Vanguard

Vanguard's Engagement Policy

(THE "POLICY")

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Overview

Each UK- and Irish-domiciled fund advised by Vanguard (the "funds") has retained the authority to vote proxies with respect to the shares of equity securities held in the portfolio advised by Vanguard. Vanguard is tasked with administering the day-to-day operations of proxy voting for the funds and takes a global approach to investment stewardship and engagement on behalf of each fund. This policy generally describes how the Investment Stewardship team engages with issuers with respect to proxy voting and governance across the globe, and is intended to meet the requirements set out in the Shareholder Rights Directive II.

1. Our Principles

Our approach to investment stewardship is framed by four global principles that we consider foundational to effective corporate governance (our "Principles"). These Principles are reflected in our Investment Stewardship team's public advocacy, engagement activity and proxy voting, to safeguard and promote long-term value creation by Vanguard fund portfolio companies.

Board composition. Good governance begins with a great board of directors. Boards represent the interests of their shareholders and make critical decisions about a company's leadership, its strategy, and the risks that could create obstacles to its long-term success.

Our primary interest is to ensure that boards represent the interests of all shareholders. Directors should be independent in mindset and free from conflicts of interest. Boards should also be appropriately diverse both in personal characteristics – such as gender, race, ethnicity, national origin and age – and in skills and experience. If a company has a well-composed, high-functioning board, good results are more likely to follow.

Oversight of strategy and risk. Boards are responsible for governance of a company's strategy and oversight of risk. Strategy and risk can be viewed as two sides of the same coin: Every strategy involves risk, and every risk presents strategic opportunity.

As a long-term investor, Vanguard wants to know how companies think beyond the next quarter and next year. We look to the board to articulate why a company exists and how it will be relevant over decades. Importantly, we do not seek to influence company strategy. A board that truly understands a company's long-term strategy serves as an assurance to investors that the company is less likely to veer off course.

We engage with boards regarding the oversight of material risks that have the potential to affect shareholder value over the long term – from business and operational risks to environmental and social risks. Boards should disclose material risks to shareholders, explain why those risks are material to their business, and disclose their approach to risk oversight. We have a responsibility to understand how business activities pose a material risk to the long-term value of our funds.

Executive remuneration. We believe that performance-linked remuneration (compensation) policies and practices are fundamental drivers of sustainable, long-term value for a company's investors. The board plays a central role in determining appropriate executive pay that incentivizes outperformance relative to a company's peers and competitors.

Providing effective disclosure of these practices, their alignment with company performance and their outcomes is crucial to giving shareholders confidence in the link between incentives and rewards and the creation of value over the long term.

Shareholder rights. Shareholder rights empower shareholders to use their voice and their vote to ensure the accountability of a company's board and management.

Shareholders should be able to hold directors accountable through governance provisions such as annual elections that require securing a majority of votes. If a board appears resistant to shareholder input, we also support the rights of shareholders, at an appropriate level of ownership, to call special meetings or to place director nominees on the company's ballot.

2. Our Approach

We believe well-governed companies will perform better over the long term. Our board-centric view is the foundation of Vanguard's approach to investment stewardship. It guides our discussions with company directors and management, as well as our proxy voting on behalf of the Vanguard funds at shareholder meetings around the globe. Effective corporate governance is an important ingredient for the long-term success of companies and their investors – when portfolio companies perform well, so do our clients' investments.

Vanguard serves more than 30 million individual investors around the world who have a wide range of personal beliefs. The one thing they have in common is that they have entrusted us with their money in the expectation that we will safeguard it and help it to grow. Our investors, most of whom are saving for important long-term financial goals such as retirement, expect their mutual funds to meet the specific objectives set forth for those investments. As a fiduciary, we are required to manage our funds in the best interests of shareholders and obligated to maximize returns to help shareholders achieve their financial goals.

Vanguard's Investment Stewardship program is carried out by a global team of experienced governance professionals. We employ both a region- and sector-focused model for company analysis, engagement and voting. This structure enables us to balance the need for global consistency with regional relevance by developing in-depth knowledge on pertinent issues across our funds' portfolios and identifying industry, regional and country-specific trends.

Our team is driven by a clear, consistent and compelling mandate: to serve as a voice for our investors and promote long-term value creation at the companies in which our funds invest. We steward the Vanguard funds' global equity index holdings by advocating for market-wide adoption of governance best practices, engaging with company directors and executives, and voting proxies.

Advocacy. We advocate for the highest standards of corporate governance worldwide and the sustainable, long-term value of our shareholders' investments. We promote a long-term view in both corporate governance and investment practices through public forums and published materials.

Engagement. We meet with board members and company executives to share our long-term orientation and principled approach and to learn about companies' corporate governance practices.

Proxy voting. We vote proxies at public company shareholder meetings on behalf of our internally managed equity funds. Our voting is based on specific guidelines and on detailed company research carried out by our team of analysts.

3. Engagement

While proxy voting is an important component of our stewardship program, we recognize that candid dialogue during engagements can be more productive than our vote alone – particularly when it comes to environmental and social issues.

