



# Investment Stewardship

2020 Semiannual Report

**Vanguard**<sup>®</sup>



Good governance and effective stewardship enhance and protect shareholder value over the long term. Boards that are well-composed for today and tomorrow have independent members with diverse skills and experience who are capable of overseeing strategy, governing risk, setting appropriate performance-linked compensation (remuneration), and embracing policies that give a voice and a vote to shareholders.

Each year, on behalf of the Vanguard funds, our Investment Stewardship team meets with hundreds of portfolio companies. Engagement is a critical component of Vanguard’s Investment Stewardship program. Our engagements allow us to go beyond proxy voting at a company’s annual meeting and have deliberate, constructive, and results-oriented discussions with executives and directors.

This semiannual report provides snapshots of some of the discussions we held with portfolio companies in the six months ended December 31, 2019, as well as a summary of the funds’ proxy voting during that period.

We’ve selected case studies that represent an array of regions, industries, and sectors and demonstrate the outcomes of our engagements—both positive and where there is room for improvement. We believe that these case studies can provide clarity into our approach and perspectives on important topics.

All of our engagements are framed by Vanguard’s four principles of corporate governance:



Board  
composition



Oversight of  
strategy & risk



Executive  
compensation



Governance  
structures

# Board composition

Good governance starts with a company's board of directors. Historically, directors' responsibilities have included hiring CEOs and setting compensation. But as board members help lead increasingly sophisticated global companies, higher expectations are being placed on them. The job of a director now requires new skills, experiences, and time commitments as boards are asked to be a key voice on strategy and identify and govern material risks—both known and unknown.

An effective board should be independent and reflect both diversity of personal characteristics (such as gender, race, and ethnicity) and diversity of skill, experience, and opinion. We believe (and research shows) that diverse boards can make better decisions, which can set in motion a virtuous circle that enables a company to innovate, seek out new customers, and enter new markets. If a company's board is capable, diverse, and experienced, good results are more likely to follow.

## Board composition

### New director improves French board's leadership

We met with executives of a French luxury goods maker to discuss board composition, including the recent addition of a lead independent director (LID). Vanguard believes in independent leadership in the boardroom, whether in the form of an independent chair or an LID. The company combines the role of CEO and chair; therefore, we welcomed the addition of an independent leader in the boardroom.

We set out to understand the remit of the new LID role and its responsibilities that are distinct from those of the CEO and chair. Company executives explained that the new role would create a greater balance of power, with responsibilities such as managing potential conflicts of interest, contributing to the board agenda, and coordinating the work of independent directors. They also expect the LID to represent the company on environmental, social, and governance (ESG) issues; as such, the individual selected for the role was chosen in part based on their expertise in ESG and sustainability. We were encouraged by the thoughtful selection process, the company's focus on increasing the balance of power, and the clear remit of the role.

We later engaged again with the LID and the company's head of sustainability. We discussed the LID's responsibilities more deeply and were encouraged to see congruence with those highlighted in our first engagement. We also discussed how the board monitors corporate culture, specifically related to diversity and inclusion, a key ESG issue for the company. The LID was well-versed in the company's most material ESG and sustainability matters, and we expressed our support for the board's thoughtful approach to these topics. We feel confident that the LID is a strong independent voice, representing the views of shareholders.

### Bank raises the bar on disclosure

We had a wide-ranging, productive discussion with the management of a Canadian bank as we sought to understand the board's view on responsibilities such as risk oversight and board composition. In particular, we focused on the ongoing evolution of the board's composition and diversity, and appropriate skill sets for future directors. Most management teams are candid about such matters, but the bank's positions were reinforced by its public disclosure, which includes in-depth details on board and executive team diversity, board independence, components of director pay, and a breakdown of presentations the board heard to educate itself on key issues. We consider such disclosure to be a model for other companies, and we appreciated the level of detail on matters we consider material to long-term value creation. In future engagements, we look forward to meeting with a wider array of company leaders, including independent board members.



# Oversight of strategy and risk

When we discuss strategy and risk with portfolio companies, we try to assess how deeply the board of directors understands the company's strategy and is involved in identifying and governing material risks. This responsibility is taking an increasing amount of directors' time as these strategies and associated risks become more complex.

