Proxy Oversight Committee, which consists of our Chief Executive Officer and select senior officers of Vanguard. Day-to-day management of ESG integration is supported by a cross-functional team representing those groups that regularly evaluate and address environmental, social, and governance risks across our product lineup.

Ongoing review of policies and practices

We will continue to adapt and evolve our approach to responsible investment as we uncover new risks and issues affecting our investments. Our policy, and other departmental guidelines and practices, will be revisited on a regular basis. Any updates will be disclosed on Vanguard's external website and through other relevant channels.