Engagement is the foundation of our Investment Stewardship program. Because our index funds are long-term investors in portfolio companies, we aim in our engagements to understand how corporate boards of directors govern long-term strategy and how they are setting themselves up to stay relevant today, tomorrow and well into the future. We do not seek to dictate company strategy or operations, but we raise concerns with relevant parties when we feel the economic interests of our shareholders may be at risk.

Our team evaluates a range of factors when considering whether we need to engage with a portfolio company, such as the purpose, impact and timeliness of a discussion. We evaluate each engagement request carefully and thoroughly, and our decision on whether to engage is deliberate and research-driven. When we decline an engagement request, we may still want to engage in the future, particularly when company corporate governance circumstances change. We conduct significant research and analysis to prepare for our discussions with company leaders and board members. Although such discussions can vary widely by company, sector and region, our engagements tend to fall into one of three broad categories:

Strategic engagements are wide-ranging discussions with directors and executives in which we develop a thorough understanding of how a company's strategy and long-term objectives align with its approach to governance. These cover most of our investment stewardship principles and provide us with the opportunity to articulate our perspectives on governance best practices, offer feedback on a company's key ESG and sustainability matters, and discuss industry dynamics.

Ballot-item engagements focus on specific proxy voting ballot proposals that are often contentious, such as leadership changes, proxy contests, shareholder proposals or a company crisis. In such cases, we want to hear all relevant perspectives before our funds vote, and we may hold discussions with company boards, management teams and shareholder proposal proponents.

Thematic engagements target a universe of companies where we have identified a concentration of high potential risk around a specific theme, such as climate change or diversity. These engagements are used to convey our expectations of boards, gain insights into how boards are overseeing material opportunities and risks, and identify both leading and lagging practices. The information gleaned from these conversations informs our future engagements and approach to holding companies accountable for progress.

The criteria we use to set an engagement's priority include the materiality of the topic, the funds' exposure to the company, serious governance matters, or whether we are following up on an earlier voting decision. Our engagements generally take place via direct conversations held with board members and company executives through conference calls and in-person meetings. Occasionally, engagements can be conducted via substantive written exchange between Vanguard and a portfolio company. Investment Stewardship analysts meet with, and listen to, all stakeholders to inform our voting decisions or deepen our knowledge on a topic. In most engagements, we meet with members of the executive leadership team, board directors (preferably independent members), corporate secretaries, company executives, general counsels or investor relations officers. We may also meet with stakeholders such as activist investors or nongovernmental organizations as an input into our research to determine what course of action is in the best interests of Vanguard fund shareholders.

From time to time, Vanguard's Investment Stewardship team may also engage in collaborative engagements with other investors on thematic governance issues, including sustainability, in order to supplement Vanguard's individual efforts.

Additionally, we collaborate with other institutions and listed companies to enhance industry standards for corporate governance, company disclosure practices and investor stewardship.

4. Proxy Voting

One of the most visible signs of Vanguard's engaged ownership is our funds' proxy voting at company shareholder meetings. The relevant board in respect of each Vanguard fund (each a "**Board**") annually adopts proxy voting procedures and guidelines to govern proxy voting by the fund (the "**Guidelines**"). The Guidelines are designed and executed to promote long-term shareholder value by supporting good corporate governance practices. They frame the analysis of each proxy proposal, providing a basis for decision-making.

Vanguard's Investment Stewardship team evaluates proxy ballot items presented to shareholders and casts votes on behalf of each fund's holdings in accordance with the funds' instructions set forth in the Guidelines as well as local market standards and best practices. In evaluating proposals, the team may consider information from many sources, including a company's independent board directors and executives, various research and data resources or other publicly available information. We periodically review our research and data providers, as well as our workflow and processes, to identify possible ways to enhance the inputs into proxy voting.

A wide variety of third-party research providers – including proxy advisers – are consulted based on their analysis of issues that bear on long-term shareholder value. These issues are then analyzed in conjunction with the funds' proxy voting guidelines and other relevant data, including insights from company engagements, to reach independent decisions on behalf of each Vanguard fund. The Investment Stewardship team does not vote in lockstep with recommendations from proxy advisers (such as Institutional Shareholder Services [ISS] or Glass Lewis) when voting on behalf of the funds. For some proxy proposals (which predominantly relate to corporate governance), the evaluation could result in overlapping voting outcomes. We have established risk oversight processes and proprietary systems to monitor our shares and voting rights and manage the proxy voting process.

We make every attempt to vote at all meetings where the Vanguard funds are eligible to vote. A fund may abstain from a vote on a particular issue if the economic value of casting the fund's votes negatively affects the financial interests of fund shareholders. These circumstances may arise, for example, if the expected cost of voting exceeds the expected benefits of voting, if exercising the vote would result in the imposition of trading or other restrictions, or if a fund (or all the funds in the aggregate) were to own more than the permissible maximum percentage of a company's stock (as determined by the company's governing documents or by applicable law, regulation or regulatory agreement). In some markets, voting proxies will result in a fund's being prohibited from selling the shares for a period of time because of requirements known as "share-blocking" or reregistration. Generally, the value of voting is unlikely to outweigh the loss of liquidity imposed by these requirements on the funds. In such instances, the funds will generally abstain from voting.