We believe there should be a constant exchange of information between a company's board and management. After all, we expect directors to bring a wealth of experience to the boardroom, and they can provide valuable counsel to company leaders who are executing on strategy and confronting obstacles. But board members shouldn't rely solely on management for assessments of their companies; they should educate themselves on competitive dynamics and seek outside opinions as they carry out their oversight responsibilities.

Ultimately, boards should work to prevent risks from becoming governance failures. We've seen increasing evidence that nontraditional but material risks related to environmental and social topics (such as climate change, cybersecurity, and human capital management) can damage a company's long-term value. If a company's practices, organizational culture, or products put people's health, safety, or dignity at risk, they can pose a financial risk to investors too. Strong oversight practices enable a board to steer a company through unpredictable crises.

## Oversight of strategy and risk

### Japanese financial company leads by example with strong disclosures

Employees of a large Japanese financial holding company improperly shared market-sensitive information with clients in early 2019. This was the second time in recent years that the company had been involved in an information breach; the current CEO took over as a result of the first breach. Swift, thoughtful actions in response to the incident, including an internal investigation led by the audit committee that resulted in a report to the full board, gave us confidence that the company was committed to fixing the situation and preventing similar risks in the future. The Vanguard funds voted in favor of management, supporting the reappointment of all directors at the 2019 annual meeting.

Six months after the annual meeting, we engaged with the company and took a deeper dive into its risk-oversight process. We were impressed with the company's detailed remediation plan showing progress on each action, its new "code of conduct" guideline, and its comprehensive board and employee training programs. The company also had a detailed matrix on its material risks and thorough director profiles. A majority of the company's board is independent—which is advanced for the region—and is diversified in expertise and experience, with three majority independent key committees.

After a scandal that had shaken investor confidence, we appreciated the company's transparency and its remediation plan. We will continue to monitor the board's oversight of risk. The company serves as one positive example of the direction we hope to see more companies move toward with disclosures.

### U.S. REIT publishes its human rights report

We engaged with leaders and directors from a U.S. real estate investment trust (REIT) specializing in correctional facilities to discuss human rights risks. The company had been implicated in alleged human rights abuses on its properties. A shareholder proponent had filed a proposal asking that the company publish an annual report disclosing its human rights policy and how that strategy is implemented. In our engagement, the company explained that it already had planned to

publish a report that would include most of that information. We expressed our intent to support the proposal, and we encouraged the company to engage directly with the proponent. Following our discussion, the company informed us that it had planned to withdraw its opposition to the proposal and recommend that shareholders vote in favor. The company expressed a sincere commitment to take action and publish a report to meet stakeholders' needs. The Vanguard funds voted to support the proposal.

In the months following our engagement, we monitored the company's progress and were pleased to see that the company published its first human rights and ESG report in late September. The report is a constructive first step toward greater disclosure of decision-useful information to shareholders. We will continue to advocate for strong disclosure and management of material risks, and we expect the company to remain committed to evolving its disclosure.

### Board actions help financial services company move beyond scandal

We conducted multiple engagements with the leadership of an Australian financial services company facing allegations that it had breached anti-money-laundering regulations in its home country. Within a month we had two discussions that included the board chairman as we sought to understand how the board learned about the allegations and the steps it was taking to prevent similar incidents in the future. The chairman was candid in his assessment of the gaps in the board's oversight, and after our call the board moved quickly to make what we thought were appropriate changes. These changes included replacing the CEO and enabling new voices on the board by removing several committee heads and speeding up the chair's retirement. The moves gave us confidence to vote in favor of other directors up for re-election and for the executive remuneration plan, which reflected positive changes in response to shareholder feedback. In our upcoming engagements we look forward to hearing how the board continues to make progress on moving beyond the allegations and onboarding new leadership.

## Oversight of strategy and risk

### Hotel REIT implements good governance policies

A U.S. hotel REIT has made progress with its corporate governance practices in recent years. Our engagement with the company in 2019 focused on risk oversight, in the context of a shareholder proposal at the annual meeting. The proposal requested that the company produce an annual report disclosing sexual harassment complaints filed by employees and guests of hotels owned within the company's trust. Although the proposal received little shareholder support, company executives expressed the importance of engaging and supporting their operators. The company implemented a number of measures to address sexual harassment, including the use of panic devices by employees and encouraging hotel operators to adopt leading best practices that improve the safety of employees and guests.

