Vanguard Asset Management, Limited

The UK Stewardship Code 2020 Report

(for the 12 months ended 31 December 2023)

April 2024

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Introduction

At Vanguard Asset Management, we are pleased to be a signatory to the UK Stewardship Code since 2021. The UK Stewardship Code is widely recognised as the standard for investment stewardship practices and reporting. We support the Financial Reporting Council's drive to improve disclosures of stewardship activities and outcomes to demonstrate the role of investors as responsible stewards of the assets entrusted to them. This report details how we continued to progress in our stewardship practices and responsibilities in 2023.

As an investor-owned asset management firm, our interests are directly aligned with helping our more than 50 million individual investors who have entrusted Vanguard with their money achieve their financial goals. Vanguard is committed to providing investors with the information and products they need to make sound investment choices based on their goals and their personal preferences. We remain steadfast in our focus on maximising long-term shareholder value so that our investors can have the best chance for investment success.

Vanguard's global assets under management are predominantly held within broadly diversified index funds. Index fund managers buy and hold securities for as long as they are included in the benchmark index. Vanguard's Investment Stewardship programme operates within that context. On behalf of Vanguard-advised funds,[1] our Investment Stewardship team engages with portfolio companies, votes proxies and promotes corporate governance practices associated with long-term shareholder returns.

Vanguard Investment Stewardship's team does not seek to dictate company strategy or operations but engages with portfolio companies held by Vanguard-advised funds to understand the boards' efforts to identify, disclose and mitigate material risks to shareholder value. In 2023, Vanguard Investment Stewardship conducted more than 1,600 total engagements with 1,334 companies, in 31 different markets, and the funds voted on more than 182,000 proposals at more than 13,000 company meetings. The team also continued to enhance its reporting to fund investors and other stakeholders.

This report also describes our stewardship of client assets through our risk management and investment management practices, and through the policies, processes and governance structures that are designed to protect client interests. Vanguard strives to maintain high standards of investment stewardship. We seek to clearly demonstrate the areas where we have made progress while being clear about areas where we have opportunities. It is in that spirit that we submit this report. We thank the Financial Reporting Council for its continued commitment to the highest standards of stewardship practices and reporting and for the opportunity to both provide and receive input.

Sean Hagerty

Managing Director

Vanguard Asset Management

1 Vanguard's Investment Stewardship programme is responsible for proxy voting and engagement on behalf of the index and quantitative 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.

About the UK Stewardship Code 2020

The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and for asset managers and the service providers that support them. The Code defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.[2] The Code comprises a set of principles and guidance for asset owners, asset managers and service providers to promote transparency and integrity in business, placing a strong emphasis on the outcomes of stewardship activities.

The Vanguard Group of companies (Vanguard) is committed to effective corporate governance and the high stewardship standards set forth through the principles. We serve our investors by safeguarding and promoting long-term shareholder returns on behalf of Vanguard-advised funds and their investors. The following report and associated documents linked within (including our *Investment Stewardship 2023 Annual Report and 2023 Regional Briefs*) illustrate the stewardship activities and outcomes with respect to Vanguard Asset Management, Limited (VAM), part of The Vanguard Group for the 12 months ended 31 December 2023, and explain how our policies and practices address each principle. The report signals our intention to maintain our signatory status to the Code and fulfils certain reporting requirements of Article 3g(b) of the Shareholder Rights Directive II (Directive 2017/828) as implemented in the UK.

Principles for asset owners and asset managers

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Principle 12: Exercising rights and responsibilities

2 Financial Reporting Council. "The UK Stewardship Code." https://media.frc.org.uk/documents/The_UK_Stewardship_Code_2020.pdf

About Vanguard (Principles 1, 6)

Purpose, strategy and culture

Vanguard, founded in the United States (US) in 1975, is based on a simple but revolutionary idea: An investment company should manage its funds solely in the interests of its clients. The success of our approach has enabled us to become one of the most respected asset management companies, with offices worldwide, including our office in London. We offer a broad selection of investments, advice and retirement services and timely insights and observations by Vanguard thought leaders to individuals, financial professionals and institutions.

We are guided by Vanguard's core purpose: **To take a stand for all investors, to treat them fairly and to give them the best chance for investment success.**

What sets Vanguard apart – and lets us put our investors at the centre of everything we do – is our unique ownership structure in the US. The Vanguard Group is owned by its US-domiciled funds, which in turn are owned by fund investors. Our unique mutual ownership structure in the US, where we are owned by our clients, means our interests are aligned with those of our investors globally. This framework means we can offer high-quality mutual funds and ETFs that are among the lowest cost in the industry, enabling Vanguard investors to keep more of their returns to finance long-term goals, such as retirement.

This unique ownership structure drives the culture, processes and philosophies throughout Vanguard's global organisation. As a result, our clients benefit from Vanguard's client focus, experience, stability and long-term, disciplined investment approach.

Our investment philosophy is predicated upon four investing principles that have been intrinsic to our company since our inception and highlight our belief that investors are well served by focusing on what they can control: creating clear, appropriate investment **goals**; developing a diversified mix **(balance)** of investments; minimising **costs**; and maintaining perspective and long-term **discipline**. These investing principles underpin our approach to investments and advice and are evident in how we run our business.

As a steward of client assets, we monitor the material risks that can impact long-term value creation in portfolio companies, which may include risks related to how those companies address environmental, social and/or governance (ESG) matters. We view our stewardship responsibilities as a natural extension of Vanguard's core purpose and values.

An unwavering focus

The assets we manage belong to the tens of millions of individual investors around the world who have chosen to entrust Vanguard to preserve or grow their savings over time. It's a responsibility we take seriously. Vanguard's goal is to maximise shareholders' long-term investment returns giving them the best chance for investment success as they save for important long-term financial goals such as retirement. We believe investors should have choices that meet their financial needs and provide a range of high-quality, low-cost investment options that investors can choose from based on their individual goals and preferences. Investors select the investments most appropriate for them based on the specific objectives set forth for those investments. Only clients who affirmatively choose ESG funds are invested in these funds. Each portfolio is managed for a specific objective, follows tightly prescribed strategies and adheres to well-articulated policies. Accordingly, investors expect our index funds to follow their benchmarks with minimal tracking error.[3]

3 Tracking error is the difference between a fund's actual performance and the performance of its stated benchmark.

Vanguard's holistic approach to DEI

To achieve our mission to provide investors with the best chance for investment success, Vanguard aspires is to create an inclusive and equitable work environment that reflects a diverse community of talents. We aim to have every level of leadership reflect the gender and racial diversity of our employee (whom we call "crew") population – with year-over-year increases along the way – and to nurture all our crew in an inclusive and equitable environment that fosters individual and collective growth.

As a result, Vanguard's commitment to diversity, equity and inclusion (DEI) is longstanding. In recent years, Vanguard has strengthened its global efforts through greater investment in our DEI organisation, more rigour in our processes for achieving our aspirational outcomes and a focus on driving accountability for DEI outcomes through all levels of the organisation.

Vanguard's internal DEI strategy is focused on the attraction, advancement and retention of underrepresented talent so that all crew can thrive in an inclusive environment. Driving accountability for progress is a critical part of our approach. We're also enabling leaders and crew through ongoing education, a comprehensive strategy for communicating progress and analytics and insights that sharpen our focus.

Our DEI commitment extends to the ways we engage the world around us. We have taken steps to strengthen our local communities, work with a diverse community of suppliers and create inclusive and equitable experiences for our current and prospective clients.

Please learn more by viewing Vanguard's latest DEI report.

In accordance with UK legislation, Vanguard has calculated gender pay gap data to show the difference in average pay and bonuses between all men and women in our UK workforce. Our aspiration is to make continual progress and to achieve more balanced gender representation throughout Vanguard. Please find our most recent gender pay gap report here.

The ultimate long-term investor

Vanguard index funds seek to track specific benchmark indexes constructed by independent third parties using a full replication or sampling approach.[4] Index fund managers buy and hold securities for as long as they are included in the funds' specific benchmark and capture the return that the relevant market provides. For the 12 months ended 31 December 2023, approximately 80% of our global assets were held in broadly diversified index funds (see **Figure 1**). Our long-term approach to investing has helped build wealth for tens of millions of everyday investors.

4 Under a full replication approach, a fund buys and holds the securities in the fund's benchmark index in proportion to each security's weighting in the fund's benchmark index. Under a sampling approach, a fund buys and holds a representative sample of securities in the index that approximates the full index in terms of key characteristics.

Figure 1. Vanguard global assets under management (AUM), by strategy, asset class and region

Type	% of AUM
Indexed equity	65.2%
Indexed balanced	0.7%
Indexed bond	14.9%
Index money market	0.0%
Active equity	6.2%
Active balanced	2.0%
Active bond	5.2%
Active money market	5.7%
Total	**100%**
Indexed assets	**81% of global AUM**
Active assets	**19% of global AUM**

Vanguard's global AUM spans multiple regions

Region	% of AUM
United States	93.1%
United Kingdom	3.1%
Europe (ex-UK)	0.9%
Australia	0.9%
Asia	0.8%
Canada	0.7%
Americas (ex-Canada)	0.4%
Middle East/Other	0.1%
Total	**100%**

Source: Vanguard, as at 31 December 2023. Figures may not sum to total because of rounding.

Vanguard follows a rigorous, disciplined process to guide our decision of whether to launch a new fund. Before bringing a fund to market, we evaluate whether the idea has enduring investment merit, satisfies the long-term needs of its target investors, offers a compelling advantage over competitors and is feasible to launch after a thorough analysis of any risks and legal and regulatory constraints. The thoroughness of our fund research process reflects our commitment to deliver enduring, compelling investment products to our clients.

We provide a range of high-quality, low-cost investment options, including our product offerings in the UK. Investor assets managed by VAM are predominantly invested in our index funds, largely in equity funds (see **Figure 2**).

Figure 2. VAM AUM by strategy and asset class

Type	% of AUM
Indexed equity	61.0%
Indexed balanced	15.2%
Indexed bond	21.7%
Active equity	0.9%
Active balanced	0.4%
Active bond	0.7%
Active money market	0.2%
Total	**100%**
Indexed assets	**98% of VAM AUM**
Active assets	**2% of VAM AUM**

Source: Vanguard, as at 31 December 2023. Figures may not sum to total because of rounding.

Delivering value to individual investors

In the UK, Vanguard's business strategy is focused on building deep relationships with, and optimising our offer for, direct retail and intermediary clients (see **Figure 3**). We serve personal investors directly through our UK Personal Investor digital platform. We offer investment products and solutions through several tax wrappers, and clients can choose to build their own portfolios, invest in ready-made fund-of-fund portfolios or choose Vanguard to manage their portfolios for them.

We serve intermediary wholesale and intermediary retail clients through Vanguard Financial Advisor Services (FAS), which provides the advisor community with a wide range of high-quality, low-cost investment solutions and a varied programme of educational content and thought leadership.

Figure 3. VAM AUM by client type

Type	% of AUM
Retail	55%
Institutional	9%
ETFs	36%
Total	**100%**

Source: Vanguard, as at 31 December 2023. Figures may not sum to total because of rounding.

We have a history of regularly lowering our fees to investors since we entered the UK market in 2009. Our most recent assessment (as at 30 September 2023) shows that the ongoing charges figures for our UK-domiciled funds continue to be among the lowest in the market.[5]

For a fifth consecutive year, Vanguard's UK Personal Investor platform was recognised by the consumer champion Which? as a Which? Recommended Provider for Investment Platforms (Which? Recommended Provider awards from 2019 to 2023). The latest endorsement underlines Vanguard's commitment to helping investors reach their financial goals through straightforward low-cost funds and services.

Performance management

Vanguard's global total rewards philosophy is based on the principle that "Vanguard crew members win when clients win." It aligns employee remuneration with our business strategy and the investment experience of fund shareholders. Vanguard's remuneration policy promotes sound and effective risk management across the firm. The policy takes into account the long-term interests and strategy of the business and the risks presented to it.

5 Ongoing charges figure (OCF) is the sum of investment management fees (the fees paid to the portfolio manager to invest and manage the fund) and administrative and other expenses (which cover all costs and expenses connected with the operation of the fund, which includes administrative fees, shareholders' registration and transfer agency fees, custody fees and all other operating expenses). The OCFs and fees for all our funds are, on average, 74% cheaper than their Morningstar category average (73% cheaper last year). The comparison is of ongoing charges relative to a comparable share class of direct peers in their respective Morningstar category. Source: Morningstar, as at 30 September 2023.

Vanguard's approach to ESG (Principle 7)

Central to Vanguard's core purpose – to give our investors the best chance for investment success – is our focus on maximising shareholders' long-term investment returns. Vanguard's unwavering focus on client outcomes informs our approach to ESG matters. We believe that material ESG-related risks can impact long-term shareholder returns and our consideration of those risks is driven first and foremost by each fund's stated investment objective. Our global fund lineup includes high-quality equity and fixed income investments across index and active strategies, managed both in-house (through Vanguard Equity Index Group, Quantitative Equity Group and Fixed Income Group) and by external investment managers.

Investment products

Vanguard takes a thoughtful and deliberate approach to developing new funds, including ESG funds. We are committed to providing investors with the information and products they need to make sound investment choices to help enable them to meet their financial goals and reflect their personal preferences.

ESG funds

Vanguard offers both index and actively managed ESG funds. These funds are available to clients who affirmatively choose to invest in funds that target certain environmental, social and governance objectives.

Index ESG funds

For investors who want to limit exposure to certain industries or business activities that may pose heightened ESG-related risks or conflict with their ESG preferences, Vanguard's index ESG funds, both equity and fixed income, avoid or reduce exposure to specific industries (such as firearms, tobacco or fossil fuels) as determined by the index provider, while tracking broadly diversified indexes in various markets. These funds track indexes that use transparent exclusion criteria based on a company's level of involvement in certain business activities or practices.

Active ESG funds

Some investors seek to achieve an investment return greater than the market, alongside an emphasis on certain ESG considerations. Managers of Vanguard's active ESG funds seek to generate excess return by allocating capital to companies that the fund managers assess as demonstrating leading ESG practices consistent with each fund's ESG mandate. This may include companies assessed by a fund manager as: demonstrating leading ESG practices that sustain strong return or capital; delivering a positive social and/or environmental impact through its products and services; or enabling the transition to a low-carbon economy. Although the investment strategy and methodology may vary by product and manager, for these funds, assessing ESG-related risks, opportunities and outcomes is central to the fund's investment strategy. Currently, all Vanguard active ESG strategies are managed by external asset managers.

Non-ESG funds

Index equity funds

Index mutual funds and ETFs represent the majority of Vanguard's global assets under management. Managers of index funds do not make decisions about where to allocate capital, nor do they seek to direct a portfolio company's strategy or operations. Instead, an index fund manager aims to track the performance of the fund's benchmark index, which is set by third-party index providers, and seeks to capture the returns that the relevant market provides. By design, an index fund buys and holds companies for as long as they are included in a fund's specific benchmark.

Active equity funds (managed by Vanguard)

Vanguard's active equity fund assets managed internally are the responsibility of Vanguard Quantitative Equity Group (QEG). As at 31 December 2023, QEG managed less than 1% of Vanguard global assets under management. QEG relies on a measurable, systematic process to select and manage investments in its portfolios. The group adds value by building portfolios that offer diversified, risk-controlled exposure to systematic stock characteristics that the group's analysis indicates lead to outperformance over time relative to benchmarks (for example, composite measures of earnings growth, financial quality and valuation). QEG researchers continually seek new ways to systematically add value and enhance risk control, including by evaluating new data sets.

Active equity funds (managed by external advisors)

Twenty-four asset management firms serve as investment managers for Vanguard's externally managed active equity funds. Vanguard works closely with each of our external active fund managers to understand how they integrate ESG considerations into their investment processes.

Vanguard Oversight and Manager Search team

Vanguard employs external asset management firms to manage many of our actively managed funds. In assessing current and prospective managers, we review what we believe to be the key drivers of investment success – firm, people, philosophy and process – and the resulting investment outcomes of portfolio and performance. An element of our process assessment is evaluating managers' ESG integration practices.

Within Vanguard Portfolio Review Department, the Oversight and Manager Search team regularly meets with current and prospective fund managers. Through these meetings, the team examines how managers incorporate financially material information as part of their ESG integration oversight process. The team also administers an annual survey of each manager's ESG practices to further inform its assessment. Key criteria considered in the team's assessment include:

- **Process integration.** Understanding whether there is a systematic and explicit inclusion of financially material ESG factors into a manager's investment analysis and how the manager's approach evolves over time.
- **Resources.** The team reviews how the managers gather ESG research, including what tools they use, whether they employ dedicated ESG research analysts and, if applicable, how those dedicated analysts interact with portfolio managers.
- **Active ownership.** The team also provides dedicated oversight of the active ownership approach of each external manager and looks for ongoing engagement with portfolio companies as well as a voting policy consistent with the manager's investment process. (Note that oversight of the active ownership approach is fully independent and distinct from Vanguard's Investment Stewardship programme.)

Vanguard's Oversight and Manager Search team continues to mature its oversight of the external manager's ESG integration practices as the ESG landscape evolves and data availability improves.

Fixed income funds

All of Vanguard's fixed income index funds and the majority of its actively managed fixed income funds are managed by Vanguard Fixed Income Group (FIG). Where appropriate, and in accordance with a fund's mandate, FIG integrates ESG considerations into its investment process by assessing the financial materiality of ESG risk factors alongside, and in the context of, other investment risks to complement standard credit assessment. FIG tailors its approach within applicable sub-asset classes to address nuances in material ESG risk factors across fixed income.

FIG's ESG integration process applies to most fixed income mandates, excluding money market mutual funds. FIG continually refines its ESG integration process to consider financial markets adaptation to societal and environmental risk factors, regulatory requirements and the availability of ESG data.

Actively managed fixed income funds

FIG's ESG integration framework incorporates the probability of an ESG risk event and the magnitude of its impact on an issuer's financial profile. FIG's credit research analysts then combine the overall credit risk assessment, which incorporates ESG risk factors, if applicable, with a risk-adjusted relative value opinion, to arrive at a security recommendation. While portfolio managers are not prevented from buying companies exposed to ESG risks, portfolio managers must understand and clearly articulate the potential impact to a security's long-term investment returns relative to its risk, similar to non-ESG material risks. ESG integration within FIG's investment analysis provides its investment teams with a wider lens on the risks each issuer faces and helps to inform the teams' investment decisions.

Indexed fixed income funds
Similar to our equity index funds, Vanguard's fixed income index funds have an investment objective to track the performance of their stated index. Vanguard's FIG assesses the financial materiality of an ESG risk factor alongside and in the context of other investment risks (i.e., duration, credit, etc.), to complement standard issuer (i.e., corporate and sovereign bonds) assessments. The assessment of ESG risk factors is carried out with an objective to reduce tracking error, and not to influence an ESG outcome.

Indexed fixed income funds with ESG mandates
Vanguard's fixed income index ESG funds avoid or reduce exposure to specific industries (such as firearms, tobacco or fossil fuels) as determined independently by the benchmark provider, while tracking broadly diversified indexes in various markets. These funds track indexes that use transparent exclusion criteria based on a company's level of involvement in certain business activities or practices.

Investment stewardship

Separately, Vanguard's Investment Stewardship team conducts engagements and votes proxies on behalf of Vanguard-advised funds, including both ESG and non-ESG equity funds, which are predominantly equity index funds. This team engages directly with board members and executives of portfolio companies about material risks, including material ESG risks, and seeks to understand how boards oversee and disclose these risks. Decisions on how to vote proxy ballot items are grounded in each fund's proxy voting policies, which are approved by the board of each US Vanguard-advised fund and relevant regional board, and the long-term financial interests of each fund's investors. All aspects of Vanguard's Investment Stewardship programme are focused on safeguarding and promoting long-term shareholder returns with the goal of giving investors in Vanguard-advised funds the best chance for investment success.

(Please see Vanguard Investment Stewardship programme, on page 17.)

Investment stewardship responsibilities for Vanguard's externally managed funds, which include active equity ESG funds and active equity non-ESG funds, are conducted by the third-party investment advisors who manage those funds, allowing these firms to fully integrate their stewardship approaches with their unique investment processes. Each external investment advisor we partner with maintains its own policies and guidelines designed to meet its proxy voting obligations, which are reviewed and approved by each fund's board annually.

Vanguard as a company

Vanguard strives to build a diverse, inclusive and equitable workplace and promote a company culture that values integrity, community stewardship and sustainable business practices. We believe that diverse teams and inclusive environments enable Vanguard crew to perform at their best. We are committed to effective corporate sustainability practices that can drive operating costs lower and mitigate the physical risks climate-related events can have on our operations and our ability to serve clients. We also invest time and resources to support the communities where we live and work.

Governance of ESG-related risks and opportunities

Vanguard addresses ESG-related impacts and clients' best interests through an integrated structure of boards, committees and functions.

Board oversight of ESG-related risks and opportunities
The Vanguard Group, Inc. (VGI), is owned by our US-domiciled funds, which in turn are owned by their investors. As at 31 December 2023, the VGI Board of Directors (VGI board) comprised 12 directors, 11 of whom were independent.

Members of the board also serve as the US-domiciled funds' Boards of Trustees (fund boards). The directors bring to each of these boards a wealth of executive leadership experience derived from their service as senior executives, board members and leaders of diverse publicly traded operating companies, academic institutions, government agencies and other organisations. The VGI and fund boards meet regularly throughout the year to fulfil their functions and obligations.

The VGI board is responsible for, among other matters, setting broad policies for the company as well as overseeing risk management relating to Vanguard's corporate operations. Where applicable, the execution of these responsibilities includes consideration of material ESG-related risks, such as climate-related risks and opportunities. In addition, the VGI Audit Committee reviews management's risk governance frameworks and discusses policies with respect to risk assessment and management, including any relevant framework or policy relating to ESG risks.

The VGI board also oversees Vanguard's corporate sustainability goals and initiatives aimed at reducing our carbon emissions and reaching carbon neutrality in our global operations by 2025.