Proxy voting responsibilities for Vanguard's externally managed active funds are performed by those funds' external advisers. These managers follow proxy voting guidelines designed to ensure that their votes are consistent with their fiduciary obligations. Managers each have their own policies and guidelines that govern their voting decisions. Vanguard carefully selects fund managers to ensure their investment principles and processes align with the best interest of the Vanguard funds they manage. We hold our portfolio managers to high standards of investment management and compliance, and we are confident that they will act in the best interest of the funds.

5. Oversight of Investment Stewardship

Each fund has delegated oversight of proxy voting and stewardship functions to the Investment Stewardship Oversight Committee (the "Committee"). The Committee comprises a senior management group, led by Vanguard's chairman and CEO and subject to the Guidelines. Vanguard is subject to these Guidelines to the extent that they call for Vanguard to administer the voting process and for these purposes the Guidelines have also been approved by each fund (as referred to above).

The Committee includes senior executives from investment management, global risk, legal, compliance, investment products, finance, communications, investment stewardship, and the head of Vanguard's UK and European businesses. It does not include anyone whose primary duties include external client relationship management or sales. This clear separation between the proxy voting and client relationship functions is intended to eliminate any potential conflict of interest in the proxy voting process. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must recuse himself or herself from the Committee meeting at which the matter is addressed and not participate in the voting decision.

The Committee works with Investment Stewardship to prepare reports and provide other guidance regarding proxy voting decisions by the funds. The Committee has an obligation to conduct its meetings and exercise its decision-making authority subject to the fiduciary standards of good faith, fairness and Vanguard's Code of Ethics. The Committee shall authorize proxy votes that the Committee determines, at its sole discretion, to be in the best interests of each fund's shareholders. In determining how to apply the guidelines to a particular factual situation, the Committee may not consider any interest that would conflict with the interest of fund shareholders in maximizing the value of their investments.

6. Escalation

Vanguard's Investment Stewardship team is able to escalate particular company matters on a case-by-case basis to the Committee. In determining an approach for escalation, the team considers the materiality of the issue at hand, the receptivity and responsiveness exhibited by the company, and an assessment of whether such escalation measures are in the best interests of Vanguard fund shareholders.

Escalation measures can include engaging in direct discussion with company board members. In select situations, when we believe that company directors or executives have not been appropriately responsive to Vanguard fund or investor feedback, the funds may pursue several measures in order to reach the best possible outcome for shareholders in the long term. These measures include, but are not limited to, voting against specific proposals (e.g. a remuneration policy or report, in the instance of remuneration concerns), and/or voting against specific directors or committee members as appropriate and based on their responsibility on the board (e.g. a member of the remuneration committee, in the instance of escalated remuneration concerns).

Investment Stewardship also has a process for elevating select voting decisions internally to the Committee.

7. Securities Lending

There may be occasions when Vanguard needs to restrict lending of and/or recall securities that are out on loan in order to vote in a shareholder meeting. 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 and/or recall the stock. In making this decision, we consider:

- 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 our fund shareholders, evaluating whether we believe the benefits of voting a company's shares would outweigh the benefits of stock lending revenues in a particular instance.

8. Conflicts of Interest

Vanguard has established an Investment Stewardship Conflicts of Interest Policy to manage any actual and potential conflicts of interest relating to our advocacy, engagement or voting activities on behalf of the funds.

The funds invest in thousands of publicly listed companies worldwide. Those companies may include clients, potential clients, vendors or competitors. Some companies may employ Vanguard trustees, former Vanguard executives, or family members of Vanguard personnel who have direct involvement in Vanguard's Investment Stewardship program.

Vanguard's approach to mitigating conflicts of interest begins with the funds' proxy voting procedures. The procedures require that voting personnel act as fiduciaries, and they must conduct their activities at all times in accordance with the following standards: (i) fund shareholders' interests come first; (ii) conflicts of interest must be avoided; and (iii) compromising situations must be avoided.

We maintain an important separation between Vanguard's Investment Stewardship team and other groups within Vanguard that are responsible for sales, marketing, client service and vendor/partner relationships. Proxy voting personnel are required to disclose potential conflicts of interest, and they must recuse themselves from all voting decisions and engagement activities in such instances. In certain circumstances, Vanguard may refrain from voting shares of a company, or may engage an independent third-party fiduciary to vote proxies.

9. Reporting and Disclosure

Vanguard Investment Stewardship regularly reports on its activities through publications such as our annual and semiannual investment stewardship reports and Vanguard Insights. Each fund's voting history is disclosed annually on our websites. Voting records are additionally disclosed on a quarterly basis for funds that are managed solely by Vanguard.

Vanguard shall review this Policy on an annual basis and update it, as necessary.

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