In previous discussions, we shared a number of governance provisions for the company to consider in order to support shareholder rights. We were pleased to learn in the same 2019 engagement that the company had taken action on shareholder feedback by adopting proxy access and implementing a majority vote standard for director elections. These actions should help protect shareholders' long-term interests and give them a voice in the boardroom.







## Human capital management: Workforce and culture issues in the spotlight

Human capital management encompasses a range of workplace and workforce topics, including corporate culture, talent development and retention, workforce composition, and employee rights, health, and safety. For many boards, these matters are closely intertwined with corporate strategy, and they are often the subject of our engagements as we seek to understand how boards think beyond traditional issues such as CEO succession.

For example, during our engagements with board members and senior leadership of a leading U.S. financial services firm in recent years, we explained our views on appropriate disclosure of topics related to human capital management. The company had received several shareholder proposals on matters such as gender pay disparities. Within the financial services sector—and among other sectors as well—human capital management is being perceived as both a material part of strategy and a risk. In our engagement in the second half of 2019, which included the board’s LID, the company reviewed with us a recently published report that went into great detail about its views on workforce diversity and inclusion practices, compensation, and other topics.

We were encouraged by the report’s thoroughness and the way it linked human capital management to sustainable growth, as well as the company’s responsiveness to shareholder feedback, including ours. We believe that the firm’s approaches to transparency and disclosure can serve as a model for companies that are considering a thoughtful approach to human capital management topics.

Human capital management can also touch on issues that get to the heart of corporate culture.

We engaged with a leading global commercial real estate company before its annual meeting. A shareholder proposal requested that the company prepare a report evaluating the risk that may result from its mandatory arbitration policy for sexual harassment claims. The board recommended that shareholders vote against the proposal.

During our engagement, the company shared its view that harassment risk has been and will remain a critical issue for both the board and company. We appreciated learning about the board’s active oversight of sexual harassment policies and regular engagement with management. The company’s disclosure of anti-harassment policies, programs, and training sufficiently demonstrates that it encourages open dialogue about these issues. As a result of this robust disclosure and forthcoming updates, we determined that the disclosure proposal was duplicative and did not support it.

We encouraged the company to continue seeking the board’s perspective and will look for increased disclosures in its sustainability report.



## Environmental risks: Companies take different approaches to oversight

To assess a company's strategic response to material environmental risks, including climate-related risks, we evaluate the strength of its risk oversight and disclosure practices. The case studies on the facing page highlight companies that have made a strong commitment to overseeing and disclosing those risks.

## Oversight of strategy and risk

### Grocery chain launches recyclability analysis

Over the past several years, we engaged with executives from a U.S. grocery store chain to discuss the environmental impact of nonrecyclable packaging in the company's branded products. Although the retailer has repeatedly received shareholder proposals on the issue, the Vanguard funds have historically elected to support management in voting against the proposals, based on our productive dialogue with the company that has convinced us the risk is sufficiently managed.

In our analysis of the company's sustainability disclosures, we were pleased to see year-over-year progress and a strong commitment to environmentally conscious initiatives, including extensive reporting on time-bound recycling targets. Most recently, the company announced plans to conduct a packaging recyclability analysis of in-house branded products, the results of which will be disclosed in a sustainability report. We will continue to monitor this material risk in the food and beverage industry and look to the company's peers to make progress in this area.

### Food and beverage company prioritizes the environment

We engaged with the leadership of a global food and beverage manufacturer to discuss company strategy, corporate culture, and sustainability. In recent years, the company has faced scrutiny over the use of plastic packaging in many of its products, along with other environmental concerns. The Vanguard funds voted against a 2019 shareholder proposal that called on the company to report on pesticide management in its supply chain, a request that we believe was already sufficiently addressed by the company's existing disclosures. Despite public criticism, the company has demonstrated a strong commitment to reducing its environmental footprint, and the board is fully involved in the oversight process.

