Vanguard

Vanguard-advised funds

Global Proxy Voting Policy for Vanguard-advised funds

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This Global Proxy Voting Policy has been adopted by the Boards of Trustees of the Vanguard-advised funds (the "Funds' Boards") and describes the funds' general positions on matters that may be subject to a vote by portfolio company shareholders.[1] This policy guides the funds' proxy voting at the shareholder meetings of companies around the globe according to the Vanguard-advised funds' four pillars of corporate governance and serves as the foundation of any regional proxy voting policies adopted by the Funds' Boards.[2]

It is important to note that the funds' votes often require a facts-and-circumstances analysis based on an expansive set of factors. Proposals are voted by the Investment Stewardship team case by case, under the supervision of the Investment Stewardship Oversight Committee and at the direction of the relevant Fund's Board. In all cases, proposals are voted as determined in the best interests of each fund and its investors consistent with each funds' investment objective.

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.

2 As a supplement to and consistent with this Global Proxy Voting Policy, the funds may adopt more granular regional policies that reflect local market regulation and practices with respect to portfolio companies in those regions where the funds' assets under management are most significant. As of December 31, 2023, approximately 94% of the funds' aggregate assets under management were covered by such regional policies. In the absence of an explicit regional policy applicable to certain portfolio companies, votes will be cast by the funds pursuant to the pillars articulated in this Global Proxy Voting Policy.

Four pillars of corporate governance for Vanguard-advised funds

The Global Proxy Voting Policy for the Vanguard-advised funds is anchored in the tenet that having companies the funds invest in adopt effective corporate governance practices supports long-term investment returns. As such, the following four pillars establish a framework within which the funds evaluate matters subject to shareholder votes at the funds' portfolio companies. The funds believe that an effective board provides strategic and risk-based oversight of company management, rational incentives for management, and foundational shareholder rights. This creates a governance environment in which investors' long-term interests are advanced and protected.

Pillar I: Board composition and effectiveness

On behalf of Vanguard-advised funds, we seek to understand how portfolio company boards—who are elected to serve on behalf of all shareholders, including Vanguard-advised funds—effectively carry out their responsibilities. We examine how boards are composed to provide for their companies' long-term success, how they consult with management on strategy and oversee material risks, how they align executives' incentives with shareholders' interests, and how they provide and safeguard shareholder rights. The funds seek to ensure that the individuals who serve as board directors to represent the interests of all shareholders are appropriately independent, experienced, committed, capable, and diverse.

Independence

The funds look for boards to be appropriately independent of company management in both form and substance.[3] Independence at the board level supports a structure of shareholder representatives who are independent in mindset and able to fulfill their role to properly challenge management. In practice, this generally means that the majority of directors on each board should be independent and that the board's key committees should be composed solely of independent directors. In markets where majority independence is not the norm, the funds look for companies to move in the direction of greater board independence over time.

The funds also support independent leadership in the boardroom. That may take the form of an independent chair or a lead independent director. Regardless of title, the role's responsibilities should be robust and clearly defined through company disclosure.

Suitable diversity and experience

The funds look for boards to be "fit for purpose" by reflecting appropriate diversity of skill, experience, perspectives, and personal characteristics (such as gender, race, age, and ethnicity) resulting in cognitive diversity that enables effective, independent oversight on behalf of all shareholders. The funds believe that the right mix of skills, experience, and characteristics is unique to each board and should reflect expertise related to the company's strategy and material risks from a variety of vantage points. While the funds are not prescriptive about board composition (with respect to dimensions such as particular personal characteristics or skills), the funds believe boards should determine the composition best suited to their company while considering local market requirements, relevant corporate governance codes, and risks.

The funds look for companies to publish their perspectives on board structure and composition and how it is aligned with their strategy and long-term company performance and shareholder returns. Disclosure of how the board's composition evolves over time enables the funds and other shareholders to better understand how the board is positioned to serve as effective, engaged stewards of shareholders' interests.

The funds also believe that regular and meaningful board, committee, and director evaluations enable boards to analyze their current composition and identify opportunity areas for better performance. Our preference is that boards disclose to investors key findings of these evaluations, along with information regarding the skills and experiences of nominated directors, to enable shareholders to make informed proxy voting decisions.

3 The funds generally define independence in accordance with the relevant exchange listing standards, local corporate governance codes, or both.