The fund boards engage on ESG and sustainability matters and communicate with management to help inform an effective course of action, as appropriate. The fund boards also oversee the funds' risk management, including consideration of material climate-related risks, where appropriate. The level of ESG risk evaluation varies by investment style and fund objective.

The VGI board and fund boards oversee the various Vanguard functions that conduct day-to-day risk management as applicable, including compliance, fund services and oversight, enterprise investment services, investment management, investment stewardship, legal, product and risk management. In addition, the VGI board and fund boards have regular interactions with internal and external auditors.

Outside the US, the boards of our international businesses and fund entities exercise similar oversight responsibilities in their respective regions. The management teams of our international businesses share relevant ESG developments through Vanguard's global management committees.

ESG CEO Council

Vanguard's ESG CEO Council oversees and coordinates our global strategy on ESG-related matters, including climate-related risks and opportunities, at the corporate, product and stewardship levels. Vanguard's CEO serves as council chair, and its members include a subset of Vanguard's executive leadership team. The council meets as needed and reports to the VGI board and the fund boards as appropriate.

The council provides guidance, oversight and coordination on ESG matters in service of client interests. The framework underlying the council is organised around three pillars: Investment Products and Services, Stewardship of Portfolio Securities and Vanguard as a Corporate Actor.

ESG Risk and Strategy Oversight Committee

The ESG Risk and Strategy Oversight Committee (RSOC), composed of senior leaders across our product, communications, risk and legal functions, is a subcommittee of the ESG CEO Council that facilitates the council's oversight of global ESG matters through:

- Shared awareness of global ESG risks, strategic opportunities and investment perspectives.
- Deciding how to address such risks and opportunities or aligning department resources to do so.

By addressing topics that bridge the Investment Products and Services and Stewardship of Portfolio Securities pillars, the committee aims to facilitate enterprise strategic alignment and enhance accountability. In the course of carrying out its responsibilities, the ESG RSOC may escalate risks, issues or other matters to the ESG CEO Council.

In 2023, the committee discussed emerging regulatory trends, our ESG data strategy and enterprise sustainability-related reporting, including the Task Force on Climate-Related Financial Disclosures (TCFD), among other topics.

Vanguard as a corporate actor
Vanguard has established goals and targets for operational sustainability to help responsibly manage and reduce our own environmental footprint. Our corporate sustainability efforts are led by the Global Workplace Experience (GWx) department, which reports to Vanguard's chief financial officer. GWx's Environmental Sustainability Steering Group sets both short- and long-term goals and priorities, incorporates sustainability activities into business planning and monitors and tracks progress towards targets. Oversight of Vanguard's own sustainability goals and progress on the corporate level resides with the VGI board.

European ESG governance framework
In addition to our global governance structure, we have regional structures in place to navigate the market and regulatory environments within each of the jurisdictions in which we operate. The Vanguard Europe[6] boards oversee risk management in their respective jurisdictions, including ESG-related risks, within Vanguard Europe's overall business strategy, regulatory and governance frameworks and risk appetite. The Vanguard Europe boards oversee risk management of various functions, including compliance, fund accounting, financial reporting, fund administration, investment management, investment stewardship, legal, product and regional risk management. The boards typically meet at least five times per year. They consider issues affecting Vanguard Europe's evaluation of ESG risk and strategy matters and engage with Vanguard's management to help determine an effective course of action. Management arranges for periodic relevant training to the boards on ESG matters.

The following climate and other ESG-related subjects have been considered by the VAM board or the VIUK board, or both, during 2023:

- Training on ESG regulatory developments, including the UK ESG policy environment.
- Training on climate-related financial risks.
- Overview of the key decisions made by the European ESG Management Oversight Council, including the approval of the Sustainability Risk Policy and the establishment of the European ESG Programme Steering Committee.
- Updates on the drafting of the TCFD report and the approach to compliance with the Financial Conduct Authority (FCA) ESG Sourcebook requirements applicable to the TCFD report.
- Updates on the progress of the implementation of Vanguard Europe's ESG governance framework.

European ESG Management Oversight Council
The European ESG Management Oversight Council (ESG MOC) provides oversight of ESG risks and strategy in relation to Vanguard Europe that may impact the broader Vanguard enterprise and its investment products and services. The ESG MOC reports into Vanguard's European Leadership team and the managing director of Europe.

The European head of the Portfolio Review Department chairs the ESG MOC, and the council's voting members include European management representatives from investment management, risk management, finance and legal. Its remaining members are ESG subject matter experts from across the European businesses. The council meets or considers matters at least monthly and reports quarterly to the European Leadership team and the European boards as is necessary. Members of the council meet periodically with Vanguard Europe boards and other Vanguard European councils and forums, as appropriate.

6 Vanguard European legal entities (together, "Vanguard Europe") comprise: Vanguard Asset Management, Ltd. (VAM), Vanguard Investments UK Ltd. (VIUK), Vanguard Group (Ireland) Limited (including its European branches) (VGIL), Vanguard Group Europe GmbH (VGEG), Vanguard Investments Switzerland GmbH (VISG), Vanguard Asset Services, Ltd., Vanguard UK Nominees Ltd. and Vanguard Pension Trustee UK Ltd.

The ESG MOC has the following responsibilities:

- Acting as the designated forum for oversight, harmonisation and direction-setting on ESG risk and strategy matters related to Vanguard's European businesses.
- Overseeing the integration of ESG considerations into Vanguard Europe functions and processes within the context of Vanguard's global approach to ESG investing and risk appetite.
- Reviewing UK and European Union sustainability regulations and the implementation of applicable requirements by Vanguard's European businesses.

More information about Vanguard's ESG governance structure can be found in [Vanguard's Report on Climate-Related Impacts]().

Regional ESG Product teams
Three regional ESG teams act as centres of excellence that deploy subject matter expertise and partner across Vanguard's Portfolio Review Department (PRD) and cross-functionally to drive the success of clients and the business in each region. The regional teams are located in Vanguard's US, Europe and Australia offices.

Each region's ESG team is responsible for broader ESG investing topics, such as regulatory impacts, ESG product methodology and ecosystem enhancements and enterprise-wide ESG strategic initiatives.

The regional teams stay connected on global initiatives such as ESG data and reporting, industry trends and ESG product roadmaps. The regional teams work closely with business areas across Vanguard, including:

- The Oversight and Manager Search team, to evaluate the managers of Vanguard's active fund lineup on their ESG integration approaches;
- Product category teams, to assess the ESG product landscape and understand evolving client preferences, which may inform Vanguard's product roadmap and design;
- Client-facing teams, to assess and meet clients' ESG product needs and reporting requirements;
- The Investment Strategy Group, to inform ESG research and thought leadership;
- The Investment Management and Finance Risk teams, to develop fund risk identification, monitoring and reporting capabilities regarding climate metrics across our European fund range;
- The Communications and Product Marketing teams, to accurately convey our ESG offerings and approach to clients and other stakeholders;
- The Investment Stewardship and Finance teams, to help enhance Vanguard's ESG and fund reporting, as required in Europe, including the UK;
- The Regulatory Change team in Europe, to address UK and European regulatory requirements; and
- The Office of the General Counsel division (which includes the Legal, Compliance, Global Public Policy, Government Relations and Investment Stewardship teams), to address policymaker or regulatory inquiries on relevant ESG-related matters, including ESG funds and processes.

Vanguard continues to embed ESG considerations into existing functions to ensure ESG factors are considered alongside, not separately from, other matters important to improving the investment outcomes of our clients.

Working with service providers

ESG data services
As part of Vanguard's multiyear ESG data strategy initiative, the Global Investment Data Management (GIDM) team is supporting the delivery of ESG data for business use cases required for regulatory, commercial and investment stewardship purposes. In 2023, GIDM was responsible for (1) the delivery of the data for Vanguard's initial FCA-mandated UK TCFD product and entity report, which included climate-related data metrics provided by MSCI; (2) continued enhancements to Vanguard's European ESG Template (EET) – an industry-developed

reporting template that contains Sustainable Finance Disclosure Regulation-related data at a European (ex-UK) product level, enabling investors to meet their regulatory reporting obligations and make more informed investment choices; and (3) automating the delivery of ESG metrics across Vanguard's global ESG index products' fund fact sheets, thus providing our clients with increased disclosure and a better understanding of how Vanguard's ESG index funds adhere to their respective investment objectives.

Index providers

Vanguard's investment and product teams consult with index providers through established procedures to share market trends and feedback. These observations may serve as inputs to index providers' independent processes of creating new indexes or evolving index methodology. As an example, in 2023, Vanguard participated in an industry consultation with a third-party ESG index provider to share client feedback and market analysis. Following this consultation, the third-party ESG index provider decided to change its index methodology (effective from Q2 2024) to include an additional subsector exclusion for the relevant ESG benchmarks, benchmarks available to the market and used by certain Vanguard ESG index funds. We believe this change will improve global and asset class consistency and address investors' evolving preferences. While Vanguard may provide index providers with feedback from our client, investment and product teams, as appropriate, any final changes implemented are based on the independent discretion of the relevant index providers.

Vanguard Investment Stewardship programme (Principles 1, 2, 3, 4, 8, 9, 10, 11, 12)

Vanguard's global Investment Stewardship programme has a clear mandate to safeguard and promote long-term shareholder returns on behalf of Vanguard-advised funds and their investors.

Vanguard-advised funds are primarily equity index funds. Index funds buy, hold or sell securities based on the composition of their designated benchmark index and capture the return that the relevant market provides. Indexing relies on healthy, efficient and fair capital markets to enable accurate securities pricing. Vanguard's approach to investment stewardship operates within that context.

The programme is grounded in strong corporate governance pillars and an unwavering focus on promoting long-term financial value creation for the funds' shareholders. On behalf of Vanguard-advised funds, our Investment Stewardship team conducts engagements with portfolio companies, administers proxy voting and promotes governance practices that are associated with long-term investment returns.

Vanguard's Investment Stewardship team safeguards and promotes long-term shareholder returns on behalf of Vanguard-advised funds and their investors by:

Engaging with portfolio company directors and executives to learn about each company's corporate governance practices and to share our perspectives on corporate governance practices associated with long-term shareholder returns.

Voting proxies at portfolio company shareholder meetings based on each fund's proxy voting policies.

Promoting corporate governance practices associated with long-term shareholder returns through our published materials and participation in industry events.

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.

Accordingly, with respect to companies held by Vanguard-advised funds, we do not seek to dictate portfolio company strategy or operations. We believe that the precise strategies and tactics for specialised long-term shareholder returns should be decided by a company's board of directors and management team. Similarly, Vanguard does not use investment stewardship activities to pursue public policy objectives. We believe that setting public policy, including policy on environmental and social matters, is appropriately the responsibility of elected officials.

Our global pillars of corporate governance

These four pillars of corporate governance guide the Investment Stewardship team's efforts when engaging, voting and sharing perspectives on corporate governance practices on behalf of Vanguard-advised funds. They are the foundation of the funds' proxy voting policies, and each pillar links back to Vanguard's focus on the long-term shareholder returns for the funds and their investors.

Board composition and effectiveness
Company board members are elected to represent the interests of all shareholders, and they have responsibilities that are critical to creating value for their company's shareholders today, tomorrow and into the future. These responsibilities include hiring and planning for the succession of company management, overseeing the company's strategy and material risks to that strategy, setting executive pay, establishing a strong foundation of corporate governance

and being responsive to shareholders. Such responsibilities affect the long-term financial interests of investors, including Vanguard-advised funds.

We believe that a well-composed board is in the best position to make effective decisions on behalf of all shareholders. For this reason, we take a board-centric approach to our investment stewardship efforts. Our primary focus is on understanding to what extent a company's board consists of individuals with an appropriate mix of independence, skills, experiences and diversity of personal characteristics to enable independent, effective oversight on behalf of all shareholders.

Board oversight of strategy and risk
Boards are responsible for effective oversight of a company's long-term strategy and any material risks that strategy creates for the company. We look for highly effective boards that evidence an ability to both support and challenge their management teams' direction of strategy and mitigation of risks.

For these reasons, we believe that boards should engage with management teams on strategy formation and that companies should maintain robust processes for their boards to evaluate and mitigate material risks to their company's long-term investment returns. We also believe that companies should disclose those risks – and strategies for mitigating them – to investors. In addition, we believe that information regarding the procedures used to facilitate the board's oversight of strategy and material risks should be publicly disclosed, and members of management and the board should discuss these topics with shareholders.

Public disclosure of material risks allows markets to effectively reflect those risks in each company's valuation and share price. Over time, accurate valuations are critical to ensuring that investors, including Vanguard-advised funds, are appropriately compensated for the investment risks they assume by investing in individual securities.

Executive pay (compensation or remuneration)
Sound, performance-linked pay policies and practices that extend well beyond the next quarter or next year are fundamental to generating long-term investment returns. Norms regarding executive pay vary depending on factors that include a company's competitive position, industry sector, size and geographic location. With that in mind, we do not take a one-size-fits-all approach to evaluating executive pay matters. In our engagements on this topic, we seek to understand the business environment in which pay-related decisions are made and how boards structure pay programmes to specialise outperformance relative to a company's peers over the long term. We look for companies to provide clear disclosure about the linkage between their stated strategy, company performance and pay practices. This form of disclosure allows shareholders to understand the degree to which a company's executive pay practices are aligned with shareholders' long-term investment returns.

Shareholder rights
Shareholder rights enable a company's owners to use their voice and their vote – ideally, consistent with their economic exposure – to effect and approve changes in corporate governance practices, starting with the election of board members. We look for companies to adopt governance provisions, such as annual director elections, that require securing a majority of votes for approval, and seek to understand how boards and management serve the best interests of the shareholders they represent. While Vanguard-advised funds do not themselves put forward nominees for portfolio company boards, we support the right of an appropriate proportion of shareholders to call special meetings and/or to nominate directors for consideration by all shareholders. This enables shareholders to exercise their ownership rights in instances where a compelling case for change in a company's strategy is identified and/or when a board appears resistant to shareholder input. We believe a well-functioning capital markets system requires companies to have governance structures that safeguard and support foundational rights for shareholders.

Team and structure

Vanguard's Investment Stewardship programme is carried out by a team of experienced professionals. Team members are based in Vanguard's offices in the US, Europe and Australia. The team operates on behalf of Vanguard-advised funds and is responsible for engaging with portfolio company leaders; researching, analysing and voting on matters at portfolio company shareholder meetings; and promoting governance practices associated with long-term investment returns. John Galloway, a Vanguard principal and the funds' Investment Stewardship Officer, leads the global Investment Stewardship programme.

Vanguard's Investment Stewardship programme maintains three regionally focused teams responsible for portfolio companies domiciled in their regions: the Americas; Europe, the Middle East and Africa (EMEA); and Asia-Pacific (APAC). These regional teams are supported by three global teams dedicated to:

- **Policy and research.** The Policy and Research team is dedicated to ongoing research of corporate governance practices and proxy voting policy developments and drives the programme's global perspective on governance topics.
- **Communications and reporting.** The Communications team supports the articulation and publication of Vanguard Investment Stewardship's regular reporting, proxy voting policies and thought leadership on important governance topics.
- **Data, operations and risk control.** The Data, Operations and Risk Control team enables every aspect of the programme's research, analysis and risk controls through vendor oversight, platform management and technology innovation. This team monitors and mitigates risks associated with Vanguard's investment stewardship activities on behalf of Vanguard-advised funds.

All engagement, company research and voting activities are overseen by senior leaders responsible for portfolio companies domiciled in specific geographic regions and markets. Investment Stewardship team leaders maintain responsibility for their coverage areas and are supported by teams of directors and analysts that further specialise in a country and/or industry sector. This team structure enables us to balance the benefits of global consistency with regional relevance by developing in-depth knowledge of pertinent issues across the funds' portfolios in particular regions, countries and industry sectors.

(Leadership bios for key leaders of Vanguard's Investment Stewardship programme can be found in Appendix A of this report.)

In addition to its direct staff, the Investment Stewardship team is supported by internal legal counsel and public policy teams, and it has access to expert resources on a cross-functional basis across the Vanguard enterprise. While the team is supported by professionals across Vanguard, Vanguard's investment stewardship and investment management functions operate independently. Investment stewardship is not used as an active input to inform portfolio management decisions for Vanguard-advised funds, because Vanguard-advised funds seek to track benchmark indexes or follow quantitative models.

Vanguard's Investment Stewardship team

60+
Team members based in the US, Europe and Australia

10+
Average years of industry experience

45+
Advanced degrees and professional certifications

Data as at 31 December 2023

Building an effective stewardship programme

Vanguard continues to invest in the people and processes that support our Investment Stewardship programme to ensure that the team remains appropriately resourced to safeguard and promote long-term shareholder returns on behalf of Vanguard-advised funds and their investors. The individuals on the Investment Stewardship team have diverse professional and personal backgrounds and thus bring a wide range of experiences and skills to the team's work. Senior leaders and analysts have deep expertise in areas including corporate governance, investment management, risk management, law, accounting, public policy and regulatory affairs, academia and corporate strategy. Members of the Investment Stewardship leadership team have held a variety of leadership positions across the company and Vanguard's Investment Stewardship programme additionally benefits from ready access to a wide and deep pool of subject matter experts across Vanguard's global operations. These resources include experts on corporate governance, securities law, workforce law, human resources practices (including DEI), executive remuneration, risk management, accounting and cybersecurity.

Every team member is encouraged to focus on professional development by pursuing advanced degrees or technical certifications, completing internal and/or external trainings and participating in industry events, among other activities. Many team members hold or are pursuing advanced professional degrees and certifications including Ph.D., J.D., M.B.A., CFA® and CPA. New team members are provided expansive training materials and coached by a cohort of senior governance professionals. Robust internal trainings are regularly provided on each aspect of Vanguard's Investment Stewardship programme, and each member of Vanguard's Investment Stewardship team is bound by Vanguard's Code of Ethical Conduct.

The unique perspective of each Vanguard Investment Stewardship team member collectively enables the team to approach engagement and proxy voting activities from many different angles to promote long-term shareholder returns on behalf of Vanguard-advised funds and their investors. The team seeks to hire from a diverse pool of external and internal candidates, including from Vanguard's own leadership development programmes. Recent hires onto the Investment Stewardship team reflect a range of experiences, skill sets and personal characteristics that enable cognitive diversity across the programme.

Proxy voting policy development

Vanguard's Investment Stewardship team regularly reviews the funds' proxy voting policies and procedures, and, at least annually, submits them to the Investment Stewardship Oversight Committee, the board of each US Vanguard-advised fund and the relevant regional boards, including any recommended changes, for consideration and approval. Updates consider evolving market standards, the legislative and regulatory landscape and emerging corporate governance practices. Our global and regional proxy voting policies continue to be anchored in the tenet that having companies the funds invest in adopt effective corporate governance practices supports long-term shareholder returns for the funds and their investors.

(More information about our proxy voting policies can be found in the Proxy Voting section of this report, on page 44.)

Technology supporting our stewardship activities

The Investment Stewardship team uses data and technology as tools to determine how to prioritise the engagement, voting and promotion activities that will have the greatest impact on long-term shareholder returns. Our Data, Operations and Risk Control team members are located in Vanguard's US and UK offices, enabling data analysts to provide more region-focused reporting to engagement and voting directors and analysts. Investment in our internal systems is ongoing, and in 2023, the Data, Operations and Risk Control team implemented a new database, which provides updated capabilities to track Vanguard Investment Stewardship engagement activity. The database will provide additional real-time monitoring capabilities and enable the team to collect more robust data and analytics. Data and metrics will continue to inform our global policies and will be used to make efficient resource allocation decisions to best scale our global engagement and proxy voting workflows.

Engagements in markets across the world

In 2023, Vanguard's Investment Stewardship team engaged with companies in 31 markets around the world. These discussions deepened our expertise and perspectives on regional regulations and norms and provided the team with the opportunity to promote corporate governance practices associated with long-term shareholder returns at the companies in which the funds invest.

Americas

During the 2023 proxy year in the Americas (US, Canada and Latin America), we engaged with portfolio company directors and executives on topics including board and committee leadership refreshment, their onboarding processes for new directors and their oversight of material risks. We saw many US boards implement new or revised practices in response to the universal proxy card, including, for example, increased disclosure of board skills matrices, director capacity and commitment policies and board effectiveness assessments. Certain US and Canadian shareholders continued to express interest in how boards are managing material environmental and social risks; this was reflected in the increased number of shareholder proposals submitted on environmental and social topics. In Latin America, many of our conversations were centred on issues of board independence, risk oversight and disclosure.

Europe, Middle East and Africa

In 2023, we observed that boards in Europe, the Middle East and Africa (EMEA) had to navigate competing tensions, including ongoing inflationary pressure contributing to a cost-of-living crisis, continued geopolitical risk spurring energy market volatility and increased mobility of employees up to the C-suite level, thus feeding an escalating battle for talent. Through our conversations with company leaders, we explored board oversight of these risks and challenges, and we shared the importance of governance practices that safeguard and promote long-term returns for company shareholders.

Executive pay remained the most common contentious voting topic in the UK and Europe. We observed that many UK portfolio companies aimed to balance differing regional expectations related to the total magnitude of pay. We also saw a significant increase in the number of UK and European portfolio companies incorporating ESG considerations into pay plans. We also observed that boards of UK and European companies continued to focus on board oversight and reporting of sustainability-related risks as they seek to comply with evolving regulatory requirements.

Asia

In 2023, many Asian companies were focused on navigating an inflationary environment, developing inroads in new markets and managing geopolitical risk. Through our engagement and voting activities, we explored how boards were overseeing these risks in addition to other corporate governance matters, such as board composition and effectiveness. We engaged with companies across the region, including companies in India, Taiwan, China, Hong Kong, Malaysia, South Korea and Japan.

Our engagements in this region focused on the topic of board composition and effectiveness, particularly on director independence. We have found that capital and ownership structures typically contribute to lower levels of board independence in certain Asian countries. In our discussions with portfolio company leaders, we sought to understand how boards evaluate director independence and how boards enable independent directors to provide an outside perspective in the boardroom.

Australia and New Zealand

In 2023, Australia- and New Zealand-domiciled companies were affected by higher interest rates, rising inflation and extreme weather that damaged infrastructure across the region. Cost-of-living pressures dampened spending in some sectors, while other sectors – such as tourism – continued to show recovery from pandemic-era difficulties.