In our discussion, the company pointed to robust disclosure about environmental initiatives with specific, time-bound goals for implementation. Such initiatives included water security, recyclable packaging, sustainable farming, reduction targets for greenhouse

gas (GHG) emissions, and sustainable sourcing in the supply chain. We were encouraged by the company's use of established global standards to identify material sustainability issues and publicly report on those topics in detail. As the company approaches established targets for its sustainability initiatives, we will continue to engage the board on its oversight process and look for comparable disclosure among the company's industry peers.

### Energy company improves on goal-setting and oversight

We held an engagement with independent directors and executives from a major U.S. energy company in the second half of 2019 to discuss the board's continued evolution and oversight of key sustainability risks.

At its 2019 annual meeting, the company received a shareholder proposal requesting disclosure on GHG emissions reduction aligned with the Paris Agreement goal of limiting the global temperature increase to well below 2 degrees Celsius. It did not win the support of a majority of shareholders. A few months later, the company announced new goals to reduce net GHG emissions intensity from its upstream oil and natural gas production.

We welcome these goals and other climate-related initiatives the company has implemented in recent years as demonstrations of the board's role in overseeing the management of material risks to long-term shareholder value. Early in 2019, the company published an update to its climate report, which more closely aligned its approach to climate risk with the framework provided by the Task Force on Climate-related Financial Disclosures. We were pleased to see the company's alignment to an industry-established framework for climate reporting.

Although the company has a strong corporate governance program and is improving its sustainability disclosures, in our discussion we stressed the importance of material, decision-useful disclosure in other areas as well, including human capital management. We will continue to engage with the company to understand how the board is overseeing climate risks as they evolve and accelerate, and we will carefully evaluate future shareholder proposals on this topic.

# Executive compensation

Sound compensation (remuneration) policies and practices linked to performance that extend well beyond the next quarter or year are fundamental drivers of sustainable, long-term value. Expectations and norms of compensation vary by industry type, company size, and geographic location; therefore, we do not take a “one-size-fits-all” approach to executive compensation.

In our engagements on this topic, we seek to understand the business environment in which pay-related decisions are made and how the board structures pay to incentivize outperformance over the long term versus peers. Companies should provide clear disclosure about their compensation practices and how they link to performance and to the company’s espoused strategy. This disclosure gives shareholders confidence that the board is looking out for their best interests.

## Executive compensation

### Tech firm improves its compensation plan

In early 2019, we met with members of management and the board of a growing U.S. cybersecurity firm to discuss its compensation plan, which we believed didn't adequately align pay with performance. In our engagement, company leaders mentioned that they were changing from a business model that relies on licensing fees to a subscription model. Simultaneously, they planned changes to the compensation plan. The Vanguard funds—in addition to other shareholders, representing two-thirds of the votes cast—voted against the compensation program at the company's annual meeting because of the misalignment, and we encouraged the company to provide shareholders with updates and to consider integrating total shareholder return as a metric to measure performance.

We met again with the company later in the year and were pleased to hear it was responsive to shareholder feedback. Changes to the compensation plan included a greater focus on performance-based pay, more rigorous targets, and a thoughtfully selected performance metric appropriate for the company in its current stage. We expressed our support for these changes, which we believe align executive compensation and the interests of all shareholders. (The company's next Say on Pay vote will come later in 2020.) We look forward to seeing progress on other governance fronts, such as the annual election of directors and the appointment of independent board leadership.

### U.K. hotel chain is responsive to remuneration plan changes

A U.K. hospitality company proposed changes to its executive remuneration plan. The proposal called for shifting from a traditional performance-based long-term share award to a long-term share award that did not include performance measures and paid out only after a number of years (often referred to as a restricted stock plan). We were concerned that these changes could cause future pay and performance misalignment, and we voiced this to the company's directors.

Although the company's proposed time-based long-term share plan did not include traditional performance measures, it did include a performance underpin—meaning that if certain conditions were not met, as determined by the remuneration committee, the plan would not pay out an award or the payout of the award would be reduced. Through our engagement, we encouraged the company to re-evaluate the performance underpin to ensure that the plan does not pay out an award if the company's financial performance is poor.

We also discussed the company's desire to make an additional one-off long-term award, which it intended to coincide with part of the existing share plan. We expressed concern that this meant executives could be paid twice without necessarily achieving further positive company performance.