Appropriate commitment

The role of public company directors is complex and time-consuming, and the funds believe that directors should maintain sufficient capacity to effectively carry out their responsibilities to shareholders. For this reason, the funds look for directors to appropriately limit their board and other commitments to ensure that they are accessible and responsive to both routine and unexpected board matters (including by attending board and relevant committee meetings). The funds look for boards to have in place policies regarding director commitments and capacity and to disclose such policies (and any potential exceptions) to shareholders, as well as how the board oversees and implements the policy.

Responsiveness to shareholders

The funds look for boards to be appropriately responsive to input from shareholders on whose behalf they serve. This may take the form of activist intervention that receives ample support from other shareholders or shareholder proposals that gain majority support. While the funds do not submit shareholder proposals, nominate directors, or seek board seats, the funds look for boards to listen to input from shareholders and consider it in the context of their fiduciary obligations to all shareholders. In cases where the board may choose to not implement actions requested by a majority of shareholders, the funds look for the company to disclose the board's process and rationale for reaching such decisions.

Pillar II: Board oversight of strategy and risk

Boards are responsible for effective oversight and governance of their companies' most relevant and material risks and for governance of their companies' long-term strategy. Boards should take a thorough, integrated, thoughtful approach to identifying, quantifying, mitigating, and disclosing risks that have the potential to affect shareholder value over the long term. Boards should communicate their approach to risk oversight to shareholders through their normal course of business.

The funds believe that boards should engage in strategy formation and that companies should maintain robust processes for their boards to evaluate and mitigate material risks. In addition, information on the processes surrounding the board's oversight of strategy and material risks should be publicly disclosed, and members of management and the board should be able to discuss these topics with shareholders.

Investors benefit when the market has visibility into the long-term sustainability of a company's business. The disclosure of material risks to a particular business—which can arise from a range of factors, including environmental and social factors—results in a more accurate valuation of the company. Over time, accurate valuations are critical to ensuring that the funds, and their shareholders, are appropriately compensated for the investment risks they assume by investing in a particular company.

Board oversight of strategy

The funds do not seek to dictate the strategy of any portfolio company. The funds believe the precise strategies and tactics for maximizing long-term investment returns should be decided by a company's management and board of directors. Rather, the funds seek to understand how boards are consulted on and involved in overseeing a company's strategic direction and progress toward attaining its objectives. The funds also look for boards to educate themselves by seeking out varied internal and external perspectives and continuously taking part in dialogue with management teams. Directors should be knowledgeable about the risks and opportunities that stem from a company's strategy, how the company creates value, and how it will remain relevant over the coming decades.

Board oversight of material risks

The funds look for boards to have appropriate oversight of material risks to their company's long-term financial performance and creation of economic value for shareholders. Companies should consider traditional business risks as well as material environmental and social risks. The risks that a company faces are not static. Rather, they evolve with changes to business strategy, the regulatory environment, and customer expectations, among other factors. The funds look for boards to educate themselves and seek out third-party perspectives and information on current and potential material risks. This knowledge can support boards' evaluation of risks, and the related business opportunities, in strategic decision-making.

Disclosure

The funds look for boards to communicate their approach to risk oversight to shareholders through engagement and written disclosure. The funds encourage companies to provide fulsome disclosure of material risks to their company's long-term investment returns. To guide their presentation of information in a way that is consistent, comparable, and decision-useful, the funds suggest that companies adhere to broadly accepted industry-specific investor-aligned reporting frameworks, such as those promulgated by the International Sustainability Standards Board. The funds encourage companies to disclose both historical data and forward-looking information so that the market has

context for what companies have done, what they plan to do, and how their governance practices enable successful decision-making.

Capital structure, mergers, acquisitions, and other financial transactions

As with all board decisions, the funds believe that a board's consideration of capital-raising, mergers, acquisitions, and other financial transactions subject to shareholder approval should be determined by weighing the concurrent risks and opportunities in the context of the long-term interests of company shareholders. When capital raising or other transactions are subject to shareholder approval, the funds look for clear disclosure of the rationale for such transactions, independent and effective board oversight of the process, and independent valuation assessments.

Pillar III: Executive pay (compensation or remuneration)

The funds believe that executive pay (compensation or remuneration) policies and practices linked to long-term relative company performance are fundamental drivers of sustainable, long-term investment returns. The funds look for pay plans that incentivize outperformance versus industry peers over the long term.