We discussed board composition and effectiveness in the majority of our engagements, and generally, we have observed that many Australian-domiciled companies have added gender diversity to their boards in alignment with the guidelines introduced in the Australia Securities Exchange (ASX) Corporate Governance Principles and Recommendations.[7] As in previous years, our engagements with company executives and directors remained focused on executive remuneration. Executive remuneration was a prominent topic both during the proxy season, when most engagements are vote-related, and when companies reviewed and reassessed their executive remuneration plans. In Australia, many companies reassessed executive pay in light of changing regulations and market expectations regarding the inclusion of ESG metrics in incentive plans.

Additional information can be found in the Regional roundup section of the Investment Stewardship 2023 Annual Report and the Regional Briefs, found on Vanguard's website.

Oversight of Vanguard Investment Stewardship

For our US-domiciled Vanguard-advised funds, the Investment Stewardship Oversight Committee (the Committee), at the direction of the board of trustees of each US Vanguard-advised fund, oversees the proxy voting and stewardship activity with respect to the equity securities held in the funds. For our non-US-domiciled Vanguard-advised funds, the Committee oversees the proxy voting and stewardship activity with respect to the equity securities held in the funds to the extent permitted by law and subject to oversight by the relevant regional boards.

The Committee typically meets at least quarterly and provides ongoing oversight and guidance of all aspects of the Investment Stewardship programme. This includes providing the Investment Stewardship team with direction and input – in the context of policies approved by the relevant boards – on company engagements and proxy voting decisions on complex, novel or controversial matters. The Committee members also regularly assess the funds' proxy voting policies and guidelines and make recommendations to the funds' boards of trustees regarding potential changes or improvements to those policies and guidelines.

The Committee includes fund officers and senior executives from relevant functions including investment management, risk, legal, compliance, investment products, finance, international and investment stewardship. The Committee is a multidisciplinary team reflecting a diversity of experience, skills, perspectives, tenure and personal characteristics, all of which enable the Committee to make informed decisions about policy, strategy and risk oversight of the Investment Stewardship programme.

The Investment Stewardship Officer provides regular updates to the committee throughout the year. Members of the Investment Stewardship leadership team attend ongoing meetings with the Committee and provide progress reports on key initiatives as well as updates on current and future proxy voting policy work, engagement strategy and global thematic trends. Committee members attend select portfolio company engagements throughout the year to provide oversight of the Investment Stewardship programme. Attending these engagements provides the Committee with the opportunity to speak directly with portfolio company directors and executives and to oversee the Investment Stewardship team's general approach. These interactions facilitate constructive dialogues to guide the direction of Vanguard's Investment Stewardship programme.

The Investment Stewardship Officer also meets multiple times a year with the funds' boards to review investment stewardship activities, solicit board member input and guidance on emerging issues, discuss the funds' voting records and discuss any proposed changes or improvements to the funds' proxy voting policies and guidelines.

7 See https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf.

The importance of engagement

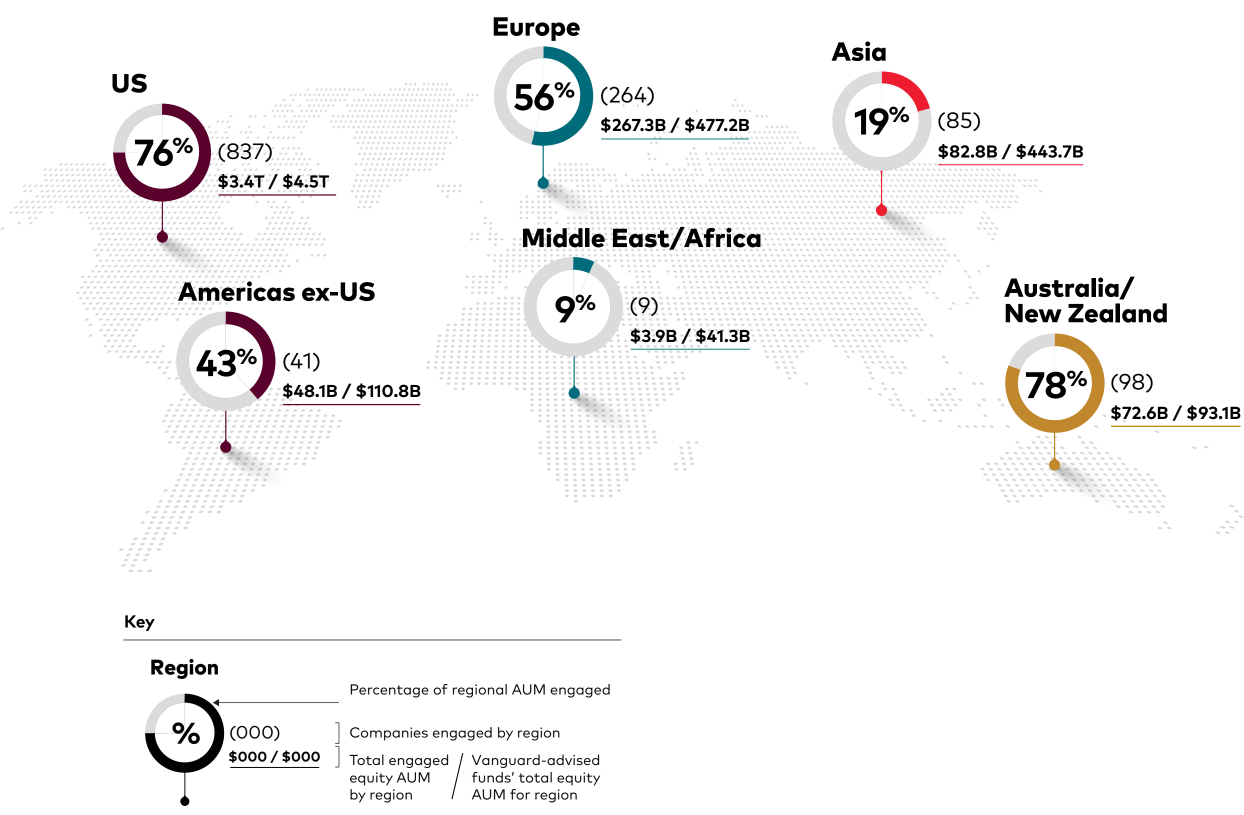
How we engage on behalf of Vanguard-advised funds

Candid and constructive discussions with directors and executives of companies held in Vanguard-advised funds are a core part of Vanguard's Investment Stewardship programme. Over time, these dialogues have enabled us to deepen our understanding of, and share our perspectives on, a wide range of corporate governance topics associated with long-term shareholder returns. These include board composition and effectiveness, board oversight of strategy and risk, executive pay (compensation or remuneration) and shareholder rights. We believe that ongoing engagement with leaders of the portfolio companies held in Vanguard-advised funds is a valuable supplement to voting at shareholder meetings and that engagement supports effective corporate governance at the companies in which the funds invest.

With respect to companies held by Vanguard-advised funds, we do not seek to dictate strategy or operations, nor do the Vanguard-advised funds submit shareholder proposals or nominate board members. We believe that the strategies and tactics for maximising long-term shareholder returns should be decided by a company's management and board of directors. Similarly, Vanguard does not use investment stewardship activities to pursue any public policy objectives. We believe that public policy, including public policy on social and environmental matters, is appropriately the responsibility of elected bodies and officials.

In 2023, Vanguard's Investment Stewardship team conducted 1,659 engagements with 1,334 portfolio companies in 31 markets around the world (see **Figure 4**). This represented 69% of the Vanguard-advised funds' total assets under management (AUM).

Figure 4. Regional engagement figures for 2023



Source: Data presented are for the 12-month period ended 31 December 2023. Numbers and percentages reflect rounding.

Types of engagements

Because Vanguard-advised funds are long-term investors in public companies (i.e., an index fund will hold stock in a company for as long as that company is in the benchmark index), the Investment Stewardship team approaches engagements as ongoing conversations with company leaders that can span multiple years. Such engagements typically involve video or conference calls with company directors (preferably independent directors) and executives. This long-term approach enables the team to understand a company's corporate governance practices and the evolution of those practices over time. The team conducts significant research and analysis to prepare for our discussions with company leaders. Although such discussions can vary widely by company, industry sector and region our engagements tend to fall into one of two broad categories:

- *Strategic engagements.* These are typically discussions with members of the board or executive team in which Vanguard's Investment Stewardship team develops a thorough understanding of how a company's approach to governance aligns with a company's strategy and long-term objectives. These meetings generally cover Investment Stewardship's governance pillars and provide the team an opportunity to share with portfolio company leaders the funds' perspectives on governance practices associated with long-term investment returns.
- *Vote-related engagements.* These are typically discussions focused on particular issues, such as proxy contests, shareholder proposals or other matters put forth for a shareholder vote on a company's proxy ballot. In such cases, we meet with relevant parties to inform the Vanguard-advised funds' votes. This may include discussions with company directors, executives, dissident shareholders and/or shareholder proponents.

Strategic engagement case study: Shareholder responsiveness at Continental AG

Over the past 18 months, members of Vanguard's Investment Stewardship team have held several strategic engagements with leaders of **Continental AG (Continental)**, a German automotive parts company. In two separate engagements in August and September 2022, we met with company leaders to reintroduce Vanguard's Investment Stewardship programme – it had been several years since we had last engaged – and to discuss Continental's executive remuneration practices. Earlier that year, the funds did not support the company's remuneration report at Continental's 2022 annual meeting because of concerns about pay-for-performance alignment and a lack of disclosure of the conditions underpinning severance payments made to former executives. Continental leaders expressed surprise at the level of shareholder dissent received on this resolution and were eager to gather our feedback. We shared our observations and certain pieces of feedback, to which the company leaders seemed receptive.

At that time, Continental was not running formal governance roadshows, a common practice in European markets where major public companies often set time aside each year to meet with their largest shareholders to discuss corporate governance matters. We shared our perspective regarding the value of these discussions with company shareholders.

In October 2022, we met with the chair of the supervisory board to cover a broader agenda. Conversation topics included board composition and effectiveness as well as the board's oversight of risk in relation to a diesel emissions controversy in which Continental had been implicated. The conversation with the board chair provided helpful insights regarding the board's process in responding to and navigating the controversy.

In July 2023, we were contacted again by executives at Continental, this time in relation to a formal governance roadshow they were planning. In the engagement that followed, a Continental executive explained that their productive engagements with Vanguard in 2022 had prompted them to meet with a wider group of shareholders via a more structured programme of engagement. We were encouraged by this strengthening of shareholder communication and provided input on the types of issues that we would be interested in discussing during the forthcoming governance roadshow.

In November 2023, we met once more with the chair of the supervisory board at Continental, this time as part of the company's formal governance roadshow. The chair responded to our questions and provided updates about the governance changes being considered by the board, including an evolution of its executive remuneration policy and an enhancement of its supervisory board structures.

Throughout this process, we were reassured by Continental's responsiveness to shareholder feedback, the supervisory board's willingness to engage in open dialogue with shareholders and the company's commitment to improving its governance.

Vote-related engagement case study: Director attendance at Surrozen Inc.

The Vanguard-advised funds believe that directors should attend meetings of the boards and their respective committees to ensure that they are fully informed and engaged in the decision-making process. As a matter of policy, the funds will generally withhold support from directors who attend fewer than 75% of aggregate board and committee meetings unless an acceptable extenuating circumstance is disclosed.

In 2023, we engaged with directors and leaders from multiple portfolio companies on director attendance. As an example, **Surrozen Inc.**, a US clinical stage biotechnology company, disclosed that each incumbent director had attended at least 70% of required meetings in the prior fiscal year. Because we were unable to assess if all directors had attended more or fewer than 75% of aggregate meetings, we engaged with company leaders to clarify the disclosures.

Through the engagement, company leaders confirmed that the disclosures contained an error and that all directors had, in fact, attended at least 75% of the meetings. With the additional information, the funds supported the nomination of all directors on the ballot.

How the Investment Stewardship team prioritises engagements

We evaluate engagement requests from portfolio companies thoroughly and carefully determine whether an engagement is warranted. We consider, among other factors, the company's proposed agenda items, the funds' exposure to the company, any governance concerns and whether follow-up on a previous proxy voting decision is appropriate. When we decline an engagement request, it is typically because we do not see any concerns or have any uncertainty regarding the company's governance practices based on the company's current disclosures and/or our previous engagement with company leaders. We may look to engage with company leaders in the future, particularly if company circumstances change.

In most engagements, we meet with members of a company's board of directors (preferably independent directors) and/or the executive management team, corporate secretaries, investor relations professionals or general counsels, depending on the objective of the meeting or the topic being addressed. We may also meet separately with other stakeholders such as dissident shareholders or shareholder proponents to inform the funds' voting decisions.

For each engagement, Investment Stewardship develops meeting objectives based on the facts and circumstances of the company with which we engage. For example, the team may focus on understanding a company's risk oversight, governance processes and structures; discuss ballot items to execute a vote at a company's shareholder meeting; or engage on a specific governance topic such as board independence. Depending on the complexity of a matter, engagement on a single topic can span multiple discussions, and meeting objectives are revisited as necessary. The team tracks engagement activity and developments at companies regarding any topics discussed during a prior engagement. If a company publicly commits to changing a governance practice or policy, the team will look at how the portfolio company follows through on those commitments.

More information about how Vanguard's Investment Stewardship team engages with portfolio companies can be found in Vanguard's Engagement Policy.

Engagement case studies

Vanguard's Investment Stewardship team engaged with 1,334 companies globally during 2023, and a representative sample of the types of engagements conducted by the team during the year can be found on the following pages.

The case studies[8] that follow are representative of the engagements conducted by Vanguard Investment Stewardship with portfolio company leaders around the world in 2023 and organised by our four pillars of corporate governance (see **Figure 5**). Investment Stewardship reports and Insights are available on Vanguard's website.

Figure 5. Engagements by pillar

Vanguard Investment Stewardship prioritises discussions with portfolio company leaders based on four corporate governance pillars.

Pillar	% engagement topics focused on
Board composition and effectiveness	36%
Board oversight of strategy and risk	32%
Executive compensation	24%
Shareholder rights	8%

Source: Vanguard, as at 31 December 2023. Percentages reflect rounding.

Board composition and effectiveness

Director commitments at Compass Inc.

Region: Americas

Analysis and voting rationale

In 2023, members of Vanguard's Investment Stewardship team engaged with company leaders at **Compass Inc. (Compass)**, a provider of real estate brokerage services in the US, to discuss director commitments and capacity. During our engagement with Compass leaders, we raised concerns about a Compass director who served on five public company boards; the Vanguard-advised funds' proxy voting policy on director capacity (also known as "overboarding") states that the funds generally vote against non-executive directors who sit on more than four public company boards. When assessing director commitments, we look for companies to ensure that directors have sufficient capacity to effectively represent shareholders' interests in the boardroom. We encourage portfolio companies to adopt and disclose a director capacity policy of their own and disclose information about the board's implementation and oversight of that policy.

Outcome

We reached out to Compass leaders to gain additional information on their approach to director commitments; in that engagement, they confirmed that the director served on five public company boards and did not provide any additional context for the board's oversight of director capacity. As a result, the funds withheld support from the election of the director at the 2023 annual meeting.

CEO succession planning at SCOR

Region: EMEA

Analysis and voting rationale

On behalf of the funds, Vanguard's Investment Stewardship team seeks to understand how boards carry out their responsibilities on behalf of shareholders. One of the most important responsibilities of a board is to select and appoint a company's CEO. When we identify that a board has not appropriately carried out its responsibilities to shareholders, including responsibilities regarding CEO succession planning and executive compensation, the funds may not support the election of relevant directors to express governance and oversight concerns.

In December 2020, **SCOR** announced that the company's chair and CEO of 18 years would step down from the CEO role and be replaced by a former chief of staff to the French prime

8 Vanguard's Investment Stewardship programme is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). In the section Engagement case studies, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship programme and Vanguard-advised funds, respectively.

minister.[9] SCOR said that the company's chair and CEO would remain chair of the board, thus splitting the roles of CEO and chair, and would stay on as CEO for a transitional period.[10] The new CEO would be formally appointed to the role at the 2022 annual meeting.

However, in May 2021, SCOR announced that its chair and CEO had decided, for personal reasons, to step down as CEO at the company's June 2021 annual meeting, a year earlier than planned. Consequently, the company announced the appointment of a SCOR executive as CEO. The board made this decision in lieu of executing its prior CEO succession plan that involved having the previously announced successor assume the position of CEO, saying that he did not have previous experience in insurance or reinsurance.[11] The SCOR executive later resigned from the role of CEO to pursue other professional opportunities, and in January 2023,[12] SCOR announced the appointment of a new successor, who had more than 25 years of industry experience, as CEO, marking the company's third CEO appointment in three years. Our engagements with company leaders during this time focused on CEO succession planning, including deviations from the CEO succession plan announced in December 2020.

During our most recent engagement, held in April 2023, we met with a SCOR board member. This time, our engagement focused on the lessons the company had learned from the challenges experienced in executing its CEO succession plan. The board member also shared the company's positive outlook on its most recent CEO appointment. The board expressed regrets about the outcomes of previous CEO succession planning processes, noting the importance of industry experience for the CEO role.

In determining the funds' votes at SCOR's 2023 annual meeting, we sought to understand the consequences of the board's past decisions with respect to CEO succession planning and assess whether subsequent corrective action by the board was sufficient to safeguard long-term shareholder value. We understand that unforeseen events can test a company's succession plans and may sometimes require a change of plan. However, our research indicated that issues with the company's CEO succession planning coincided with a period of relative stock price underperformance when compared with the industry and market peers.

Outcome

In our view, the board had not appropriately planned or executed the CEO succession process. To reflect our concerns, the funds did not support the reelection of the vice chair of the board, who served as lead director and chair of the nominating committee during the period in which the plan for a successor was both formulated and implemented.

Additionally, at SCOR's annual meetings in 2021 and 2022, the funds had voted against the chair and CEO's compensation because our analysis indicated pay-for-performance misalignment over several years. The current vice chair and chair of the remuneration committee during the period in question was not up for reelection in 2021 or 2022 because of staggered board terms; therefore, the funds' votes against his reelection in 2023 also reflect our concerns regarding the committee's failure to align executive pay to long-term performance outcomes.

At the 2023 annual meeting, the vice chair was reelected with only 58% support from shareholders.

(To read the full Voting Insights version, please see Vanguard's website.)

9 SCOR SE press release, 16 December 2020: Benoît Ribadeau-Dumas to succeed Denis Kessler as CEO

10 On 9 June 2023, SCOR announced that Mr. Kessler had passed away. We extend our deepest condolences to those who worked with him.

11 SCOR SE press release, 17 May 2021: The SCOR Board of Directors chooses Laurent Rousseau to succeed D. Kessler as Chief Executive Officer

12 SCOR SE press release, 26 January 2023: Thierry Léger is appointed Chief Executive Officer of SCOR

Contested slate elections in Italy

Region: EMEA

The Vanguard-advised funds vote on a case-by-case basis on all proposals related to the election of director slates in Italy. In assessing what is in the best interest of long-term shareholder returns, we consider the strategic case for change, the company's approach to governance and the quality of director nominees.

The majority of Italian public companies are controlled, meaning that a significant portion of the company's share capital is held by founders, a group of investors under a shareholder agreement or government-related entities. As a result of these ownership structures, a distinct corporate governance practice in Italy is slate voting, a system under which shareholders with a given minimum stake in a company can nominate a slate of candidates for the company's board of directors. This practice is designed to protect minority shareholders' interests, as it provides minority shareholders with a mechanism to increase independent oversight on the board. Under this practice, investors must vote on a bundled slate of directors and cannot vote on directors individually. At most Italian companies, the largest shareholders typically submit a list of nominees in order to appoint the majority of board members, including the board chair and CEO. Pursuant to Italian law, at least one board seat is reserved for a director elected from a minority list that is usually presented by minority shareholders. Shareholders can vote for only one director slate, and directors are selected from the competing slates in proportion to the votes they receive. Given this mechanism and system of representation, most board elections in Italy are not contested. Occasionally, however, contested elections do occur in the market.

Analysis and voting rationale

At the 2023 annual meeting of **Mediobanca SpA (Mediobanca)**, one of Italy's largest banks, the company's largest shareholder, Delfin, which owned 20% of the company's shares, submitted a slate with five director candidates in opposition to the 15 directors presented by the outgoing board. During our engagement, Delfin leaders confirmed that they were not challenging the company's recently announced strategic plan; instead, they said, they had concerns about the chair's independence because of his long tenure at Mediobanca and the company's absolute share price performance during his time as CEO and later as chair. Delfin leaders also highlighted the skills and experiences of the proposed nominees and stated that all nominees were independent of the board. Assogestioni, the Italian association of asset management companies, also presented a minority slate of three directors, who were all considered independent.

In our discussion with Mediobanca leaders, the team articulated the comprehensive, formal process that was undertaken with the help of external advisors to identify nominees with the ability to carry out the company's 2023–2026 strategic plan. The slate that was proposed by the outgoing board had a balance of incumbent and new directors; over half of the proposed nominees were new to the board and would increase the board's levels of gender diversity and independence.

Mediobanca leaders shared that they had engaged with both Delfin and Assogestioni. According to the company's bylaws, the minority slate of directors with the least votes is guaranteed one board seat as long as it is supported by at least 2% of shares. As a result, the incumbent independent director on the Assogestioni slate was guaranteed a seat on the board with the support of the slate's proponents.

Mediobanca and Delfin were not able to come to an agreement on the slate composition before the shareholder vote.

While Delfin raised some relevant questions around the succession planning process for the chair, our analysis found that there was not a compelling strategic case for change made by the dissident. Mediobanca had relatively strong performance over the last few years, and its new three-year strategic plan was not contested. Moreover, it appeared that the board was well-composed to oversee Mediobanca's long-term strategy. The company had made various corporate governance improvements that included increased levels of independence, diversity and shareholder representation on the board, in addition to the appointment of a lead independent director. The nominees proposed by the outgoing board had strong competencies in the banking sector, economics, law and risk management.

