

Vanguard's view: Social concerns and investing

Vanguard understands that people have a wide variety of deeply felt humanitarian, ethical, environmental, and social concerns, and that some may want to see their beliefs reflected in their investments.

As a fiduciary, Vanguard is required to manage our funds in the best interests of shareholders and obligated to maximize returns in order to help shareholders meet their financial goals. It would be exceedingly difficult, if not impossible, to fulfill these obligations while managing portfolios that reflect the social concerns of all of our shareholders.

We acknowledge, however, that there may be instances when it is appropriate to assess, and possibly address, certain social issues. To that end, we have established a formal procedure for all Vanguard funds for identifying and monitoring portfolio companies whose direct involvement in crimes against humanity or patterns of egregious abuses of human rights would warrant engagement or potential divestment. While ultimately our judgment on these issues and actions with respect to specific companies may differ from that of special interest groups and other institutions, we believe our approach strikes the appropriate balance between corporate responsibility and our fiduciary obligations.

Like other investment management firms, Vanguard understands that some individuals choose investments based exclusively on social matters and personal beliefs. For such investors, we have offered Vanguard FTSE Social Index Fund since 2000. This low-cost, broadly diversified fund seeks to track a benchmark that screens companies on social, human rights, and environmental criteria.