The funds do not believe there is a one-size-fits-all approach to executive pay, with norms and expectations varying by industry, company size, company maturity, and region. The funds believe that boards should consider the following corporate governance practices when setting pay levels and plan structures. When evaluating plans that require shareholder approval, considering advisory votes on executive pay, and assessing the performance of relevant board committees, the funds will consider:

Pay for relative performance

The funds look for plans that align company executives' pay outcomes with the company's performance relative to its industry peers over multiple years. Evaluating a company versus other firms that are similarly situated in terms of market sector, size, and strategy helps to control for the performance differences among various market sectors over time. The funds also consider the magnitude of a company's executive pay structure relative to other companies—that may extend beyond their direct industry peers—with whom the company may compete for executive talent.

Long-term focus

The funds believe it is important that a pay plan emphasizes long-term investment returns and does not unduly reward short-term performance. The funds prefer to see long-term incentive plans that consider (at least) a three-year performance measurement period and that set long-term holding periods for equity awards. In addition, the funds believe that, at a minimum, a plan's fixed pay should not exceed the portion of variable or "at risk" pay.

Rationally competitive pay plan structure

To further emphasize the long-term focus of pay plans, the funds look for relevant board committees to consider incorporating performance metrics that align with long-term corporate strategy and performance. Because the funds look for pay to ultimately align with relative company performance, the funds emphasize the importance of integrating relative metrics and benchmarking into pay plans. When absolute metrics are included in a plan, the funds seek disclosure to help shareholders understand how this pay design maintains alignment between pay and relative performance. The funds look for all metrics, whether relative or absolute, to be set at rigorous but achievable objectives, with total pay targets set at reasonable and competitive market levels.

Prudent discretion

The funds support a board's application of positive or negative discretion regarding executive pay outcomes where appropriate. However, the funds are cautious about supporting one-time special awards that are either not sufficiently linked to longer-term performance or result in pay magnitude misaligned with relevant peers. Where deviations in plan structure or payouts arise from the use of board discretion, the funds look for disclosure to explain the reason for the award and the methodology used by the board to determine the change. The funds also believe that pay plans should contain a clawback policy and, when warranted, the board should invoke the policy.

Responsiveness and disclosure

In markets with so-called "Say on Pay" votes, the funds generally look for companies to seek shareholder approval for executive pay annually (though the funds recognize different local market requirements). A company's disclosure regarding pay should clearly articulate the plan's structure and the board's processes for determining that structure to allow shareholders to understand pay expectations and outcomes. When shareholder support for executive pay plans is low, the funds look for boards to consider shareholders' views and be responsive to such input. However, shareholder feedback or disapproval should not be the sole factor in initiating a review of a pay plan's structure. Boards should regularly evaluate and revise executive pay plans to ensure that they are suitable and appropriately align executive incentives with shareholders' interests.

Pillar IV: Shareholder rights

The funds believe that effective corporate governance includes shareholders having the ability—in proportion to their economic ownership of a company's shares—to effect and approve changes in corporate governance practices and the composition of the board. The funds look for companies to adopt governance practices, such as annual director elections that require securing a majority of votes, to ensure that boards and management serve in the interest of the shareholders they represent. The funds believe such governance practices safeguard and support foundational rights for shareholders.

Annual director elections

Despite differences in regional norms or practices, the funds believe that directors should be elected annually and require majority support from shareholders to serve. These conditions enable shareholders to evaluate the performance of directors annually and use their vote to either support the status quo or encourage change. In cases where directors who fail to obtain majority support continue to serve, the funds believe that the board should disclose a compelling rationale for why that is in the best interest of company shareholders.

Foundational shareholder rights

Boards should not unnecessarily limit the rights of shareholders including, but not limited to, the right to call special meetings and to nominate directors without onerous hurdles. In addition, material transactions (including capital raising, mergers, and acquisitions, among others) should be subject to approval by a majority of shareholders. These rights improve the accountability of directors to shareholders and strengthen shareholders' voices in instances where the board appears resistant to shareholder input. The funds also look for material changes in a company's governing documents (the corporate charter or bylaws in certain markets) or the adoption of antitakeover provisions (such as shareholder rights plans, also known as poison pills) to be approved by a majority of shareholders.

Proportional voting rights

The funds support "one-share, one-vote" structures that grant shareholders voting rights in proportion to their economic ownership interest in a company. The funds acknowledge, though, that some companies choose to have multiple share classes with differential voting rights upon their initial public offering. In those instances, the funds encourage firms to implement sunset provisions to adopt "one-share, one-vote" structures over time.

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