Outcome
Considering the historically relatively low levels of turnout at annual meetings in the Italian market, the likelihood of Delfin securing at least two board seats and a guaranteed seat for a director from Assogestioni's slate, the funds ultimately supported the slate proposed by Mediobanca's outgoing board.

The director slate submitted by Mediobanca received 52.6% support from shares represented in the meeting, the director slate presented by Delfin received 41.7% support and Assogestioni's director slate received 4.6% support. Of the 12 directors appointed by the board, two were Delfin-nominated directors and one was the independent incumbent director appointed by Assogestioni. We plan to continue engaging with Mediobanca on governance matters, including the succession planning process for the chair and the function of the lead independent director role under the new board.

(Please reference related Voting Insights, Contested board elections at Leonardo and Enel, found on Vanguard's website.)

Director election at Dechra Pharmaceuticals

Region: EMEA

Analysis and voting rationale
At **Dechra Pharmaceuticals (Dechra)**, a UK-based company that specialises in veterinary pharmaceuticals and related products, the Vanguard-advised funds supported the reelection of the chair despite noncompliance with ethnic diversity targets incorporated into the UK Listing Rules. Engagement with the board and company leaders allowed us to understand Dechra's public commitment to appointing a diverse director and the context around its approach to board refreshment plans.

Outcome
In January 2023, the board appointed a new diverse director as chair of the Remuneration Committee, thus aligning the board's composition with the UK Listing Rules' requirements.

Board skills and experience at Mitsui & Co., Ltd

Region: Asia

Analysis and voting rationale
Over the past few years, we have conducted regular engagements with company leaders at **Mitsui & Co., Ltd. (Mitsui & Co.)**, a Japanese-listed global trading and investment company. In our most recent engagement with Mitsui & Co. leaders, we discussed a range of corporate governance topics that included board composition. We shared our perspective on the importance of independence and having an appropriate mix of skills, experiences and expertise on the board to oversee company management, strategy and material risks.

We observed that the skills matrix included in the company's disclosure provided limited, high-level information, which gave the appearance that all directors on the board possessed the same skills. When asked about the skills matrix during the engagement, Mitsui & Co. leaders were able to provide detailed and useful information on the specifics of their directors' expertise that, in our observation, were not clearly represented in the matrix. We provided this feedback to the company and explained our view on the importance of clear disclosures for shareholders, how we use the skills matrix in our research to assess overall board composition, and the matrix's role in identifying how well-suited individual directors are to supporting and overseeing the company's business strategy and material risks.

Outcome
Following our engagement, company leaders informed us that the company decided to produce an enhanced skills matrix for board members. Alongside the skills matrix, a description of each board member was added to provide more information about their experience and track record. We shared our appreciation for the additional disclosure, which we believed would help all shareholders better understand the board's composition.

Gender diversity on Australian boards

Region: Australia/New Zealand

Given market expectations outlined by the Australian Securities Exchange (ASX), we reached out to more than 100 Australian-listed companies in 2022 to understand how their boards approached gender diversity at the board level. In 2023, we continued to engage with companies that fell short of the ASX Corporate Governance Principles' recommendation that no less than 30% of each gender be represented on boards of ASX300 companies. The funds did not support the election of certain directors at 11 ASX300 companies where we observed a lack of progress or responsiveness to market expectations related to board composition and gender diversity. Where we observed that commitments or progress towards the ASX Corporate Governance Principles' recommendation was not clear in the company's disclosures, we made efforts to engage with company leaders to inform voting decisions on behalf of the funds.

Analysis and voting rationale

Aussie Broadband Limited (Aussie Broadband), an Australian telecommunications and technology company, was included in the initial 2022 outreach. Although the company's board lagged the ASX Corporate Governance Principles' recommended 30% threshold, the funds supported the reelection of directors in 2022 because the company had just been admitted to the ASX300 during that reporting period. Ahead of their 2023 annual meeting, we observed that the company was still not meeting the 30% target. We reached out to Aussie Broadband to try to better understand how the board was thinking about gender diversity, since it did not appear to have a formal diversity policy or any disclosed, measurable or time-bound targets.

Outcome

We did not receive a response from the company, and given the lack of additional information, the funds did not support the reelection of the Nomination Committee chair, who we assessed held responsibility for the composition of the board.

Analysis and voting rationale

We engaged with representatives from **Silex Systems Ltd (Silex)**, an Australian-listed technology commercialisation company, for the first time in 2023. We discussed the composition of their board, including gender diversity, which fell short of the ASX Corporate Governance Principles' recommendation. We met with the chair of the board and the company's CFO. They expressed that given the size of the board – which in their view was appropriate based on the current size and phase of the business – it would not be an appropriate use of shareholder funds to expand the board solely to comply with the 30% target. In addition, Silex had just been readmitted to the ASX300 earlier in 2023, and Silex leaders shared that they had a number of women candidates in their CEO succession planning process. The CEO sits on the board as an executive director, so the appointment of any of these candidates would add to the balance of gender diversity on the board.

Outcome

Based on this additional information, the funds supported the director up for election, despite the company's not being in line with ASX-recommended practice at the time.

Analysis and voting rationale

At **Austal Limited (Austal)**, an Australian global shipbuilder and defence contractor, the funds supported the reelection of the board chair despite the company's board falling below the ASX Corporate Governance Principles' 30% threshold. When evaluating Austal's board composition, we referred to its disclosures to inform the funds' decision. The company had a time-bound commitment to a board comprising at least 30% women, which was disclosed in its Corporate Governance Statement.

Outcome

We noted that Austal revised and extended its previous board diversity target, which had been set for June 2023. We appreciated the disclosure and insight into the board's process that was provided to shareholders.

Board oversight of strategy and risk

Shareholder proposal requesting third-party assessment of workers' rights commitments at Starbucks Corporation

Region: Americas

Analysis and voting rationale
At the annual meeting of **Starbucks Corporation (Starbucks)**, a multinational specialty coffee roaster, marketer and retailer, the Vanguard-advised funds evaluated but did not support a shareholder proposal requesting a third-party assessment of the company's commitment to freedom of association and collective bargaining rights.

With respect to the shareholder proposal requesting a third-party assessment of Starbucks's commitment to freedom of association and collective bargaining rights, our independent research and analysis included an assessment of the materiality and the manifestation of the risk highlighted in the proposal. As part of our research, we engaged with a subset of the proposal's proponents to inform our perspective. The proponents shared concerns regarding erosion of shareholder value and the emergence of reputational and legal risks. In reviewing Starbucks's public disclosures and statements, as well as the proponents' arguments and public news coverage, we confirmed that the treatment of workers' legally protected rights could pose material legal and reputational risks. We consulted with legal experts to contextualise reports stating that Starbucks had violated federal labour laws, including recent rulings by the National Labor Relations Board. We concluded that even though these rulings – and the company actions they referenced – were specific to a small number of US Starbucks locations, they represented evidence of materialised legal risks.

During our engagement, members of the Starbucks board and company management detailed mitigation steps they had taken to oversee risks related to workers' rights, including increasing the board's exposure to frontline worker conditions and experiences. These actions indicated to us that the board and executive leadership team had taken steps to adjust their risk-mitigation approach to meet and address emerging risks.

We discussed with Starbucks leaders the company's supplemental proxy filing that committed the company to engaging independent third parties to conduct a human rights impact assessment across its value chain, including a review of the principles of freedom of association and the right to collective bargaining. We sought to understand the company's plans for addressing the root causes of employee concerns as well as the company's practices related to unionisation efforts.

Outcome
Although we assess workers' rights as a material risk at Starbucks, the funds ultimately did not support the shareholder proposal because of the company's commitment to engage independent third parties to conduct a human rights impact assessment, inclusive of workers' rights. That fact, combined with our assessment that the board appeared to be taking appropriate steps to remediate and address the risks, gave us comfort that the board was appropriately acting upon the issues identified by the shareholder proposal. In circumstances such as this, where a company has committed to substantially address the actions requested by a shareholder proposal, we look to the board and company management team to determine and execute the appropriate methods for that company to address a material risk. The proposal received 52% support from shareholders.

We will continue to engage with the company to understand how the board is composed and positioned to oversee the risks inherent in a retail environment, including the specific legal and reputational risks associated with workers' rights. We also look forward to the completion of Starbucks's human rights impact assessment and the action taken to support further risk mitigation.

(To read the full Voting Insights version, please see Vanguard's website.)

Shareholder proposal regarding disclosure of methane emissions at Coterra Energy Inc.

Region: Americas

Analysis and voting rationale

At the annual meeting of **Coterra Energy Inc. (Coterra)**, a US-based oil and gas producer, the Vanguard-advised funds voted in support of a shareholder proposal requesting that the board produce a report analysing the reliability of its methane emission disclosures.

At the 2023 annual meeting, Coterra received a shareholder proposal requesting that the board analyse the reliability of the company's methane emission disclosures, explain whether there is likely to be a material difference between direct measurement results and the company's reported methane emissions and assess the degree to which any differences would alter estimates of the company's Scope 1 emissions. We assessed the proposal as reasonable and relevant to a material risk for the company given its operations as an oil and gas producer, the financial materiality of methane emissions to the company and the company's settlement of criminal charges the prior year related to water contamination resulting from methane leakages by Coterra's corporate predecessor.

The proposal further requested that the company conduct the direct measurement using a recognised framework and suggested Oil and Gas Methane Partnership (OGMP) as a possible framework. However, the proposal was not prescriptive as to which framework should be used. Coterra disclosed methane emissions as a percentage of natural gas produced using an interpretation of Environmental Protection Agency (EPA) methodology that some critics consider outdated. We also observed that the company provides less disclosure of its emissions than its peers.

During our engagement with Coterra leaders, they acknowledged the importance of disclosure and described issues with the company's testing of direct measurements of methane emissions. Coterra leaders acknowledged gaps in the current EPA methodology and expressed that they perceived value in projects such as OGMP. They explained that their direct-measurement sampling results showed inconsistencies that they perceived to be the result of limitations in the available direct measurement technologies. Coterra leaders described their desire to see consistency in the company's testing results before disclosing an updated emissions inventory and would not commit to a timeline for disclosure.

In our assessment, the proposal granted the board sufficient flexibility to disclose the company's methane impacts through multiple calculation methodologies. The example framework suggested by the proponent provided guidance and flexibility (on both timing and calculation methods).

Risks associated with climate change are material for energy companies, and we observed that climate-related risks had materialised at Coterra as evidenced by its recent legal settlement. A misalignment between company and peer disclosure practices hinders the market's ability to accurately price the risks (and opportunities) associated with the company's strategy.

Outcome

As a result, the Vanguard-advised funds voted in support of the proposal, which passed with majority support. The funds did not support a separate shareholder proposal asking for a report on whether and how Coterra's lobbying activities and political influence aligned with the goals of the Paris Climate Agreement.[13] We found the proposal to be overly prescriptive and

13 The Paris Agreement sets a goal of holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. It does not prescribe a single pathway to reach those goals. Rather, it is a binding international treaty that requires all countries to commit to, communicate and maintain national-level greenhouse gas budgets to achieve the global temperature goal. The Vanguard-advised funds do not dictate company strategy. As shareholders, the Vanguard-advised funds seek to understand whether and how companies and their boards are planning for resiliency against the backdrop of this stated policymaker goal. We believe that boards are responsible for determining risk mitigation approaches to maximise shareholder value in their companies and planning for an uncertain future. Where there are legally binding or government-designated budgets for different industry sectors associated with the agreement, we believe companies should disclose how their targets and strategies are appropriate in the context of those factors.

not germane to the company considering that Coterra had not expressed any position on the Paris Agreement. The proposal failed to receive majority support.

(To read the full Voting Insights version, please see Vanguard's website.)

Risk oversight failure at Credit Suisse Group AG

Region: EMEA

Analysis and voting rationale
During a period of turbulence in the global banking sector, **Credit Suisse Group AG (Credit Suisse)**, a Swiss global investment bank and financial services firm, experienced a liquidity crisis in March 2023. This precipitated a Swiss government-brokered acquisition of Credit Suisse by UBS, announced that same month. Under the deal, UBS agreed to acquire all outstanding shares in Credit Suisse in a stock transaction valued at CHF 3 billion ($3.25 billion USD).[14] The takeover, which does not require shareholder approval, remains subject to closing conditions and is expected to close by the end of 2023.[15]

In recent years, Credit Suisse has been subject to numerous investigations and proceedings concerning business units in multiple jurisdictions, and these incidents resulted in a series of investigations, fines and executive turnover.

In light of Credit Suisse's recent liquidity crisis, which demonstrated a failure of the company's risk oversight and controls, the funds voted against the discharge of directors at the 2023 annual meeting.[16] This marked the second year the funds voted against the discharge of directors at the company because of risk-oversight concerns. At Credit Suisse's 2022 annual meeting, the funds' vote against the discharge of directors reflected concerns with identified deficiencies in Credit Suisse's risk and control framework that were in place during fiscal year 2020. An independent investigation had concluded that Credit Suisse suffered substantial losses as the result of a fundamental ". . . failure to effectively manage risk in the Investment Bank's Prime Services business by both the first and second lines of defence."[17]

The funds' 2023 votes were informed by evidence of board oversight failure, including the lack of adequate oversight of material risks, that resulted in significant destruction of shareholder value. As of 24 March 2023, Credit Suisse's stock price traded at $0.86 USD, reflecting an approximate 95% decline in shareholder value over the past five years. The pattern of materialised risks at Credit Suisse led us to consider whether the funds should withhold support for the election of one or more of the directors on the ballot to express our concern.

Outcome
Ultimately, we determined it was in the funds' interests to vote against the re-election of both the Risk Committee chair (who was also a company-designated financial expert on the Audit Committee and previously chaired the Audit Committee) and the longest-tenured member of the Risk Committee. These votes demonstrated our concern that the board had not adequately overseen risks or managed material weaknesses. In our view, it was in the best interest of shareholders to have some level of continuity on the board to facilitate the acquisition by UBS;

14 Credit Suisse press release, 19 March 2023: Credit Suisse and UBS to Merge (credit-suisse.com)

15 This Voting Insights was originally published on 12 May 2023. Following the merger of the holding companies UBS Group AG and CS Group AG on 12 June 2023, the Board of Directors of UBS Group AG has approved the execution of a merger of UBS AG and Credit Suisse AG. The completion of the merger is subject to regulatory approvals and is expected to happen in 2024. UBS Group AG press release, 7 December 2023: UBS AG and Credit Suisse AG enter into definitive merger agreement (ubs.com)

16 Under the Swiss Code of Obligations, a shareholder vote on the discharge of board members and senior management is required; shareholders of publicly listed companies must vote annually on the ratification of the actions of the board and senior management in the previous fiscal year. A ratification vote discharges directors from liability for board or management decisions that could have a negative effect on shareholder value and have been fully disclosed to shareholders. In addition to releasing directors from legal liability, the discharge of board members can also be interpreted as a symbolic vote on the confidence shareholders have in a company's governance practices and whether the board and management have appropriately discharged their duties in the past fiscal year.

17 Credit Suisse press release, 29 July 2021; available at https://www.credit-suisse.com/about-us-news/en/articles/media-releases/archegos-202107.html

as such, we determined that voting against the whole board would not be in the best interests of the funds.

Days before the annual meeting, Credit Suisse announced the withdrawal of the director discharge proposal from the ballot. Several days later, multiple directors, including the Risk Committee chair and the longest-tenured member of the Risk Committee, announced they would not stand for reelection.

(To read the full Voting Insights version, please see Vanguard's website.)

Supply chain risk management at Hyundai Motor Company

Region: Asia

Analysis and voting rationale

In May 2023, members of Vanguard's Investment Stewardship team met with leaders of **Hyundai Motor Company (Hyundai)**, a South Korean multinational automotive manufacturer, to discuss board oversight of material risks – including material risks related to supply chain management – because some of Hyundai's US suppliers were accused of using child labour. In February 2023, Hyundai's president and CEO wrote a letter to shareholders in which he announced that the company was implementing new, more stringent workforce standards throughout its supply chain as a direct response to the investigation into suppliers accused of hiring underage workers in a US plant.

The company publicly stated that, although internal investigations did not find any breaches of labour rights at Hyundai's US direct suppliers, third-party staffing agencies were found to be providing false documentation to suppliers, and, consequently, relationships with those agencies had been terminated. Hyundai confirmed that its investigations into the alleged child labour instances were completed, and the company planned to focus on accelerating work on improving risk management, with special attention to human rights risks.

We sought to understand the company's plans to extend its review of labour standards across the supply chain outside of direct suppliers, and Hyundai leaders shared that there were challenges in monitoring the company's supply chain beyond the first tier, including limited influence over suppliers further down its supply chain. Hyundai leaders, however, confirmed that the company aimed to expand supplier inspections going forward. The company initiated supply chain inspections at the local level and had plans to review global suppliers because the board recognised the need for these assessments across global operations. At the time of our engagement, Hyundai had recently established a new procurement department to conduct these inspections, and the company was in the process of installing anonymous hotlines to enhance its whistleblowing system. We encouraged Hyundai leaders to enhance disclosure on how these planned actions would be implemented, along with their impact.

Hyundai leaders relayed that the Sustainability Management Committee, a standalone board committee, was responsible for overseeing the matter and that the board was regularly informed of the progress of the corrective steps taken. Hyundai leaders highlighted that they believed that the key allegations had been addressed and that the company's plans now focused on strengthening its supply chain risk management generally.

Outcome

We underscored the importance of disclosure and dialogue between shareholders and independent board members. Given that we are primarily interested in how the board is involved in the oversight of material risks, we look for such discussion to include an independent director. We plan to continue to monitor Hyundai's management of supply chain-related risks and hope to engage with independent directors in the future.

Say on Climate proposal at Woodside Energy Group Ltd

Region: Australia/New Zealand

Analysis and voting rationale

Woodside Energy Group Ltd (Woodside), an Australian-listed global energy company, put forward a Say on Climate proposal at its 2022 annual meeting. The Vanguard-advised funds did not support the proposal. We engaged with

Woodside leaders ahead of the 2023 annual meeting to discuss the company's approach to managing material climate risks, how the board oversees those risks and the enhancements made to the company's climate disclosures following high levels of shareholder dissent on the company's 2022 Say on Climate proposal.

During the engagement, Woodside leaders shared details about the process for improving the company's reporting – including hosting an investor roadshow to better understand investor feedback – and outlined the changes made. We provided feedback on the importance of decision-useful disclosure and the difficulties we had in identifying and understanding the main changes to Woodside's report. We suggested that a summary of changes may be helpful to shareholders. Woodside leaders also provided additional examples of areas where steps were being taken to address material climate risks that were not included in the report; we explained that this information would be helpful to disclose in order to give shareholders a more complete picture of enhancements made to Woodside's most recent climate report. Woodside's initial Say on Climate proposal at its 2022 annual meeting was as an advisory vote; the plan was to allow shareholders to vote every three years on the report unless material changes were made. Although a vote was not required, given the high level of shareholders that did not support the report, we questioned why Woodside had elected not to put a Say on Climate proposal forward at the 2023 annual meeting, which would allow shareholders an opportunity to express their views on the updated report. We explained our view that such an action would demonstrate that shareholder input was being appropriately considered.

Outcome
Following the engagement, and in advance of Woodside's 2023 annual meeting, we received communication from Woodside that provided a clear summary of the changes made to its most recent report; it highlighted the improvements made by directly comparing the 2022 disclosures with those published in the 2023 climate report. Woodside also announced that the next iteration of the climate report would be put up for shareholder vote at the 2024 annual meeting.

We were encouraged to see the board and management's responsiveness to shareholder feedback.

Executive pay (compensation and remuneration)

Executive compensation and shareholder rights at W&T Offshore, Inc.

Region: Americas

Analysis and voting rationale
W&T Offshore, Inc. (W&T Offshore), is a US oil and natural gas producer active in the acquisition, exploration and development of oil and natural gas properties. At the company's annual meeting, the Vanguard-advised funds voted in support of the advisory vote on executive compensation ("Say on Pay"), which marked the first time the funds supported Say on Pay at W&T Offshore since 2014. The funds also supported four proposals related to shareholder rights: to eliminate supermajority voting, to grant shareholders the right to amend bylaws, to lower the ownership threshold for shareholders to call a special meeting to 25% and to grant shareholders the right to act by written consent.

We have engaged with W&T Offshore for several years on Say on Pay and governance practices. During our engagements with company leaders in 2021 and 2022, we discussed the board's perspective on its executive compensation structure, shared our perspective on performance-linked executive compensation policies and practices and reinforced how we evaluate executive compensation. We also emphasised the importance of disclosures, which enable our analysis and help shareholders understand the compensation committee's process and the rigour of the pay programme. We also encouraged company leaders to consider the benefits of adopting more shareholder-friendly governance practices including a majority vote standard and shareholders' right to amend bylaws.

In our review of the company's 2023 proxy filing, we noted several changes to the executive compensation plan. These changes included a three-year performance measurement period for the long-term equity incentive plan and the reduction in short-term incentives as a percentage of overall compensation. The Compensation Committee also removed single-trigger change in control payments (when cash severance payments are triggered solely by the occurrence of a change in control) and single-trigger vesting of equity awards in connection with a change of control. These changes addressed items of concern we had discussed with W&T Offshore leaders in our previous engagement. The company also provided disclosure in their 2023 proxy filing, stating that changes were in response to shareholder feedback. In an engagement before the 2023 annual meeting and in the company's proxy filing, W&T Offshore leaders shared plans to further drive the alignment between executive incentives and long-term returns for shareholders. Planned changes for 2024 included a greater reduction in the proportion of short-term incentives as a percentage of overall compensation and a better alignment of pay and performance through revised benchmarking practices.

In its 2023 proxy statement, W&T Offshore also disclosed the board's intent to support the adoption of a variety of governance provisions they found to be in the best long-term interests of shareholders. In our engagement prior to W&T Offshore's 2023 annual meeting, we provided feedback in support of the governance changes recommended by the board, which included the elimination of supermajority voting, the addition of the shareholders' right to amend bylaws, a 25% ownership threshold for shareholders to call a special meeting and the addition of the shareholders' right to act by written consent. W&T Offshore leaders stated that these changes were being adopted in direct response to shareholder feedback. W&T Offshore also included disclosures in the proxy filing that outlined the board's process for deliberating and recommending changes to the company's governance and pay practices, which included the incorporation of aggregate investor feedback resulting from the board's shareholder outreach programme.