After the company's consultation period, it shared a revised remuneration policy with us. The company enhanced the performance underpin and removed the additional one-off award. Both plan changes were responsive to our feedback and, as a result, the Vanguard funds voted in support of the new remuneration policy.

# Governance structures

Governance structures should empower shareholders to use their voice and their vote to ensure the accountability of a company's board. Shareholders should be able to hold directors accountable as needed through governance provisions such as annual elections that require securing a majority of votes. In instances where the board appears resistant to shareholder input, we also support the right of an appropriate proportion of shareholders to call special meetings and to place director nominees on the company's ballot. We also understand the value and weight each vote holds for shareholders, and we prefer the adoption of "one-share, one-vote" structures over time. We believe companies need to have governance structures in place that serve as a safety net to protect and support basic, foundational rights for shareholders.

## Governance structures

### Changes ahead for directors held accountable for history of poor governance

Over the course of several years, we have engaged multiple times with management of a U.S.-based insurance firm to discuss matters related to shareholder rights and to address the company's unresponsiveness to shareholder proposals that had received overwhelming shareholder support.

The company has received a series of shareholder proposals seeking, among other things, the adoption of foundational governance measures, including a majority vote standard for director elections and the adoption of proxy access. In each case, these proposals have received majority support from shareholders—including the Vanguard funds—but they have not been implemented by the board. Based on this consistent lack of responsiveness, the Vanguard funds have withheld support from directors up for election since 2016, including all director nominees at the 2018 meeting.

Following the 2019 annual meeting, we again engaged with company leaders—including, for the first time, an independent director—to articulate our concerns with the company's lagging governance structure and lack of annual election for directors. Although this was a first for us at this company, the majority of our engagements with other portfolio companies have included independent members of the board for some time.

Since our most recent discussion, the company has amended its bylaws to grant proxy access to shareholders, one of the matters on which it has received multiple shareholder proposals. In addition, a number of long-serving directors have retired from the board over the past year, creating space for fresh perspectives to be added. While these are clearly steps in the right direction, we look forward to continued engagement to support further adoption of foundational governance standards that support shareholder rights.



# Proxy voting history

## Global summary of proxy votes cast by Vanguard funds

(July 1, 2019–December 31, 2019)

- Vanguard funds cast 36,801 individual votes in the last half of 2019.
- Board member elections, compensation, and capitalization issues continued to account for the majority of ballot items.
- Total shareholder proposals in the reporting period numbered 1,907, a slight increase from the same period in 2018.

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	10,906	92%	11,955	91%
	Other board-related	1,911	87%	2,140	90%
	<b>Shareholder proposals</b>				
	Board-related	1,163	88%	1,340	93%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	2,063	97%	2,133	98%
	<b>Shareholder proposals</b>				
	Environmental/social	22	23%	31	6%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	1,117	92%	1,215	92%
	Other compensation-related	2,942	90%	2,756	90%
	<b>Shareholder proposals</b>				
	Compensation-related	76	88%	38	76%
Governance structures	<b>Management proposals</b>				
	Governance-related	3,247	85%	3,142	85%
	<b>Shareholder proposals</b>				
	Governance-related	55	56%	58	62%
Other proposals	<b>Management proposals</b>				
	Capitalization	9,212	98%	6,884	97%
	Mergers and acquisitions	3,362	98%	3,040	94%
	Adjourn/other business	1,554	92%	1,629	91%
	<b>Shareholder proposals</b>				
	Other	496	96%	440	94%
<b>Total</b>		<b>38,126</b>	<b>93%</b>	<b>36,801</b>	<b>92%</b>



## Summary of proxy votes cast by Vanguard funds for companies in the United States

(July 1, 2019–December 31, 2019)

