

Shareholder proposal requesting enhanced diversity disclosure at United Parcel Service Inc.

June 2023

Company: United Parcel Service Inc. (UPS)

Meeting date: May 4, 2023

Proposal: Item 11 – Report on effectiveness of DEI efforts

How the funds voted

At the 2023 annual meeting for UPS, a U.S.-based global shipping and logistics company, the Vanguard-advised funds¹ did not support a shareholder proposal related to workforce diversity, equity, and inclusion (DEI) efforts. The funds also did not support a number of other shareholder proposals related to enhanced disclosure around greenhouse gas emissions, climate risk, and human capital management.

Vanguard's principles and policies

Boards of directors play a critical role in the oversight of a company's long-term strategy and material risks to shareholder value. In addition to working to understand how boards are composed to appropriately oversee strategy and material risks, Vanguard's Investment Stewardship program seeks to understand how boards engage in constructive debate with, and oversight of, management for the benefit of long-term shareholder value. We look for boards to stay apprised of emerging risks that may affect financial outcomes and adjust their oversight structures and processes as appropriate.

As we evaluate shareholder proposals on behalf of the funds, we analyze the materiality of the risk each proposal seeks to address, the company's current practices to address the risk, the board's oversight of the risk, and the reasonableness and prescriptiveness of the proposal. If there are gaps in the company's current disclosures, the funds may support a shareholder proposal that seeks enhanced reporting of the company's approach to addressing a material risk. The funds are unlikely to support shareholder proposals that dictate specific company strategy or operating actions, as boards and company executives are better positioned to determine the appropriate approach for a particular company. The funds are also unlikely to support shareholder proposals that seek actions that are duplicative of existing company practices or introduce undue costs and/or risks to shareholders.

Analysis and voting rationale

In advance of UPS' 2023 annual meeting, members of Vanguard's Investment Stewardship team engaged with company leaders to discuss board oversight of risk. In prior years, the company had received multiple shareholder proposals requesting enhanced disclosure of the effectiveness of UPS' DEI programs. The engagement provided insight into how the company's disclosure related to workforce diversity had recently evolved. Company leaders highlighted that UPS has publicly stated DEI-related corporate goals, disclosed its EEO-1 data, and recently published a stand-alone DEI report. In addition, the company explained that the board recently expanded

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

the charter of its Compensation and Human Capital Committee to include oversight responsibility of DEI matters to improve UPS' ability to identify and mitigate human capital management risks.

Based on our analysis and engagement, the funds did not support a shareholder proposal requesting that the company report to shareholders on the effectiveness of its DEI efforts because UPS has taken steps to enhance its DEI-related disclosures and its board has taken steps to enhance its oversight of workforce diversity efforts. While the funds supported similar shareholder proposals in 2020 and 2021 at UPS, our case-by-case approach to evaluating shareholder proposals accounts for evolving company circumstances, including enhanced oversight and disclosure practices. In our assessment, the company's enhanced reporting was sufficient to provide investors with clarity on its approach to DEI-related risks and opportunities and, as such, we did not feel the proposal addressed a gap in disclosure. The Investment Stewardship team will continue to engage with UPS to understand how the

board oversees human capital matters inclusive of workforce diversity efforts and related reporting.

Additionally, the funds did not support five other shareholder proposals related to enhanced disclosure around greenhouse gas emissions, climate risk, and human capital management. The funds did support a shareholder proposal to approve a recapitalization plan for all stock to have one vote per share, in line with our perspective on aligning voting rights with economic interests.

What we look for from companies on these matters

On behalf of the investors in Vanguard-advised funds, we look for boards to make independent, thoughtful decisions about a company's strategy and provide effective oversight of risks to long-term value creation. We look for boards to appropriately identify and oversee material risks, to understand how risks could affect shareholder value creation at the companies they oversee, and to provide clear, decision-useful disclosure on oversight and management of the company's material risks.

Vanguard publishes Investment Stewardship Policy and Voting Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our growing effort to enhance disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide additional clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can do. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

The funds for which Vanguard acts as investment advisor (Vanguard-advised funds) retain the authority to vote proxies that the funds receive. To facilitate the funds' proxy voting, the boards of the Vanguard-advised funds have adopted Proxy Voting Procedures and Policies that reflect the fund boards' instructions governing proxy voting. The boards of the funds that are advised by managers not affiliated with Vanguard (external managers) have delegated the authority to vote proxies related to the funds' portfolio securities to their respective investment advisor(s). Each external manager votes such proxies in accordance with its own proxy voting policies and procedures, which are reviewed and approved by the fund board annually. The Vanguard Group, Inc., has not been delegated proxy voting authority on behalf of the Vanguard-advised funds.

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