Outcome

On the 2023 voting ballot, the funds supported management proposals on Say on Pay as well as the four shareholder-rights-related governance amendments. In our review of Say on Pay, we found that the board continues to have an opportunity to better align executive pay with long-term shareholder returns and enhance disclosures surrounding responsiveness to shareholders. However, in our assessment, the board showed appropriate responsiveness to shareholder perspectives and a commitment to further improving the alignment between shareholder returns and executive compensation over time.

(To read the full Voting Insights version, please see Vanguard's website.)

ESG metrics in compensation plans at Cummins Inc.

Region: Americas

Analysis and voting rationale

Cummins Inc. (Cummins), a US-based global company known for its design, manufacturing, distribution and servicing of diesel and natural gas engines, electric and hybrid powertrains and related components, received a shareholder proposal for its 2023 annual meeting. The proposal called for the disclosure of a plan, at a reasonable cost, that would link executive compensation to the company's stated commitment to achieving a 1.5°C-aligned reduction in greenhouse gas emissions, including Scopes 1, 2 and 3 greenhouse gas emissions, throughout the company's value chain.

We do not believe there is a one-size-fits-all approach to executive compensation. We do, however, look for metrics within an executive compensation plan, whether financial or nonfinancial, to be rigorously designed, clearly disclosed and tied to performance goals related to strategic objectives or material risks to shareholder value. We caution against the use of nonfinancial metrics (including ESG metrics) to signal a commitment to sustainability matters that are not directly tied to the company's strategy and financial performance. Although we understand the appeal of a test-and-learn approach to the inclusion of ESG metrics, we look for portfolio companies to map key ESG opportunities and material ESG risks to their business and to develop robust internal and external reporting before ESG metrics are included in executive compensation plans.

As part of our analysis of the shareholder proposal at Cummins, we reviewed the company's compensation plan and did not identify concerns with the plan's design or metrics. Additionally, we reviewed Cummins's stated strategy for addressing climate-related risks and the board's oversight of those climate-related risks. In our review, we found that Cummins had established science-based targets for reducing emissions in its operations and products. The company was also reporting its progress against its stated strategy related to emissions reduction, including a comprehensive "Destination Zero" strategy aimed at curbing greenhouse gas emissions and minimising the environmental impact of its products.

Outcome
Consequently, the funds did not support the shareholder proposal because we determined that Cummins's existing compensation plan was reasonably designed in the context of the company's strategy.

Executive remuneration in the Netherlands

Region: EMEA
Following implementation of the European Shareholder Rights Directive II in 2020, Dutch law requires that public companies listed in the Netherlands put forward annual advisory votes on the company's remuneration report and binding votes on the remuneration policy at least every three years. As market practice has developed, we have observed that while many Dutch companies' remuneration policies are well-aligned with company performance, other remuneration policies have significant room to improve policy disclosure and structural alignment with long-term shareholder returns.

Analysis and voting rationale
In 2022, we engaged with a number of Dutch portfolio companies to learn how boards were thinking about evolving remuneration structures and disclosure following three years of shareholder votes on remuneration reports and remuneration policies. We also shared our perspectives on best practices for aligning pay with long-term shareholder returns. We encouraged Dutch companies to disclose performance metrics, targets and outcomes included in incentive plans to help investors understand how boards maintain alignment between pay and performance outcomes.

Continuing a trend from prior years, remuneration-related votes were commonly the most contentious topic at Dutch annual meetings in 2023; they received lower shareholder support than other categories of proposals. In line with the funds' proxy voting policies, we employ a case-by-case approach when evaluating remuneration reports as well as remuneration policies.

In 2023, the Vanguard-advised funds supported approximately 75% of remuneration-related proposals in the Netherlands, including proposals at three companies **(Flow Traders NV, Shop Apotheke Europe NV and Stellantis NV)** where more than 20% of shareholders voted against these proposals in 2022 and 2023. In each of these cases, the Vanguard-advised funds had also voted against the remuneration-related votes in 2022 and engaged with the companies to share our perspectives. We deemed that each company made changes to remuneration-related disclosure and/or practices that demonstrated stronger alignment to long-term investor returns, and the Vanguard-advised funds consequently supported the proposals in 2023. In 2023, we reached out to Dutch portfolio companies where more than 20% of shareholders voted against a remuneration-related proposal to better understand how those companies' boards were interpreting shareholder votes and any subsequent feedback. Where appropriate, we reiterated our support for the board's chosen approach or provided feedback on potential areas for improvement.

Outcome
One of the unique features of Dutch remuneration reporting is a Dutch legal requirement for companies to disclose how they have considered the "social acceptance" of executive pay. The Netherlands also has a significant number of multijurisdictional companies with headquarters, listing or significant operations in other countries. One of the recurring themes we heard from boards of Dutch companies was the challenge of demonstrating social acceptance when benchmarking against companies listed in regions where testing against social acceptance is not required by law or market practice. Against such

a backdrop, it is likely that remuneration votes will continue to be contentious in the Netherlands. Through engagement, we will continue to share our perspective on the importance of aligning executive incentives with long-term shareholder returns and providing clear disclosure regarding the board's process.

Ongoing executive pay concerns at Carrefour SA

Region: EMEA

Analysis and voting rationale

Carrefour SA (Carrefour) is a multinational retail and wholesale company headquartered in France that offers e-commerce and operates hypermarkets, supermarkets, convenience stores and cash-and-carry stores. We have engaged with Carrefour leaders regularly for several years. In the past, the Vanguard-advised funds have expressed particular governance concerns by not supporting certain management proposals at Carrefour's annual meetings, including remuneration-related proposals and director elections, because of insufficient committee independence and concerns regarding director capacity and commitments.

While the company has taken steps to address some of these matters, a recurring area of concern has been executive pay. This has been reflected in persistently high shareholder dissent on remuneration-related resolutions over a multiyear period, including the Vanguard-advised funds' lack of support of remuneration proposals at each of Carrefour's last five annual meetings. The funds also voted against Remuneration Committee members at the company's 2021 and 2022 annual meetings.

We met with company leaders and an independent director ahead of Carrefour's May 2023 annual meeting. On the topic of executive remuneration, we queried the board's responsiveness to past shareholder dissent and sought to understand how the CEO's pay plan was structured to support Carrefour's strategy, align executive pay and company performance and reflect the experience of company shareholders over the long term. While we acknowledged the steps the company had taken to enhance its executive pay practices, including in some areas of the remuneration policy and by providing enhanced disclosure, we shared our concerns about the overall design of the plan and its past implementation.

We do not believe there is a one-size-fits-all approach to executive remuneration. We look for metrics – financial and nonfinancial – within an executive remuneration plan to be rigorously designed, thoroughly disclosed and tied to long-term performance goals related to strategic objectives or material risks. In Carrefour's case, we observed ongoing structural weaknesses that we determined to be inconsistent with these principles. While we understand that Carrefour was in a period of transition at the time of its 2023 annual meeting, the CEO's variable pay outcomes (consisting of an annual bonus and long-term incentive award) have not always reflected the company's performance relative to peers or shareholder returns.

Outcome

Although the funds supported the CEO's remuneration for the past fiscal year at the 2023 annual meeting, the funds voted against the forward-looking remuneration policy. We observed adequate pay and performance alignment for the historical period under review; however, we continue to have concerns regarding the robustness of variable pay components, including the performance conditions applied and how these serve to link executive remuneration outcomes to the shareholder returns over the long term.

In November 2023, we met again with executives at Carrefour. They explained that the board was reviewing the company's executive remuneration policy and they were seeking an open dialogue with shareholders to gather perspectives. We were encouraged by Carrefour's willingness to engage and the company's receptiveness to our feedback. We look forward to contributing further to this discussion as the board's work progresses.

Pay quantum and structure at InterContinental Hotels Group PLC

Region: EMEA

Analysis and voting rationale

Following engagement with board directors and company executives on executive remuneration and talent management, the Vanguard-advised funds supported the remuneration report and policy vote at the 2023 annual meeting of **InterContinental Hotels Group PLC (IHG PLC)**, a UK-listed global hospitality company.

Members of Vanguard's Investment Stewardship team engaged with board directors of IHG PLC ahead of the annual meeting to better understand how the board approached executive recruitment and succession planning. During these engagements, IHG PLC leaders explained changes to the remuneration policy that were made against a backdrop of a significant revenue base and talent pool weighted towards the US. The company also reflected on the challenges of setting competitive pay packages in the UK in an environment of heightened public scrutiny of quantum.

Outcome

After early rounds of shareholder consultation, an initial proposal to introduce a hybrid performance share/restricted stock scheme designed to better compete with US-based competitors was withdrawn. Exacerbating the challenge for IHG PLC, a similar hybrid scheme was in place for executives below the board level whose packages were not subject to shareholder votes. The final proposals put forward for a shareholder vote at the annual meeting included increases in performance-linked incentive opportunities for company executives.

When navigating the need to set competitive executive pay in a complex global market, we encourage companies to prioritise alignment of executive incentives and long-term investment returns for company shareholders in their decision-making processes, and to provide reasonable disclosure of how they benchmark executive pay figures in the context of their operations and talent pools. We assessed that IHG PLC positioned executives' quantum opportunities in a way that was appropriately linked to performance targets. This positioning incentivises delivery of long-term shareholder returns while remaining sensitive to local market practice in the UK. The Vanguard-advised funds thus supported IHG PLC's remuneration policy.

Executive remuneration at Qantas Airways Limited

Region: Australia/New Zealand

Analysis and voting rationale

Over the last three years, we have held regular engagements with independent directors and executives at **Qantas Airways Limited (Qantas)**, an Australian-listed domestic and international airline. In 2023, Qantas was navigating a series of public controversies which, combined with the retirement of its long-term CEO, fuelled shareholder concern and media scrutiny. In October 2023, we engaged with Qantas leaders in advance of the company's November 2023 annual meeting to understand how the Qantas board of directors was planning to respond to the oversight failures.

In October 2023, we engaged with the chair of the board and the chair of the Remuneration Committee. Our discussion focused on the structural changes and outcome adjustments to executive remuneration that the board made in response to the controversies. One of the key decisions made by the board was to apply downward discretion to the customer metric in the Short-Term Incentive Plan (STIP) scorecard for all executives. The Remuneration Committee chair explained that delivery of the STIP had been delayed, subject to the outcomes of Australian Competition and Consumer Commission proceedings. For the Long-Term Incentive Plan (LTIP), the 2021–2023 award vested in full, based on the achievement of Qantas's relative total shareholder return metrics. During our engagement, Qantas directors shared that the board could extend the LTIP award's holding period and that the clawback mechanism could also be used, if deemed appropriate. The Remuneration Committee chair also shared that the board decided to increase the weighting of the 2023–2024 STIP customer metric and to introduce a reputation-based component into the 2024–2026 LTIP in response to the controversies. We viewed the structural changes to the executive remuneration plan as an appropriate initial step in aligning Qantas's executive compensation with the board's overall plan to address the reputational issues the company was facing.

We determined that it was important that the board retain discretion on remuneration vesting outcomes given the uncertainty surrounding the ongoing controversies. The Recovery Retention Plan (RRP) had what we assessed to be rigorous stretch targets. These targets were met, so the award was paid out in full. Despite the lack of a clawback on the RRP, we assessed that a significant portion of pay remained at risk given the clawback available on both the STIP and LTIP. We are also cognisant of the uncertain and unprecedented COVID-19 environment during which the RRP was created.

Outcome
We subsequently supported the remuneration report proposal. Shortly after our engagement in October, Qantas announced board renewal plans in recognition of the recent controversies. The chair would retire prior to the company's next annual meeting, and two other independent directors, including the chair of the Remuneration Committee, would retire in February 2024. The departing CEO's awards included a clawback mechanism that the board would be able to exercise if needed. Therefore, we assessed the board renewal as an appropriate response to recent events. However, in our view, it was important that the Qantas board maintain a degree of stability during this volatile period. Therefore, we did not consider it necessary or appropriate to withhold support from additional directors up for reelection.

We plan to monitor the developing situation at Qantas and pay particular attention to remuneration outcomes that have been deferred.

(To read the full Voting Insights version, please see Vanguard's website.)

Shareholder rights

Officer exculpation at Dick's Sporting Goods, Inc.

Region: Americas

Analysis and voting rationale
At its 2023 annual meeting, **Dick's Sporting Goods, Inc. (Dick's)**, a US-based omnichannel retailer that serves athletes and outdoor enthusiasts, sought approval of a proposal to allow for the limitation of liability of certain company officers, known as officer exculpation. The company's proposal was one of many proposals submitted by US companies related to this issue in 2023; these proposals were a direct result of the August 2022 changes to state corporate law in Delaware, where many public US companies are incorporated. The changes enabled companies to include provisions in their corporate charters that limit company officers' liability, which, in our assessment, was a natural extension of the long-standing law allowing for the exculpation of company directors. Before the 2022 changes to Delaware corporate law, shareholders often bore the cost of litigation, settlement and increased insurance premiums associated with protecting company executives.

Outcome
In 2023, the Vanguard-advised funds supported company charter changes when the proposals focused on exculpation and did not try to expand protections beyond the terms specified by Delaware General Corporation Law (for example, limiting liability for breach of loyalty, or for acts or omissions involving intentional misconduct or knowing violation of law). Upon review, we found that the proposal submitted by the Dick's board appropriately balanced shareholder rights with the need to limit officer liability; as such, the Vanguard-advised funds supported the proposal.

Dual class voting at Elekta AB

Region: EMEA

Analysis and voting rationale

Members of the Vanguard Investment Stewardship team met with the board chair and investor relations team at **Elekta AB (Elekta)**, a Swedish medical technology company providing clinical solutions for treating cancer and brain disorders globally. Elekta had its IPO in 1994 and has had a dual-class voting structure in place for its nearly 30 years as a publicly listed company.

Members of Vanguard's Investment Stewardship team engaged with Elekta leaders for the first time ahead of the company's 2023 annual meeting to discuss a recurrent shareholder proposal.

The proposal requested that the company amend its articles of association to require that all share classes carry equal voting rights. The Vanguard-advised funds' proxy voting policies support "one-share, one-vote" structures that grant shareholders voting rights in proportion to their economic interests; as such, we assessed that the shareholder proposal highlighted a material governance risk at Elekta related to the protection of shareholder rights. Through engagement, we sought to better understand the board's perspective on why a dual-class structure was a more appropriate fit for Elekta and to better understand the risk at both a company-specific and market level, considering the prevalence of dual-class structures in Sweden. We also sought to share our preference for a one-share, one-vote structure as a means for promoting shareholder rights.

Company leaders shared the market nuance, historical context and common practice of dual-class structures in Sweden. We shared feedback that some additional safeguards – such as sunset provisions to move to one-share, one-vote structures that protect minority shareholder rights – could be reassuring for minority shareholders. Our engagement with Elekta did not provide us with a sufficient level of assurance that the company had adopted appropriate provisions to align the company's practices more closely with corporate governance practices and protections that were in the interests of all shareholders.

Outcome

As a result, the Vanguard-advised funds supported the shareholder proposal. Ultimately, the proposal was withdrawn and Elekta did not disclose vote results from the annual meeting. While it is common in Sweden to not disclose vote results, vote result disclosure is a corporate governance practice that enables shareholders to assess support levels for proposals and corresponding responsiveness from the board.

Advance notice provision at LXP Industrial Trust

Region: Americas

In 2023, we observed that many US-domiciled companies amended their bylaws in response to the adoption of universal proxy rules. Many also took the opportunity to update their advance notice provisions for director nominations and shareholder proposals to ensure compliance with the universal proxy rules and, in some instances, to add other requirements. In our assessment, most of those changes have been reasonable from a shareholder rights perspective, with only a small subset appearing to be potentially onerous and intrusive on shareholder rights. Overly onerous advance notice provisions could infringe on shareholder rights and serve to entrench boards and company management in a manner that could present a risk to long-term shareholder returns. Additionally, in our assessment, requiring detailed information from shareholders about past and future activist activity – such as a request to disclose all director nominees and/or shareholder proposals that a nominating shareholder has submitted in the past or intends to submit in the future at another issuer – does not provide investors with information that is material to a voting decision.

Analysis and voting rationale

At **LXP Industrial Trust**, a US-based industrial real estate investment trust, we met with members of the board and executive team to discuss the board's recent unilateral adoption of several advance notice bylaw provisions. The provisions in question required that a shareholder proponent provide a detailed description of any director nominees or shareholder proposals submitted at another issuer in the past three years or any that they intended to submit in the next year as well as a requirement that the proponent disclose information regarding limited partners. In our assessment, the advance notice provisions unilaterally adopted were overly onerous and would not provide investors with information that would be material to a vote decision.

Outcome
While LXP Industrial Trust leaders initially considered the requested disclosure to be helpful information to shareholders in evaluating shareholder proposals, further engagement revealed shareholders' concerns about such requirements. After hearing that many shareholders considered these provisions unduly burdensome, the board repealed the bylaw provisions.

Takeover defence plan at Cosmo Energy Holdings Co., Ltd

Region: Asia

Analysis and voting rationale
At the 2023 annual meeting of **Cosmo Energy Holdings Co., Ltd. (Cosmo Energy)**, an integrated oil company, the company asked shareholders to approve a poison pill against a certain shareholder and related parties. This was unlike most pills in Japan, which are often general and outline the circumstances under which a company could issue warrants to dilute a bidder's holding if they tried to initiate a hostile takeover bid.

Outcome
In this case, upon engaging with Cosmo Energy's leaders and reviewing its disclosures, we did not find that the company had a compelling rationale for why it should be able to block a takeover bid from this shareholder. Therefore, the funds did not support the company's introduction of the pill.

Engaging on behalf of fixed income funds
Separate from Investment Stewardship's engagements on behalf of Vanguard-advised funds, Vanguard FIG credit research analysts engage with issuers, and these engagements are among the many informational inputs that FIG may use to integrate risk considerations into its investment process. As discussed in Vanguard's approach to ESG on page 10, FIG credit research analysts regularly meet with issuers to discuss a range of topics that may pose a financial or reputational risk to an issuer, including material ESG risk.

Engagements help credit research analysts to identify relevant material risk factors, including material ESG risks, to assess their impacts on the credit risk and financial performance of the issuer and its bonds. Analysts also seek to understand whether issuers have plans in place to address and oversee those material risks. Vanguard FIG supports the disclosure of material financial risks so that these risks can be better reflected in bond prices and investors can make informed decisions. Vanguard believes both investors and the market benefit when material risks, and strategies for mitigating them, are appropriately disclosed.

This analysis is critical as it supports FIG's objective of understanding and driving better issuer selection to promote long-term shareholder returns for Vanguard fund investors.

With the focus on financial materiality, engagement with issuers helps inform FIG's views on the financial and non-financial risks and opportunities that may materially impact an issuer's ability to meet its current and future obligations. Through these engagements, the team seeks information to help form views on future risks and risk mitigation, and looks for improved company disclosure and reporting to support better analysis.

Engagements held jointly between Vanguard Investment Stewardship team members and Vanguard FIG credit research analysts help to raise acumen across key material risk topics, including ESG topics. Joint engagements will be held throughout the year if it is determined that a meeting including both Investment Stewardship team members and FIG credit research analysts is the most efficient mechanism for understanding material ESG-related risks to long-term shareholder returns.

Vanguard FIG continues to make improvements to its stewardship efforts to ensure credit research analysts have the right data, the right conversations and consistent global processes to efficiently analyse and incorporate material ESG risk factors within their investment processes.

Case study: Arkema
In 2023, FIG credit research analysts met with **Arkema**, a French multinational manufacturer of specialty materials, as part of a credit review discussion. While FIG's credit research analysts are familiar with the company's corporate social responsibility efforts, they wanted to gain a better understanding into Arkema's Innovative and Sustainable product solutions. The engagement focused on the company's rationale for research and development spend for the sustainable development of their product line-up and the metrics used to inform decisions in this area.

During our engagement, Arkema shared that its investment in product and development will help the company to remain competitive. In addition to the company's corporate social responsibility efforts, Arkema expects client demand for environmentally friendly products will increase. The company further shared that it is establishing internal targets that they assess to be more rigorous than those required by regulators. Environmental regulatory requirements also apply to large industrial companies that use chemicals as inputs. Arkema's efforts to improve its own products can potentially have a positive impact on these chemical suppliers.

As a result of the meeting, FIG credit research analysts gained confidence that Arkema is considering long-term commercial risks and benefits when evaluating sustainability factors within its products and supported the analysts' improving ESG trend assessment.

Case study: Aurizon Holdings Limited
Investor roadshows provide another opportunity to engage with issuers around sustainable debt issuance. These roadshows can serve as an input to credit research analysts' investment due diligence as they try to understand an issuer's need for the bond issuance and how the debt will be repaid and can help to inform an analyst's investment decision.

Aurizon Holdings Limited (Aurizon) is a leading Australian integrated rail operator and a top 100 company listed on the Australian Securities Exchange (ASX).

Aurizon provides large-scale supply chain solutions to a diverse customer base, including operating one of the world's largest coal haulage networks in the state of Queensland, which supports 90% of Australian metallurgical coal exports. Around 70% of the volume hauled across Aurizon's network is metallurgical coal with the remaining 30% thermal coal. FIG credit researchers' investment thesis on Aurizon considers the company's commitment to diversify and derisk its earnings base. Aurizon held an Investor Day in 2023 to articulate the company's earnings diversification and decarbonisation strategy. At this meeting, Aurizon discussed its acquisition of One Rail Australia and the "land-bridge" strategy (to improve freight rail service between the northern port of Darwin and key Australian markets), both of which are aimed at increasing earnings diversity. Aurizon's rail network plays an important role in Australia's transition to a low-carbon economy, and the shift from road-to-rail transportation improves ESG credentials, with 95% less carbon emissions per metric ton transported by rail compared with road. A successful execution of the landbridge strategy could reduce thermal coal contribution to company revenues from 33% in fiscal 2023 to 20% in 2030. This would support the company's decarbonisation plan to achieve net zero operational emissions (Scopes 1 and 2) by 2050.

Engagements with Aurizon have enabled our FIG credit research team to gain a better understanding of the company's level of risk related to climate and other ESG matters. The information gained provided our credit research analysts with a comfort level regarding key risk information being reported. The critical nationwide infrastructure network that Aurizon operates and the ongoing strong financial support from Aurizon's banking panel contributed to our assessment that the company has an improving ESG profile.

Proxy voting

How the funds vote

Vanguard's Investment Stewardship team independently administers proxy voting on behalf of Vanguard-advised funds. Vanguard's goal in the proxy voting process is to maximise long-term financial value creation for the funds and their investors. An experienced team of analysts evaluates proxy ballot items and bases the funds' votes on clear, publicly disclosed policies approved by the board of each US Vanguard-advised fund and respective regional boards. The team assesses each proposal on its merits and each proxy decision is based on a case-by-case assessment of the facts and circumstances at the company in question. Complex, contentious or novel voting matters are escalated to senior leaders, who provide oversight of the analysis and approve the ultimate vote decision; some of these votes are further escalated to the Investment Stewardship Oversight Committee for input and direction, as well as ultimate approval.

The team applies the funds' policies by assessing each proposal on its merits and by making balanced, case-by-case assessments of the facts and circumstances at the company in question. Multiple inputs are used as part of the team's research and voting process; however, all voting decisions are made independently on behalf of each Vanguard-advised fund.

Vanguard's Investment Stewardship team intends to vote at all meetings where Vanguard-advised funds are eligible to vote. For the year ended 31 December 2023, Vanguard-advised funds voted at 99% of eligible meetings. A fund may refrain from voting some or all of its shares on a particular matter if doing so is impracticable or would not be in the best interests of the fund and its investors. Such situations may arise if, for example, the expected cost of voting exceeds the expected benefits of voting. These circumstances may arise due to liquidity constraints imposed by voting; untimely ballots or materials; or limitations on voting as a result of a company's governing documents or applicable law, regulation or agreements with state, federal and non-US regulators.

Most matters on which the Vanguard-advised funds vote concern routine corporate governance matters (such as the election of board directors, the ratification of auditors, and the approval of executive pay). For the three years ended 31 December 2023, less than one-half of 1% of proxy ballot items voted on behalf of Vanguard-advised funds have concerned environmental and social matters. Whether evaluating routine matters proposed by management or proposals put forth by another shareholder, Vanguard's Investment Stewardship team is guided by a focus on maximising long-term shareholder returns at each portfolio company in which Vanguard-advised funds invest.

Proxy voting policies and procedures

Each fund's proxy voting policies and procedures are designed to promote long-term shareholder returns by supporting effective corporate governance practices. The proxy voting policies for each of the Vanguard-advised funds detail the general positions of the fund on proxy proposals that appear frequently at public companies (for example, proposals to approve executive pay plans). The Vanguard-advised funds have also developed country- or region-specific policies for markets where the funds have significant portfolio company holdings. These regional policies reflect local market nuances on regulatory requirements and governance practices. When we encounter a ballot item for which specific policies are not defined in the funds' voting policies, the vote is determined on a case-by-case basis consistent with the pillars articulated in the funds' proxy voting policies and each fund's investment objective.

We regularly review the funds' proxy voting policies and procedures, and, at least annually, submit them to the Investment Stewardship Oversight Committee, the board of each US Vanguard-advised fund and the relevant regional board, including any recommended changes, for consideration and approval. Recommendations to update the proxy voting policies – subject to the approval of each relevant board – take into account evolving market standards, the legislative and regulatory landscape and emerging corporate practices. Any amendments to the funds' proxy voting policies are disclosed on Vanguard's Investment Stewardship website.

Case study: Vanguard-advised funds' Japan Voting Policy
In 2023, the Vanguard-advised funds' Japan voting policy was revised to align with the principles of the Japanese Corporate Governance Code, which effectively increased the level of independence that the funds look for on Japanese boards. As a result, we engaged with a number of Japanese company leaders ahead of Japan proxy voting season to discuss how boards evaluate director independence.

At the June 2023 annual meeting of **Toyota Motor Corp.**, a multinational automotive manufacturer, the funds voted against the chair because of concerns about board independence. One of the outside directors is an executive at a company with which Toyota maintained a business relationship. We engaged with Toyota leaders to better understand the nature of that relationship. Because the total transactional value of the relationship was not disclosed, it was difficult to ascertain whether the director was independent. Although Toyota does have other outside directors who are independent, the board was less than 33% independent when taking into account this particular outside director's affiliation. As a result, and in line with the funds' Japan proxy voting policy, the funds voted against the chair to reflect our concerns regarding the board's overall level of independence.

How Vanguard Investment Stewardship evaluates shareholder proposals
As with other types of proposals, when assessing a shareholder proposal, Vanguard Investment Stewardship assesses each proposal based on its merits and in the context of the facts and circumstances at the company in question. We consider factors such as:

- **Whether the proposal addresses a financially material risk at the company.** We look for a clear link between the topic(s) raised in the proposal and the risks or benefits to long-term shareholder returns.
- **Whether the proposal provides the board and company management sufficient latitude in determining how to implement the request of the proposal.** We believe shareholder proposals should not be overly prescriptive or otherwise dictate companies' business practices and/or strategy; we believe those matters are the purview of company boards and management teams.
- **Whether the proposal addresses a gap in the company's current practices or stated intentions.** We assess whether the company already has practices in place that sufficiently address the shareholder concern raised in a proposal and whether the company complies with applicable regulations. In addition, we may consider the company's practices relative to market and industry norms. Where applicable, we also may evaluate whether the company has made a credible, specific, public commitment that is responsive to the shareholder's request.

Taking these factors into account, the funds will support proposals whose provisions, in our assessment and on balance, serve the long-term financial interests of the funds and their investors. The funds will not support proposals that include elements that we view as dictating company strategy or operating decisions that, in our view, should be the purview of the company's board of directors and management teams. Additional information about our approach to evaluating shareholder proposals on behalf of the funds is articulated in the funds' proxy voting policies, which are available on Vanguard's website.

Inputs into Vanguard Investment Stewardship's research process
To ensure sound, investor-aligned decision-making on proxy voting matters, and to gain additional perspectives on the nuances of corporate governance in different markets, Vanguard's Investment Stewardship team conducts independent analysis using data from multiple sources, starting with company disclosures and regulatory filings, and including engagements with company representatives. As part of this process, we use data aggregation and proxy voting platform services provided by several proxy advisory firms. The data from these third-party providers serve as only one of many inputs into our research and voting processes. Our use

of data and perspectives from multiple entities to inform our decision-making process should not be conflated with reliance on any external parties' recommendations or agendas. We use proxy advisor resources with due diligence and care, and the funds' voting decisions are made independently, on the basis of the funds' proxy voting policies and procedures and in investors' long-term interests. The team has established risk oversight processes and proprietary systems to monitor the funds' shares and voting rights and manage the proxy voting process.

A global summary of proxy votes cast by Vanguard-advised funds for the 12 months ended 31 December 2023 can be found in Appendix B of this report.

An update on proxy voting choice

Vanguard announced at the end of 2022 that it would begin a proxy voting choice pilot for investors in three Vanguard US-domiciled equity index funds. This inaugural, voluntary pilot, which began in February 2023 and ran through the end of June 2023, enabled investors to make their voices heard in proportion to their ownership of the fund. Investors who chose to participate were able to select from a range of proxy voting policy options that directed how the funds voted their proportionate interest in the funds at certain portfolio company shareholder meetings. Participants were offered four options: casting votes consistent with the company board's recommendations, relying on recommendations from an independent third-party provider based on a disclosed policy, voting based on the Vanguard-advised fund's policy and choosing not to vote.

We are committed to listening to the investors in our funds so we can best meet their needs. In late 2023, Vanguard announced plans to expand its proxy voting choice pilot programme to several additional funds in early 2024 and plans to continue to actively explore and test ways to empower investors to participate more directly in the proxy voting process.

Securities lending

Vanguard funds engage in securities lending activity to seek to generate incremental revenue for portfolios that can enhance returns for fund shareholders. There may be occasions when Vanguard needs to restrict lending of and/or recall securities that are on loan in order to vote in a shareholder meeting. For Vanguard-advised funds, Vanguard's Investment Stewardship team manages processes, in partnership with Vanguard's Securities Lending team, to monitor securities on loan and to evaluate any circumstances that may require us to restrict or recall the stock.

In making this decision, Vanguard considers:

- The subject of the vote and whether, based on our knowledge and experience, we believe this topic could be material to the corporate governance and/or long-term performance of the company;
- The funds' individual and/or aggregate equity investment in a company and whether we estimate that voting the funds' shares would affect the shareholder meeting outcome; and
- The long-term impact to fund shareholders, evaluating whether the benefits of voting a company's shares would outweigh the benefits of stock-lending revenues in a particular instance.

Monitoring progress and escalation

Vanguard's Investment Stewardship team reviews how portfolio companies held in Vanguard-advised funds evolve their governance practices and public disclosures over time. In instances where we do not see progress in how a company addresses a given governance concern, we have the ability to escalate a matter in a manner appropriate for each situation, such as by directly engaging with company leaders, by voting in support of a relevant shareholder resolution or by not supporting the elections of board members at a company's shareholder meeting. Such escalation steps would be made on a case-by-case basis in consultation with the Investment Stewardship Oversight Committee based on a determination of what is in the best interest of each Vanguard-advised fund that is invested in the company in question.

Proxy Voting Conflicts of Interest Policy

Vanguard has a Proxy Voting Conflicts of Interest Policy to manage and mitigate any actual or potential conflicts of interest in our engagement or proxy voting activities or work in order to promote effective corporate governance practices on behalf of the funds. The Proxy Voting Conflicts of Interest Policy states that all voting personnel must conduct their activities in a manner such that: (1) fund shareholders' interests come first; (2) conflicts of interest must be mitigated to the extent possible; and (3) compromising situations must be avoided. A summary of this policy can be found in Appendix C of this report.

Vanguard's Investment Stewardship leadership team regularly receives a report of self-disclosed potential conflicts for each team member from Vanguard's Compliance teams. The reported conflicts are reviewed against investment stewardship activities to ensure compliance with the Proxy Voting Conflicts of Interest Policy. Conflicts reported by team members are maintained in proxy voting and engagement recordkeeping systems to help proxy voting and engagement personnel identify all portfolio companies where a team member conflict is present. When necessary, proxy voting and engagement analysts work with Compliance and the Investment Stewardship Data, Operations and Risk Control team to further understand the conflict and, if needed, reassign analyst coverage.

Any instance of non-compliance with the policy, such as nonrecusal of a vote or engagement in which a conflict of interest exists, is reported to the Investment Stewardship Oversight Committee and Compliance. **Figure 6** provides examples of actual and potential conflicts of interest identified in 2023 and the actions taken to address them.

Figure 6. Applying our Proxy Voting Conflicts of Interest Policy

Actual conflict identified during 2023	Scenario	Action steps
Personal/familial conflict	Investment Stewardship's recordkeeping system monitored a personal conflict between an Investment Stewardship team member and a publicly listed portfolio company. The analyst had previously disclosed a personal conflict of having prior employment history with the company.	The conflict was reported to the appropriate team leaders and the Investment Stewardship analyst recused himself from all engagement activity and voting at the company's annual meeting. All engagement activity with the issuer and proxy voting responsibilities, on behalf of Vanguard-advised funds, were reassigned to another Investment Stewardship analyst.

Potential conflict	Scenario	Action steps
Hypothetical example: Separation from Vanguard client-facing roles	An Investment Stewardship analyst receives an inquiry from the relationship manager of an institutional client asking to connect an Investment Stewardship team member with the Vanguard client to discuss how shares are being voted by Vanguard.	In this potential scenario, the analyst immediately forwards the inquiry to Vanguard's Legal department to maintain compliance with the funds' Conflicts of Interest Policy. Vanguard's Legal department informs the relationship manager that the funds' Conflicts of Interest Policy requires a separation between Investment Stewardship personnel and client service teams to avoid the perception of influence due to the portfolio company's status as a client.

Fixed income

For our fixed income assets, the Vanguard funds exercise rights and responsibilities as an investor in several ways in pursuit of obtaining the best outcomes for our clients. These activities include providing feedback to syndicate desks and issuers upon new issuance, holding companies accountable on covenants, providing feedback on issue structures and features on subordinated bonds, participating in bondholder special committees and providing feedback on consent solicitation.

For additional information, please see the related sections of this report about our approach to fixed income ESG research ("Vanguard's approach to ESG," on page 10) and engagement activity "Engaging on behalf of fixed income funds," on page 42).

Promoting effective corporate governance practices

Vanguard's Investment Stewardship team, on behalf of Vanguard-advised funds, promotes governance practices that support long-term shareholder returns by publicly sharing perspectives on corporate governance matters through published materials; speaking at industry events and conferences; supporting certain governance codes, standards or regulatory frameworks; offering perspectives to policymakers; and supporting select governance-focused organisations. For example, in 2023, we attended governance-related events in person across the UK, Ireland, Italy, Switzerland and the Netherlands, and we shared our perspectives on key governance matters at several governance events and webinars.

Involvement with third-party groups

Except in the case study provided below (*Engagement letters on noncompliance*), Vanguard Investment Stewardship does not collaborate with other investors to engage with individual issuers to achieve a specific outcome. (The initiative described focused on public company compliance with a legal reporting standard). Vanguard's Investment Stewardship team was an early pioneer of engaging with portfolio companies about their company's corporate governance practices. Engagement is an important tool that enables the team to hear directly from company directors and executives about a board's oversight of strategy, risk and governance matters. In turn, company leaders can gain a deeper understanding of what matters to their shareholders.

Vanguard may participate in external organisations and industry initiatives that align with Vanguard's mission and focus on long-term shareholder returns if we believe that doing so advances Vanguard's objective of helping investors achieve investment success. Importantly, Vanguard participates only in organisations whose goals align with Vanguard's business strategy and duties to its investors; we routinely assess participation in external organisations to ensure that involvement continues to align with Vanguard's mission and investment perspectives. Ultimately, Vanguard maintains its independence in company engagement activities and proxy voting decisions in accordance with the funds' voting policies and with the goal of promoting long-term shareholder returns. That includes Vanguard's involvement with any trade association, industry group or initiative.

If we determine that the mandate of an organisation with which Vanguard is involved has changed or that it no longer aligns with Vanguard's mission or investing perspectives, we will reassess our engagement with the organisation. Regardless of Vanguard's relationship to any organisation, our role as an investment manager is to uphold the stated investment objectives of each fund we offer to investors.

Case study: Engagement letters on noncompliance

In 2023, Vanguard Investment Stewardship participated in the fourth Votes Against Slavery industry initiative. Vanguard Investment Stewardship served as a signatory to engagement letters that were sent to 29 FTSE 350 companies not meeting the regulatory reporting requirements of Section 54 of the UK's Modern Slavery Act (2015). We view our participation as an opportunity to communicate that we look for companies to be compliant with human rights-related regulatory disclosure requirements.

Case study: Asian Corporate Governance Association
As a member of the Asian Corporate Governance Association (ACGA), Vanguard Investment Stewardship participated in its Japan and Korea Working Groups in 2023. In May 2023, we took part in a call with the Japanese Financial Services Agency (FSA) that was organised by the ACGA in order to discuss the FSA's *Action Programme for Accelerating Corporate Governance Reform: From Form to Substance opinion statement.*[18] We provided our perspective on board composition and effectiveness in Japan and suggested that more Japanese companies offer shareholders the chance to engage with independent directors.

A fulsome list of external organisations that Vanguard participates in that relate to investment stewardship activities can be found in Appendix D of this report.

Consultation on governance codes and regulatory frameworks
Vanguard Investment Stewardship also closely monitored regulatory developments affecting portfolio companies held in the Vanguard-advised funds and commented on key consultations seeking investor input on these matters.

For example, in July 2023, Investment Stewardship responded to a consultation from the Tokyo Stock Exchange about English language disclosure by Japanese companies. We shared our perspective that we find that English disclosure often lags Japanese disclosure and does not always provide all of the information that is available in the Japanese disclosure. We continue to encourage Japanese companies to provide timely English disclosure to ensure that all investors have access to comparable information.

In the UK and Europe, in late 2023, Vanguard submitted comment letters to the UK's Financial Conduct Authority and the European Commission on separate consultations involving proposals to increase multiple share classes. Multiple share-class structures are increasingly a topic of focus in the UK and Europe, given regulatory proposals to facilitate multiple share classes. The comment letters highlighted our view on the need to balance incentivising new listings and safeguarding long-term shareholder rights. We will continue to share our perspectives on this topic as we monitor the outcomes of these regulatory proposals.

Vanguard Investment Stewardship also submitted a comment letter to the UK's Financial Reporting Council (FRC) to share our perspectives on proposed revisions to the UK Corporate Governance Code (the "Code"). The proposed changes focused on enhancing the Code's effectiveness in promoting good corporate governance.[19] Our comment letter noted our broad support of the proposed changes to the Code and highlighted our focus on financial materiality concerning non-financial disclosures.

Monitoring service providers

Vanguard has a robust programme in place to identify, select and monitor third-party goods and service suppliers to ensure they maintain and demonstrate strong strategic and cultural alignment. Vanguard has defined a global third-party risk management framework, risk-based requirements and roles and responsibilities for managing and providing oversight to third-party engagements. The policy defines the pre- and post-contract requirements and complementary risk and controls Vanguard expects when onboarding and continuing to utilise a supplier engagement. Periodic risk metrics and reporting provide monitors for adherence to the risk-based standards and are tailored based on third-party criticality. Third-party risk management provides independent risk oversight and advisory and consultative advice to business leaders who manage their extended enterprise through a third-party service supplier.

18 See https://www.fsa.go.jp/en/news/2023/20230426.html

19 See https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/#2023-consultation-ac27ed1f

Vanguard Investment Stewardship's Data, Operations and Risk Control team enables every aspect of the programme's research, analysis, and risk controls through vendor oversight, platform management, and technology innovation. As part of its remit, this team monitors existing supplier relationships, as well as potential suppliers whose offerings may help the Investment Stewardship team. Risk profile categorisations, based on Vanguard's third-party risk management policy, influence the specific oversight model that is in place for each supplier. We use a performance-evaluation framework in managing our supplier relationships, monitor key performance indicators to determine the ongoing suitability of the relationship, and have regular discussions with our vendors to provide feedback and address any performance-related matters. Each prospective supplier is evaluated against our current relationships for how it would fit in our research process and its ability to drive value for our programme. All services were delivered satisfactorily by the team's suppliers during 2023.

Case study: Shareholder rights in Saudi Arabia
In early 2023, a company listed in Saudi Arabia put forward an amendment to its bylaws and articles of association to increase the minimum shareholding requirement for shareholders to be able to call a shareholder meeting. While completing a case-by-case analysis of the proposal, and after consulting multiple research sources, Vanguard's Investment Stewardship team discovered a discrepancy where one research provider asserted that the change had a perceived neutral effect on shareholder rights, while another research provider determined that the change had a perceived negative effect on shareholder rights. Neither of the two research reports, nor the company disclosures, provided sufficient detail for us to understand the rationale for the proposal. We reached out to the company's leaders and the two research providers seeking clarification, which helped us understand the relevant context. Following our request for further information, one research provider amended its research report to provide further context for its clients, including Vanguard.

The company's proposed increase in the number of shares needed to call a shareholder meeting could have had a negative impact on shareholder rights. However, through our independent research, we learned that the change was aligned with Article 90 of the new Saudi Companies Law, which increased the shareholder ownership requirement for calling a special meeting from 5% to 10%, potentially leaving companies with no option other than to align this shareholder right with corporate law. Ultimately, the Vanguard-advised funds voted to support the proposal, recognising that the company's articles of association were required to be consistent with relevant corporate law.

Communicating our investment stewardship activities (Principles 1, 5, 6)

We believe it is important to inform Vanguard-advised fund investors and other interested parties about the engagement and proxy voting activities the Investment Stewardship team conducts on behalf of Vanguard-advised funds. We also believe it is important to clearly communicate our perspectives on corporate governance topics so that portfolio companies understand our investment stewardship approach.

How we communicate

Resources on investment stewardship at Vanguard can be found on our website, which serves as the primary source of information about our Investment Stewardship programme. Vanguard's website contains the funds' proxy voting policies, annual reports, regional briefs, Insights articles that illustrate how our approach is applied in the context of particular topics and situations, quarterly reports on significant votes, and quarterly reports on the companies with which we have engaged, and the topics discussed. Details of proxy votes cast by the funds for the current proxy year also are published on the website, with quarterly updates. The team regularly engages with fund investors, portfolio companies, regulators and other market participants to assess how we can best provide materials that are clear and informative regarding our approach.

Examples of Investment Stewardship ongoing reporting include:

- *Annual investment stewardship reports.* These reports outline our global investment stewardship activities and outcomes for the prior calendar year. Each annual report includes summaries of key governance developments we observed in different regions, case studies of company engagements and/or voting decisions, and aggregate regional voting outcomes.
- *Regional briefs.* These reports highlight the corporate governance topics and trends Vanguard's Investment Stewardship team observed in various markets during a given proxy year.
- *Quarterly reporting.* On a quarterly basis, reports outlining and providing rationale for significant votes are published on Vanguard's website. Reports on company engagements, as well as the topics discussed in the engagement, are also published on our website.
- *Insights articles.* We produce Insights articles to provide timely explanations of Vanguard's perspectives on important governance matters and the rationale behind certain notable, novel and/or contentious proxy ballot votes. Vanguard Investment Stewardship Insights are published throughout the year.

  For example, during 2023, we published our perspectives on several governance topics such as: *Our perspective on contested elections; Vanguard's approach to climate risk governance; Vanguard's approach to board responsiveness; ESG metrics in compensation plans.* We also continued to publish Voting Insights to convey to portfolio companies and investors the "how" and "why" of Vanguard-advised funds' proxy voting decisions.

- *Proxy voting policies.* The funds' proxy voting policies are disclosed on Vanguard's website and are updated at least annually.
- *Proxy voting.* The funds' proxy votes are disclosed so that fund investors can see how the funds' policies are applied and how the funds' votes are focused on long-term shareholder returns. We disclose the proxy voting records for Vanguard's global fund lineup through an online tool found on Vanguard's website. The tool provides details of proxy votes cast by all Vanguard equity funds for the most recent proxy year. The vote information for the current proxy year is published quarterly.

Incorporating client feedback

Vanguard investors hold diverse priorities, values and objectives. Our primary focus is to maximise long-term shareholder returns and help give investors the best chance for investment success. Most of our investors are served through direct-to-consumer (retail) and intermediated (advised) businesses. Investments are made through our direct retail or third-party platforms, or our transfer agency service. Unlike professional asset owners such as pension schemes, generally our retail clients do not have investment stewardship policies that we are asked to implement and align to our established views on stewardship or directed voting requirements.

As discussed above "An update on proxy voting choice," p. 46), Vanguard expanded its voluntary proxy choice programme by introducing proxy voting choices to investors in additional US funds in early 2024. Expanding proxy voting choices is a continuation of Vanguard's effort to give individuals the information and options they need to help ensure that their investment portfolios reflect their investment goals and preferences.

Vanguard has heard from clients that they seek additional visibility into the activities that Vanguard Investment Stewardship conducts on behalf of Vanguard-advised funds. As such, over the past year, Vanguard Investment Stewardship continued to enhance its reporting and communications, including the introduction of new quarterly reports on company engagements and significant votes, as well as regional briefs highlighting corporate governance practices in different markets. We will continue to look for ways to enhance the disclosure we provide to fund investors and other stakeholders.

Supporting Vanguard crew members

The Investment Stewardship team continues to hold regular knowledge-sharing sessions with internal stakeholders globally, including client-facing crew who support Vanguard's individual investors and financial intermediaries. The objective of these sessions is to help educate and inform our internal business partners on how Vanguard Investment Stewardship seeks to safeguard and promote long-term shareholder returns.

These updates are designed to be interactive, two-way dialogues in which Investment Stewardship team members share their expertise and experience and answer questions about our programme and activities. These forums build acumen among key internal partners while keeping the Investment Stewardship team informed of the governance matters our crew and clients are asking about. In addition, it enables the team to calibrate communications efforts to meet the needs of internal stakeholders.

As we look ahead, we will continue to identify ways to communicate our investment stewardship activities and perspectives clearly and efficiently to interested internal stakeholders in a timely fashion.

Assurance of Vanguard's Investment Stewardship programme

As part of Investment Stewardship's governance framework, we employ several control reports that ensure our company engagements and Vanguard-advised funds' proxy votes are executed in accordance with internal policies and procedures. These reports, along with all documented policies and procedures, are reviewed on a regular basis by a dedicated team resource.

Vanguard's Investment Stewardship team maintains a rigorous vendor review process and oversight controls in accordance with Vanguard's corporate policies. The Investment Stewardship Data, Operations and Risk Control team regularly monitors control reports to ensure timely execution of votes, to identify when proxy vote rationales have not been sufficiently captured or, in cases where proxy votes are intentionally not voted, to verify that the vote instructions are aligned with fund voting guidelines.

Vanguard Investment Stewardship takes a deliberate approach to ensure that our stewardship reporting is fair, balanced and understandable. Each publication elevated to our website, including annual and quarterly reports, Insights articles and fund reporting, goes through a thorough review process completed by the Investment Stewardship leadership team, Vanguard's Legal team, Vanguard's US Compliance team and, if warranted, executive leaders and team members from the Office of the General Counsel. When we publish company engagement case studies, we select examples balanced among different sectors and regions and based on a wide range of topics. All publications are written to provide investors, portfolio companies and other interested stakeholders with a complete understanding of our perspective on corporate governance topics and the rationale behind certain proxy voting decisions.

We continuously seek to improve ourselves, our processes and our tools so we can safeguard and promote long-term shareholder returns on behalf of Vanguard-advised funds and their investors.

Internal independent assurances

Our Investment Stewardship programme is subject to internal independent assurances conducted by Vanguard's Compliance Monitoring and Internal Audit departments. Vanguard's Enterprise Risk Management, Compliance Monitoring and Internal Audit teams work together to develop and implement an annual Combined Assurance Plan (CAP) to ascertain that assurance efforts are not duplicated and that there is strong alignment and information sharing between the functions. The CAP is aligned to Vanguard Europe's top risks and provides a holistic view of risk coverage across Vanguard's European businesses.

On a periodic basis, summaries of compliance and audit results are shared with Vanguard's group and subsidiary Board, Audit or Risk committees.

The Global Investment Stewardship programme underwent an internal audit in 2023. The scope of the audit included an evaluation of the design and operating effectiveness of the control environment that supports Vanguard's global investment stewardship activities and responsibilities, including proxy voting and company engagements conducted on behalf of the Vanguard-advised funds. The audit concluded that there was an effective control environment and there were no significant audit findings raised.

Currently, external assurances are not used to evaluate Vanguard's Investment Stewardship programme. Our Investment Stewardship team continues to assess the most appropriate method for ensuring the effectiveness of their activities on behalf of the Vanguard-advised funds' shareholders. Vanguard's Compliance Monitoring and Internal Audit discipline is well-established and provides an ongoing partnership for continuous improvement and programme assurance. Vanguard Investment Stewardship partners with Vanguard's Enterprise Risk Management team to evaluate major risk areas of the programme and re-evaluate controls, as a supplement to periodic audits.

Responding to risk (Principles 4, 7, 9, 10, 11, 12)

Framework and approach

Vanguard places considerable focus and resources on assessing and managing risks across the company. We believe that the appropriate identification and effective management of risk is key to our clients' long-term financial success, and in the case of systemic risk, it can promote a well-functioning financial system. In 2023, we assessed that our internal processes were effective in monitoring key market and systemic risks.

Vanguard's overall risk-mitigation approach employs three primary lines of defence:

- **Vanguard's business units**, which include areas ranging from client-facing teams to shared service functions such as technology and finance, are responsible for the assessment of risks within their respective purviews and for the development of processes and control frameworks to mitigate potential impacts on Vanguard clients.
- **Vanguard's corporate risk functions**, including Enterprise Risk Management and the Office of the General Counsel, which includes Compliance, establish enterprise-wide risk policies and methodologies across all areas of our operations and businesses. At the enterprise level, chief risk officers are embedded within businesses and key shared service areas and serve as advisors to address the unique needs of each business and division. Vanguard's European head of risk maintains responsibilities for its Europe business, in line with the enterprise model.
- **Vanguard Internal Audit**, an independent and objective team directly accountable to Vanguard's board of directors, assesses the adequacy of internal controls to enhance the governance and oversight of enterprise risks and risk management and highlights improvement opportunities to leadership.

Vanguard's European Enterprise Risk Management Framework (ERMF), based on the common risk management frameworks used by all Vanguard businesses, is designed to address the inherent risks arising from or related to activities throughout Vanguard's European businesses and to facilitate a consistent approach to risk management. Supported by robust governance, the ERMF helps inform our business strategy and operating model and reflects Vanguard's risk appetite and core values of integrity, focus and stewardship. Our risk management process is ongoing, dynamic and iterative, undertaken in a "business-as-usual" mode.

Vanguard seeks to address a broad spectrum of risks, and has established clear standards for identifying, assessing and managing them. We use several principal categories to assess risk including: operational, corporate financial, strategic, investment management, regulatory, extended enterprise, technology and reputational. Our clear and consistent approach enables us to:

- Aggregate and compare risks across the European businesses and Vanguard to identify themes and opportunities for efficient remediation;
- Share and discuss all risks in a common language throughout the organisation;
- Identify and analyse risk trends; and
- Compare with external benchmarks.

Principal steps in our risk management process:

Identify

Assess

Manage

Report

Vanguard also works with global policymakers to support the interests of long-term investors. Vanguard takes a data-driven, nonpartisan approach to public policy, helping policymakers to better understand and improve the financial markets and investor outcomes. It is through this lens that we engage with policymakers on a range of risk topics.

Vanguard engages with policymakers on matters that relate to the health and improvement of financial markets, such as ensuring that investors have adequate access to a diversity of funds and public companies, and that companies are required to provide disclosures on material risks that are necessary for investors to make informed investment decisions.

In May 2023, Vanguard responded to the FCA's Discussion Paper 23/2 on updating and improving the UK regime for asset management. We supported the efforts of the FCA to maintain the competitiveness of the UK sector and enhance outcomes for investors, but shared our view that any reform should not come at the expense of lower standards or reduce the UK's reputation as an investor-centric regulatory regime.

In another example, in June 2023, Vanguard provided feedback on the FCA's Consultation Paper 23/10 regarding Primary Markets Effectiveness. Our response supported the FCA's ambition. We also encouraged the FCA to take a balanced approach to ensure that the UK market, over the long term, functions efficiently, remains attractive to publicly list and invest and promotes shareholder rights.

Using this framework, we have identified key market and systemic risks that we sought to manage and respond to during the 12 months ended 31 December 2023.

Key market risks

Liquidity risk
Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity is critically important for the effective functioning of our financial system in all market conditions but is only fully tested in extreme market conditions. As a trusted steward of client assets, Vanguard considers effective liquidity risk management and oversight to be an essential part of our risk management process. As one of the largest global asset managers with expertise spanning many asset classes, we are well-placed to identify early signs of market stress.

Our liquidity risk management tools are multifaceted and comprise both standard and nonstandard mechanisms. Standard tools for Vanguard's European funds, including UK and Irish funds, include offsetting investor flows and employing net asset value swing pricing. Swing factors and related policies are overseen by an expert committee that ensures transacting costs are regularly reviewed, and factors are adjusted appropriately to prevent dilution of fund assets. Nonstandard tools include mechanisms that safeguard existing investors from more extreme liquidity challenges, such as fund gating (the temporary restriction of fund redemptions) and the availability of secured credit lines (short- term bank loans to fund liability shortfalls). These tools are underpinned by a robust fund liquidity risk management and monitoring process which is tailored to each asset class and strategy.

For example, given the complexity and breadth of the asset class, the fixed income universe requires a more comprehensive set of liquidity modelling heuristics. Our investment teams also continue to evaluate strategies that strengthen fund liquidity profiles whilst maintaining risk exposures that are aligned with investment objectives.

Case study: How we engage with policymakers
Vanguard considers effective liquidity risk management and oversight to be an essential part of our risk management process, but one that requires careful consideration of trade-offs.

During 2023, Vanguard engaged with policymakers around the globe on policy issues related to liquidity risk management (LRM). In February 2023, Vanguard submitted a comment letter on the US Securities Exchange Commission's (SEC) proposed Liquidity Risk Management Rule. Our letter encouraged the SEC to reconsider an overly prescriptive, one-size-fits-all approach across the diverse fund universe, without regard to actual stress outflows or decades of crisis resilience. Given the substantial cost and unintended consequences to investors and financial markets, we urged the SEC to withdraw or dramatically simplify this proposal. Numerous global policymakers and global standard setters (i.e., Financial Stability Board (FSB) and International Organization of Securities Commissions (IOSCO)) have also called for heightened LRM practices for large swaths of open-end funds during 2023, issuing a number of reports, proposals and actions to address fund liquidity mismatch vulnerabilities. Based on the feedback received and concerns expressed by financial institutions, including Vanguard, the final reports issued by IOSCO and the FSB provide fund managers with more flexibility than the original consultations (e.g., expanded list of anti-dilution tools for entities to consider).

Service provider failure

This risk arises from the failure to adequately identify, select and monitor third-party service providers to ensure that they maintain and demonstrate strong operational effectiveness as well as strategic and corporate cultural alignment. This is particularly pertinent where a third party underpins one or more of our Important Business Services.

Each Vanguard third-party service provider is carefully selected from a competitive pool of high-quality institutions. We have in place documented outsourcing agreements, due diligence activity and business continuity plans, along with business-as-usual oversight. We undertake a proportionate and stringent due diligence process when activities are outsourced based on criticality.

The Vanguard European businesses maintain a Third-Party Service Provider Oversight Policy which complements our enterprise policy. It is supported by a register of relevant arrangements and a set of implementation guidelines designed to enable a consistent approach to the governance and assessment of the quality of service provided by external third parties as well as compliance with evolving regulations.

The Policy is also supported by vendor oversight functions and relevant formal governance forums that provide oversight of our critical external outsourced service providers. Defined processes for reporting on critical service provider performance enable a flow of information on governance of services throughout the organisation.

Total or partial failure of a critical outsourced partner is one of several risks Vanguard assesses through key risk scenarios, which help us measure and understand risk exposures, their potential impacts, what appropriate contingencies are required and where to allocate capital. As part of this assessment, we request that all third parties that underpin an Important Business Service actively participate in our scenario stress-testing schedule.

Key systemic risks

Cybersecurity

The financial services industry faces complex and increasingly targeted cyber threats. The safety and security of our clients' assets and sensitive information is a top priority at Vanguard. Mitigation of these threats requires knowledge of what motivates our adversaries, the tactics they use and our capability to design and implement a Defence in Depth (DiD) strategy – a multilayered set of controls providing several lines of defence – to safeguard Vanguard crew, data and client assets.

Though the threat of cyberattacks is constant, the tactics, techniques and procedures used by attackers are continually evolving.

Vanguard has a three-pronged approach to manage this challenge:

1. The development of a community of practice and information-sharing programmes in collaboration with law enforcement agencies,

like-minded financial institutions, universities and security consultants to stay abreast of security trends and maintain awareness of pertinent threats;

2. Sophisticated technology to detect anomalies in logs and network traffic that may indicate an attack against Vanguard or our clients; and
3. Layered safeguards to mitigate the risk of advanced insider threats.

Vanguard is an active member of the Financial Services Information Sharing and Analysis Center, an intelligence-exchange platform specific to the financial services industry. As a member, we can receive and share information to help reduce cyber risk and stay abreast of security threats. We receive daily information and alerts as well as source information from other external parties to support our security assessment process. We also belong to the Cyber Security Information Sharing Partnership (CISP), a joint industry and UK government initiative run by the National Cyber Security Centre. The initiative was created to allow UK organisations to share cyber threat information in a secure and confidential environment.

Throughout the year, various in-house security initiatives – for example, cyber tabletop exercises and phishing email tests – are also held to promote cybersecurity awareness among Vanguard crew. Governance processes and metrics have been established to monitor and assess the effectiveness of controls applied to safeguarding Vanguard assets, and information is communicated to relevant stakeholders.

By combining an experienced cybersecurity team with best-in-class security controls, a comprehensive DiD strategy and state-of-the-art technology, as well as various cybersecurity awareness initiatives for our employees, Vanguard will continue to vigilantly monitor and diligently defend itself from cyber threats.

Business resilience

Vanguard has an integrated operational resilience and business continuity function to ensure that the firm can continue operations and serve our clients during a significant local, national or global disruption. Our resilience planning provides for the recovery and restoration of all critical operations.

We are continuing to embed our approach to both the FCA's and Central Bank of Ireland's (CBI's) operational resilience requirements. Operational resilience builds on the principles of business continuity but extends further to enhance an organisation's ability to withstand the effect of operational disruptions. Adhering to the requirements will yield multiple benefits for our business.

A key feature of our programme, and at the forefront of the operational resilience requirements, is embedding a "Resilience by Design" mindset. Our perspective is moving from a functional, process-driven lens, focused only on a single business area, to an end-to-end business service lens that considers client and market impact first. An end-to-end Important Business Service programme enables us to better understand how our Important Business Services are architected (looking closely at processes, data, third parties, people and facilities). With this approach, we can better identify sources of potential disruption and therefore enhances our ability to mitigate intolerable harm to clients and financial market operations.

Through our Operational Resilience Programme we have identified a number of potential vulnerabilities/risks and are taking steps to remediate by 2025. Those already remediated include standing up alternative recovery sites for critical crew and enhancing backup IT infrastructure. We periodically test our resilience capabilities; through 2023, these have included:

- Emergency communication tests across Europe and the UK;
- A data recovery failover test in the UK; and
- Five scenario stress tests for Important Business Services.

Climate change

Climate change and the ongoing global response will have far-reaching economic consequences for companies, financial markets and, therefore, Vanguard fund investors. Vanguard is committed to understanding and attending to material risks that can erode investors' long-term returns, including material climate-related risks. Our approach spans several key areas of focus, and Vanguard's consideration of ESG-related risks and opportunities, including climate-related risks and opportunities, is driven first and foremost by each fund's stated investment strategy and objective.

Research on the market and economic implications of climate change
Vanguard has been conducting research to understand how climate change could affect the global economy. In *The Economics of Climate Change*, Vanguard economists used consensus scientific data to assess the impact of climate change on economic activity under four scenarios for GHG emissions and temperature increases. They found that the net impact on global GDP is negative in all scenarios.

Product choices for our investors
Vanguard believes in providing investors with high-quality investment choices. We are committed to providing investors with the information and products they need to make sound investment choices that help enable them to meet their financial goals and reflect their personal preferences. Vanguard offers investors a range of high-quality, low-cost, broadly diversified mutual fund and ETF products. We also offer more targeted funds to meet investors' needs, including ESG funds that have a range of strategies and objectives. Separately, the managers of Vanguard's active funds have a formal approach to understanding and evaluating material risks, including ESG risks, consistent with the fund's investment objective.

Relevant teams monitor material climate-related risks across our funds. (See Vanguard's approach to ESG, p. 10).

Over the course of 2023, Vanguard Europe has made progress in systemising its identification, measurement, monitoring and consideration of climate risks to provide consistent data metrics which are used to inform the portfolio management for our internally managed ESG and active funds.

Investment stewardship
Separately, Vanguard's Investment Stewardship team, on behalf of Vanguard-advised funds, looks for portfolio company boards to effectively oversee material risks, including material climate-related risks, and to disclose their approaches to oversight of these risks to shareholders. Such disclosure allows stock prices to reflect the risks and opportunities associated with a company's strategy. We believe boards that are most effective in safeguarding long-term shareholder value from material climate-related risks demonstrate:

- *Relevant risk competence*: Where climate matters are material to a company, we look for boards to be competent in relevant risks so that they can foster healthy debate, challenge management assumptions and make informed decisions.
- *Robust oversight and mitigation of material climate risks:* We look to understand boards' processes for overseeing and mitigating material risks on behalf of shareholders. Highly engaged and effective boards are well positioned to ensure that material risks, including material climate-related risks and opportunities, are considered in both short- and long-term planning.
- *Effective disclosure of material climate risks and attendant oversight practices:* We look for companies to disclose to the market how their boards oversee material climate-related risks and attendant strategies in alignment with accepted investor-oriented frameworks.

(Please reference Vanguard's approach to climate risk governance, found on Vanguard's website.)

The case studies that follow demonstrate how Vanguard's Investment Stewardship team seeks to understand how boards disclose, address and oversee material climate-related risks.

Case study: Lobbying proposal at Cenovus Energy

Region: Americas

Analysis and voting rationale
At the 2023 annual meeting for **Cenovus Energy Inc. (Cenovus)**, a Canada-based integrated energy company, the Vanguard-advised funds supported a shareholder proposal requesting a

report on whether and how the company aligns its lobbying and public policy advocacy activities with its stated commitment to achieve net zero operational emissions by 2050.

In advance of Cenovus's 2023 annual meeting, we engaged with company leaders to discuss board composition and the board's role in overseeing material risks. With respect to the shareholder proposal, during our meeting, company leaders stated that they believed it was reasonable and in the interest of shareholders to understand whether the company's lobbying activities are consistent with its climate strategy.

Cenovus leaders agreed that the proposal was not prescriptive and did not seek to influence company strategy, which included a commitment to reach net zero operations by 2050, inclusive of Scopes 1 and 2 emissions, and support of Canada's Paris Agreement commitments. [20]

Company leaders shared that they had engaged with the proponent, and while they disagreed with certain points in the proponent's supporting statement, they acknowledged the benefits of the enhanced disclosure requested in the proposal. Cenovus leaders agreed that shareholders would benefit from understanding the company's lobbying principles, including how support of indirect lobbying was determined and the company's approach to instances of misalignment between its strategy and third parties lobbying on its behalf. Company leaders also highlighted the board's role in overseeing these processes through the Safety, Sustainability and Reserves Committee. Cenovus leaders noted that additional clarity on its lobbying and public policy advocacy practices would provide shareholders with additional information needed to understand how the company's direct and indirect lobbying and public policy advocacy activities align with Cenovus's goal of reaching net zero by 2050.

Outcome

Based on our analysis and engagement, as well as the Cenovus board's recommendation that shareholders would benefit from the requested disclosure, the Vanguard-advised funds supported the shareholder proposal.

Case study: Productive engagement with Thungela Resources Ltd.

Region: EMEA

Analysis and voting rationale

We first engaged with **Thungela Resources Ltd. (Thungela)**, a South African thermal coal company, in 2022, and noted its stated confidence in the fundamentals of coal demand and recognition of the long-term implications of climate risk on its business. We encouraged the company to continue developing effective disclosures of board-level oversight of climate risks and opportunities and risk mitigation plans. Thungela committed to publishing its first Task Force on Climate-related Financial Disclosures report in early 2023.

In 2023, we engaged with board directors and company leaders to discuss the board's oversight of climate-related risks. In our conversation, we explored oversight of Thungela's climate change goals – GHG targets in particular – and strategy of pursuing geographic diversification of its coal assets. Thungela leaders were able to provide helpful context for changes made to board composition that served to further strengthen the board's capabilities with respect to oversight of risk and strategy at the company.

Additionally, we discussed Thungela's response to an environmental incident in 2022. In part due to illegal mining activities, toxic water from a mine in the Mpumalanga province of South Africa spilled into nearby rivers, negatively impacting aquatic life in the region. Thungela leaders shared the

20 The Paris Agreement sets a goal of holding the increase in global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. It does not prescribe a single pathway to reach those goals. Rather, it is a binding international treaty that requires all countries to commit to, communicate and maintain national-level greenhouse gas budgets to achieve the global temperature goal. The Vanguard-advised funds do not dictate company strategy. As shareholders, the Vanguard-advised funds seek to understand whether and how companies and their boards are planning for resiliency against the backdrop of this stated policymaker goal. We believe that boards are responsible for determining risk mitigation approaches to maximise shareholder value in their companies and planning for an uncertain future. Where there are legally binding or government-designated budgets for different industry sectors associated with the agreement, we believe companies should disclose how their targets and strategies are appropriate in the context of those factors.

company's remediation approach, which included efforts to restore the biodiversity of affected rivers at a cost to the business.

Outcome
We observed that Thungela provided effective disclosures in its annual report and was able to clearly articulate the board's role in overseeing the mitigation of this incident. We will continue to monitor the board's oversight and disclosures of climate-related risks and opportunities.

Case study: Report on "Just Transition" at Marathon Petroleum Corp.

Region: Americas

Analysis and voting rationale
Marathon Petroleum Corp. (Marathon) is a US-based integrated downstream energy company. The Vanguard-advised funds evaluated but did not support a shareholder proposal requesting that Marathon prepare a report disclosing how the company is addressing the impact of its climate change strategy on key stakeholders – including the communities it serves and its workers – consistent with the "Just Transition" guidelines of the International Labor Organization.

Where material risks to shareholder returns are identified, we have ongoing conversations with portfolio company leaders to understand how their companies are addressing material risks – including material climate-related risks – particularly when these risks have been publicly identified by the company. These risks can be reflected in company share prices. We support effective disclosure of such material risks so that investors are equipped to make informed decisions. In our engagement with Marathon leaders, we discussed how specific material risks to the company's shareholders are addressed in the company's *Creating Shared Value Through a Just and Responsible Transition* report. This report details how stakeholder engagement, human capital management and community investment are maintained as key areas of focus for the company when addressing potential social impacts related to the transition to a lower carbon economy.

Outcome
Through our analysis of the proposal and related company disclosures and our engagement with company leaders and the board's independent chair, we determined that the company's existing reporting and disclosure addressed the specific disclosures requested by the proposal. As a result, the Vanguard-advised funds did not support the proposal.

Engagement with policymakers
Government leaders are specifically empowered and charged with considering the competing interests inherent in issues, such as climate change, and crafting public policy responses that will address the complex societal impacts and trade-offs. Policymakers in many jurisdictions are particularly interested in providing clarity to individuals, companies and the financial markets about government plans to address climate risks and what role businesses play in those plans. Investors also require material risk disclosure so they can assess risk and make informed investment decisions. It is therefore important for policymakers to provide clarity as to their plans and for public companies to disclose to investors how they view material climate risks and the potential impact to a company's financial returns. We engage with policymakers on climate and other material sustainability-related risks, with a focus on long-term shareholder returns.

Case studies

UK
In January 2023, Vanguard submitted a response to the FCA's Consultation Paper on Sustainability Disclosure Requirements (SDR) and Investment Labels. In our response, we supported their efforts to promote transparency in product labelling but advocated for a more inclusive approach to acknowledge that investors have different ESG investing preferences. Specifically, our response focused on providing adequate space within the proposed labelling regime for investors interested in exclusionary-based ESG funds as a low-cost, broadly diversified investment option to manage their exposure to companies that may pose heightened ESG-related risks. The FCA published its final Policy Statement (PS23/16) in November 2023 and in it, acknowledged some of the recommendations received. For example, the

FCA made an adjustment to their naming and marketing rules in that it would permit firms to accurately name and market non-labelled funds with environmental or social characteristics material to a fund to investors, even if the fund's investment approach does not pursue a specific sustainability objective.

Vanguard responded to another FCA paper (the FCA's Discussion Paper 23/1) in May 2023, regarding Finance for Positive Sustainable Change. Our response was supportive of ensuring firms that market themselves or their products as having sustainability objectives are appropriately accountable for their sustainability-related claims. However, Vanguard cautioned against requiring firms to have firm-level sustainability objectives. We underscored our view that government bodies and elected officials are more appropriately suited to prescribe market-wide solutions to sustainability challenges, whereas asset managers, who manage assets on behalf of the individual investors who own the assets, have commitments under their fiduciary duty and each fund's financial objective.

Europe

In September 2023, Vanguard responded to the Ireland Department of Finance's Funds Sector 2030 public consultation. In our response, we highlighted the importance of increased disclosure of material risks, including material ESG risks. We also encouraged the Department of Finance to consider international consistency in its sustainable finance disclosure to improve the function of capital markets worldwide.

Australia

In November 2023, Vanguard participated in a roundtable session with the Australian Department of Treasury to discuss their Sustainable Finance Strategy – a framework that would increase transparency of the sustainability input of investment products through product labelling and a sustainable finance taxonomy. Vanguard also participated in industry groups to provide feedback to the Treasury on ways the framework could be refined, such as: requiring holistic reporting of sustainability-related financial disclosures, standardising the definition of "ESG product" and using investor stewardship to understand how companies would address and implement the requirements of the new framework.

Corporate sustainability goals and initiatives

Vanguard has a set of corporate sustainability goals and initiatives to make progress towards reducing carbon emissions and reaching carbon neutrality in our global operations by 2025.

Scopes 1, 2 and 3 are as defined by the Greenhouse Gas Protocol standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in a company's value chain, including both upstream and downstream emissions.

The Scope 3 categories included in Vanguard's carbon neutrality goal are purchased goods and services (only including emissions associated with shuttle, security and other service vehicles), fuel and energy-related activities, waste generated in operations, business travel, employee commuting and upstream leased assets. Scope 3 data in Vanguard's carbon neutrality goal do not include Vanguard fund investments.

(Please reference Sustainability at Vanguard.)

Vanguard publicly reports its efforts with respect to climate risk through *Vanguard's Report on Climate-related Impacts*.

Appendix A

Leadership bios

John Galloway
Principal and Investment Stewardship Officer

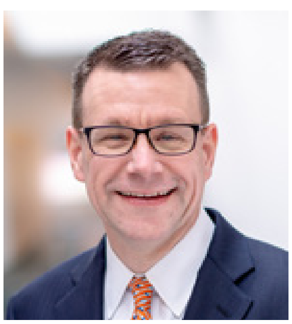
John Galloway is a principal at Vanguard and the head of the firm's global Investment Stewardship programme. Before he joined Vanguard in 2017, John's career spanned the private and public sectors, with experience in corporate governance, change management and regulatory and legislative policy. Prior to joining Vanguard, John served in senior roles within the US Executive Office of the President, including as a special assistant to the president as part of the National Economic Council. Earlier in his career, he served as president of Atlantic Media and held senior executive positions with the then-publicly traded Advisory Board Company.

John earned his undergraduate degree from Georgetown University.

Sarah Relich
Head of Investment Stewardship, EMEA & APAC

Sarah Relich is head of Investment Stewardship for EMEA & APAC and leads Vanguard's Investment Stewardship team responsible for proxy voting and engagement across the EMEA and APAC regions. Sarah also leads Investment Stewardship's communications function, which is responsible for conveying Investment Stewardship's perspectives to fund investors, portfolio companies, and other market participants. Before her current role, she held senior roles on Vanguard's Investment Stewardship team covering the Americas region.

Before joining Vanguard, Sarah served as a Teach For America corps member. She earned a B.A. from Kenyon College, an M.S.Ed. from The Johns Hopkins University and an M.B.A. from The Wharton School at the University of Pennsylvania.



Glenn Booraem
Principal and Head of Investment Stewardship Policy and Research

Glenn Booraem is a principal at Vanguard and head of Investment Stewardship Policy and Research. Glenn joined Vanguard in 1989 and has led its investment stewardship efforts for nearly 20 years. He has also served as the controller and treasurer for each of the Vanguard funds. He is a graduate of Temple University and the Advanced Management Program at Harvard Business School.

Appendix B

Global summary of proxy votes cast by Vanguard-advised funds in the 12 months ended 31 December 2023.

Americas

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	28,945	91%	205	67%
	Other board-related	1,595	69%	117	3%
Board oversight of strategy and risk	Approve auditors	4,576	100%	—	—
	Environmental and social	2	100%	399	2%
Executive compensation	Management Say on Pay	3,382	96%	—	—
	Other compensation-related	3,771	84%	30	0%
Shareholder rights	Governance-related	1,001	91%	137	18%
Other proposals	Adjourn/Other business	1,232	90%	—	—
	Capitalization	1,441	92%	—	—
	Mergers and acquisitions	367	98%	—	—
	Other	—	—	19	5%

UK

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	4,505	99%	10	60%
	Other board-related	17	100%	8	88%
Board oversight of strategy and risk	Approve auditors	1,198	100%	—	—
	Environmental and social	7	100%	3	0%
Executive remuneration	Management Say on Pay	911	98%	—	—
	Other remuneration-related	241	99%	2	0%
Shareholder rights	Governance-related	505	100%	—	—
Other proposals	Adjourn/Other business	849	100%	—	—
	Capitalization	2,822	100%	—	—
	Mergers and acquisitions	76	96%	—	—
	Other	—	—	1	0%

Europe*

Alignment with our pillars	Proposal type	Management: Number of proposals	Management: % for	Shareholder: Number of proposals	Shareholder: % for
Board composition and effectiveness	Elect directors	8,905	92%	220	47%
	Other board-related	5,380	95%	145	72%
Board oversight of strategy and risk	Approve auditors	2,340	99%	—	—
	Environmental and social	22	91%	22	5%
Executive remuneration	Management Say on Pay	3,147	81%	—	—
	Other remuneration-related	1,962	93%	12	8%
Shareholder rights	Governance-related	1,235	97%	17	29%
Other proposals	Adjourn/Other business	3,885	95%	—	—
	Capitalization	6,215	97%	—	—
	Mergers and acquisitions	221	95%	—	—
	Other	—	—	50	22%

* The Europe proxy voting table includes figures also represented in the UK proxy voting summary table.

Middle East and Africa

Alignment with our pillars	Proposal type	Management: Number of proposals	Management: % for	Shareholder: Number of proposals	Shareholder: % for
Board composition and effectiveness	Elect directors	1,621	61%	17	18%
	Other board-related	1,120	94%	15	67%
Board oversight of strategy and risk	Approve auditors	497	86%	—	—
	Environmental and social	2	100%	—	—
Executive remuneration	Management Say on Pay	290	80%	—	—
	Other remuneration-related	887	81%	—	—
Shareholder rights	Governance-related	1,289	53%	—	—
Other proposals	Adjourn/Other business	1,244	90%	—	—
	Capitalization	730	94%	—	—
	Mergers and acquisitions	714	94%	—	—
	Other	—	—	—	—

Asia

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	25,327	95%	3,092	95%
	Other board-related	6,637	71%	127	26%
Board oversight of strategy and risk	Approve auditors	3,908	99%	—	—
	Environmental and social	—	—	49	0%
Executive remuneration	Management Say on Pay	—	—	—	—
	Other remuneration-related	6,407	89%	98	52%
Shareholder rights	Governance-related	8,016	74%	36	58%
Other proposals	Adjourn/Other business	14,196	93%	—	—
	Capitalization	16,809	98%	2	100%
	Mergers and acquisitions	5,630	97%	—	—
	Other	—	—	780	74%

Australia and New Zealand

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	816	96%	27	4%
	Other board-related	25	28%	7	0%
Board oversight of strategy and risk	Approve auditors	56	98%	—	—
	Environmental and social	3	100%	6	0%
Executive remuneration	Management Say on Pay	308	92%	—	—
	Other remuneration-related	588	97%	—	—
Shareholder rights	Governance-related	83	100%	6	0%
Other proposals	Adjourn/Other business	4	100%	–	—
	Capitalization	130	100%	—	—
	Mergers and acquisitions	45	100%	—	—
	Other	—	—	1	0%

Appendix C

Proxy voting conflicts of interest policy

The Proxy Voting Conflicts of Interest Policy states that all voting personnel must conduct their activities in a manner such that: (1) fund shareholders' interests come first; (2) conflicts of interest must be mitigated to the extent possible; and (3) compromising situations must be avoided. A summary of this policy can be found in the Vanguard engagement statement.

A conflict of interest, either actual or potential, may be present when:

- Vanguard clients are issuers of securities held in Vanguard portfolios or proponents of shareholder resolutions.
- Vanguard business partners or third-party vendors are issuers of securities held in Vanguard portfolios or proponents of shareholder resolutions.
- Current or former Vanguard directors, fund trustees, or Vanguard senior staff or crew or individuals who have been Vanguard directors, fund trustees, or Vanguard senior staff within the last three years sit on the boards of public companies held in Vanguard portfolios.
- Vanguard Investment Stewardship personnel or members of the Investment Stewardship Oversight Committee have personal or familial conflicts with issuers of securities.
- Any other significant conflicts are brought to Vanguard's attention.

The funds' proxy voting guidelines serve as our primary mechanism for mitigating and resolving actual or potential conflicts of interest. When specific guidelines are not defined for a proxy proposal or additional evaluation of the facts and circumstances is required, Vanguard's Investment Stewardship team takes a case-by-case approach to mitigate the actual or potential conflict.

Further, the Investment Stewardship team records rationale for votes in cases such as: votes at companies with a potential board-level conflict, when explicit guidelines for a particular proposal are not in place, or when exceptions permitted under the funds' proxy voting policies were applied.

The Proxy Voting Conflicts of Interest Policy provides additional measures to mitigate and manage potential or actual conflicts of interest in the funds' proxy voting. These measures include but are not limited to:

Separation between Investment Stewardship and external client-facing roles. Vanguard maintains an important separation between the Investment Stewardship team and other groups within Vanguard that are responsible for sales, marketing, client service and vendor/ partner relationships. Further, the policy prohibits Investment Stewardship team members and Investment Stewardship Oversight Committee members from sharing nonpublic information.

Conflict reporting and recusal process. All personnel involved in the proxy voting and oversight process are subject to Vanguard's Code of Ethical Conduct. They are required to disclose potential or actual conflicts of interest involving Vanguard business interests or immediate family employment arrangements in accordance with this code. Individual proxy voting analysts must recuse themselves from all voting decisions and engagement activities when a personal or familial conflict exists.

Vanguard board members, members of a review or advisory committee associated with Vanguard, or former Vanguard C-suite executives within the last three years who sit on the board of a public company held in Vanguard portfolios are also required to recuse themselves from any engagements with Vanguard. Nonetheless, the Investment Stewardship team will continue to maintain appropriate coverage to engage with portfolio companies and vote shares on behalf of Vanguard-advised funds.

Refraining from voting. Vanguard Investment Stewardship may refrain from voting some or all shares of a portfolio company, or from voting on some or all proposals, when voting would present a potential conflict of interest that cannot be sufficiently mitigated.

Using independent third parties. Vanguard Investment Stewardship or the Investment Stewardship Oversight Committee may engage an independent third party to vote proxies on behalf of the Vanguard-advised funds as a safeguard to avoid potential conflicts of interest or as otherwise required by applicable law.

Voting shares of other Vanguard funds. Certain Vanguard funds (owner funds) may, from time to time, own shares of other Vanguard funds (underlying funds). If an underlying fund submits a matter to a vote of its shareholders, votes will be dealt with in accordance with local applicable regulations. For example, in cases where the owner funds are UK-domiciled, the Investment Stewardship team will not execute votes. Instead, the funds' depositary or trustee will execute the votes, taking into account the best interests of investors.

Vanguard identifies and manages potential conflicts between funds or with other types of accounts through its allocation policies and procedures, internal trading review processes, compliance department trading oversight and oversight by directors, auditors and regulators. Our Code of Ethical Conduct sets forth standards that apply to all personnel, incorporates an insider trading policy and governs outside employment and receipt of gifts.

Employees are required to certify annually that they have read and understand this Code and have disclosed any potential conflicts of interest. Employees receive training each year to ensure that they will recognise the issues they need to be aware of and identify any conflict at an early stage. Vanguard's Compliance team reports unmitigated conflicts of interest to the funds' boards in the annual Code of Ethical Conduct report.

Appendix D

Vanguard Investment Stewardship participates in certain external organisations and initiatives to remain connected to regional developments in corporate governance disclosure. Our affiliations with these organisations provide us with access to information that supplements our own research and analysis to inform our investment stewardship activities and our aim of safeguarding and promoting long-term shareholder returns for Vanguard-advised funds and their investors.

Separately, Vanguard Investment Stewardship participates in several voluntary industry frameworks and information-sharing initiatives that promote useful disclosure to investors of material sustainability-related risks. As detailed in the table that follows, these disclosure-focused organisations include the Task Force on Climate-related Financial Disclosures, the International Sustainability Standards Board and the Principles for Responsible Investment as well as a number of regionally focused investor organisations. Companies' disclosure of material risks is an important component of accurate security pricing and efficient and fair capital markets, which is why material risk identification and disclosure are critical priorities for Vanguard. We believe both investors and markets benefit when material risks – and strategies for mitigating them – are appropriately disclosed.

If we determine that an organisation's mandate has changed or that it no longer aligns with Vanguard's mission or investing perspectives, or that there is credible risk of confusion about Vanguard's involvement or independence, we will reassess our engagement with the organisation.

In addition to the organisations listed in the pages that follow, we participate in several industry trade groups through Vanguard's enterprise-wide membership, including the Investment Company Institute (ICI), the Securities Industry and Financial Markets Association (SIFMA) and the Investment Adviser Association (IAA). Further, Vanguard maintains senior-level representation on several committees and working groups in the European Fund and Asset Management Association (EFAMA), the Irish Funds Industry Association, the German Investment Funds Association (BVI) and the Italian Investment Management Association Assogestioni. These industry bodies cover a broad range of capital markets issues including liquidity, transparency and investor protection.

The following table is as at 31 December 2023.

Initiative/Organisation	Year joined	Description	Affiliation	Nature of affiliation
Principles for Responsible Investment (PRI)	2014	The PRI works for a sustainable global financial system by encouraging adoption of six voluntary principles; fostering good governance, integrity, and accountability; and addressing obstacles to a sustainable financial system within market practices, structures and regulation.	Signatory.	Provides resources and education opportunities. Our commitment is to clear, effective disclosures in accordance with the PRI's reporting framework.
Commonsense Corporate Governance Principles	2016	A set of principles endorsed as a basic framework for sound, long-term-oriented governance for public companies, their boards of directors and their shareholders.	Open letter founding signatory. Former Vanguard Chairman and CEO Bill McNabb helped prepare the principles.	Demonstrates our commitment to promoting sound corporate governance practices.

Initiative/Organisation	Year joined	Description	Affiliation	Nature of affiliation
International Financial Reporting Standards (IFRS) Sustainability Alliance (formerly the Sustainable Accounting Standards Board Investor Alliance)	2016	A global membership programme focused on keeping its members apprised of the changing landscape for sustainability-related data and integrated reporting. Alliance members share a belief in the benefits of a coherent and comprehensive system for corporate disclosure and a more integrated approach to the way organisations plan and disclose their approach to value creation.	Member.	Provides resources and is used as an input to our research. Also provides opportunities to share our perspectives on the standard-setting process for material sustainability risk disclosures.
International Sustainability Standards Board (ISSB) Investor Advisory Group (IIAG) (formerly the SASB Investor Advisory Group)	2016	An advisory body to the ISSB, the group comprises leading asset owners and asset managers that are committed to improving the quality and comparability of sustainability-related financial disclosures by providing strategic guidance on developing IFRS Sustainability Disclosure Standards and ensuring that the investor perspective is articulated clearly and is considered in the ISSB's standard-setting process.	Member.	Provides opportunities to learn from peers and to share our perspectives on the standard-setting process for material sustainability risk disclosures.
The Investment Association	2016	A trade body that represents more than 200 investment managers and investment management firms in the UK.	Member. Managing director Sean Hagerty serves as deputy chair of the board.	Provides resources and education opportunities. Also provides opportunities to share our perspectives on investment stewardship topics.
Investor Stewardship Group	2017	A group with an established framework of basic stewardship and corporate governance standards for US institutional investor and boardroom conduct.	Founding signatory. Vanguard representative serves on the board of directors and nominating committee.	Provides resources and education opportunities.
Council of Institutional Investors (CII)	2017	A nonprofit, nonpartisan association of US public, corporate and union employee benefit funds and institutional asset owners with a mission to be a leading voice for effective corporate governance practices, strong shareowner rights and sensible financial regulations that foster fair, vibrant capital markets.	Member. Vanguard representative serves on the Corporate Governance Advisory Council.	Provides education opportunities and research on developments in corporate governance.

Initiative/Organisation	Year joined	Description	Affiliation	Nature of affiliation
Task Force on Climate-related Financial Disclosures (TCFD)	2017	An organisation that developed guidelines for voluntary climate-centred financial disclosures for all industries.	Supporter.	Provides resources and demonstrates our commitment to promoting effective disclosures of material climate risks and related climate strategies.
CDP	2018	CDP runs a global disclosure system for investors, companies, cities states and regions looking to understand or manage their environmental impacts.	Capital Markets signatory. Vanguard subscribes to data for CDP Climate Change, CDP Forests and CDP Water.	Data provider. Research informs our assessment of portfolio companies' disclosure of climate-related risks and impacts.
International Corporate Governance Network (ICGN)	2019	An investor-led organisation with a mission to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide.	Member.	Provides resources and education opportunities.
Asian Corporate Governance Association (ACGA)	2021	An independent, nonprofit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.	Member.	Provides education opportunities. Research informs our stewardship activities in the Asia region.
Institutional Investors Group on Climate Change (IIGCC)	2021	A global membership body that aims to provide investors with frameworks, tools and support related to the disclosure and understanding of climate-related risks and opportunities in their investment process.	Member.	Provides resources and education opportunities. Region-specific insights inform our investment stewardship activities.
Investor Group on Climate Change (IGCC)	2021	A leading network for Australian and New Zealand institutional investors that provides awareness of and resources for understanding and managing the risks and opportunities of climate change.	Member.	Provides resources and education opportunities. Region-specific insights inform our investment stewardship activities.
Asia Investor Group on Climate Change (AIGCC)	2021	A leading network for Asian institutional investors that provides awareness of and resources for understanding and managing the risks and opportunities of climate change.	Member.	Provides resources and education opportunities. Region-specific insights inform our investment stewardship activities.

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