728 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	3,093	94%	3,120	91%
	Other board-related	11	64%	9	100%
	<b>Shareholder proposals</b>				
	Board-related	9	11%	24	63%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	545	100%	550	100%
	<b>Shareholder proposals</b>				
	Environmental/social	12	25%	11	9%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	376	94%	414	93%
	Other compensation-related	356	67%	391	60%
	<b>Shareholder proposals</b>				
	Compensation-related	6	NA	1	0%
Governance structures	<b>Management proposals</b>				
	Governance-related	87	91%	93	87%
	<b>Shareholder proposals</b>				
	Governance-related	13	31%	14	57%
Other proposals	<b>Management proposals</b>				
	Capitalization	170	86%	143	89%
	Mergers and acquisitions	134	98%	127	99%
	Adjourn/other business	172	84%	171	79%
	<b>Shareholder proposals</b>				
	Other	0	NA	0	NA
<b>Total</b>		<b>4,984</b>	<b>91%</b>	<b>5,068</b>	<b>89%</b>

## Summary of proxy votes cast by Vanguard funds for companies in Europe

(July 1, 2019–December 31, 2019)

601 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	1,932	93%	1,995	93%
	Other board-related	296	96%	412	96%
	<b>Shareholder proposals</b>				
	Board-related	70	47%	27	22%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	502	98%	509	98%
	<b>Shareholder proposals</b>				
	Environmental/social	1	0%	2	0%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	340	94%	368	93%
	Other compensation-related	238	91%	225	96%
	<b>Shareholder proposals</b>				
	Compensation-related	2	50%	5	60%
Governance structures	<b>Management proposals</b>				
	Governance-related	272	96%	305	95%
	<b>Shareholder proposals</b>				
	Governance-related	3	0%	6	33%
Other proposals	<b>Management proposals</b>				
	Capitalization	1,263	97%	1,373	97%
	Mergers and acquisitions	104	90%	110	98%
	Adjourn/other business	600	96%	623	95%
	<b>Shareholder proposals</b>				
	Other	6	17%	24	46%
<b>Total</b>		<b>5,629</b>	<b>94%</b>	<b>5,984</b>	<b>95%</b>

## Summary of proxy votes cast by Vanguard funds for companies in Australia and New Zealand

(July 1, 2019–December 31, 2019)

287 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	620	90%	603	91%
	Other board-related	9	11%	17	12%
	<b>Shareholder proposals</b>				
	Board-related	19	16%	2	0%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	42	100%	38	100%
	<b>Shareholder proposals</b>				
	Environmental/social	7	14%	15	0%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	238	93%	231	93%
	Other compensation-related	371	95%	357	97%
	<b>Shareholder proposals</b>				
	Compensation-related	0	NA	0	NA
Governance structures	<b>Management proposals</b>				
	Governance-related	45	98%	87	100%
	<b>Shareholder proposals</b>				
	Governance-related	5	0%	10	0%
Other proposals	<b>Management proposals</b>				
	Capitalization	78	100%	86	100%
	Mergers and acquisitions	40	100%	27	100%
	Adjourn/other business	2	100%	2	100%
	<b>Shareholder proposals</b>				
	Other	1	0%	2	0%
<b>Total</b>		<b>1,477</b>	<b>91%</b>	<b>1,477</b>	<b>92%</b>

## Summary of proxy votes cast by Vanguard funds for companies in the Asia-Pacific region

(July 1, 2019–December 31, 2019)

3,546 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	3,861	94%	4,666	94%
	Other board-related	1,122	84%	1,196	91%
	<b>Shareholder proposals</b>				
	Board-related	1,041	94%	1,279	96%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	629	98%	757	99%
	<b>Shareholder proposals</b>				
	Environmental/social	0	NA	0	NA
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	1	100%	2	100%
	Other compensation-related	1,390	93%	1,224	93%
	<b>Shareholder proposals</b>				
	Compensation-related	67	99%	29	90%
Governance structures	<b>Management proposals</b>				
	Governance-related	2,264	92%	2,090	91%
	<b>Shareholder proposals</b>				
	Governance-related	30	87%	26	96%
Other proposals	<b>Management proposals</b>				
	Capitalization	7,123	98%	4,808	97%
	Mergers and acquisitions	2,748	99%	2,560	94%
	Adjourn/other business	579	92%	637	92%
	<b>Shareholder proposals</b>				
	Other	489	97%	412	98%
<b>Total</b>		<b>21,344</b>	<b>95%</b>	<b>19,686</b>	<b>95%</b>

## Summary of proxy votes cast by Vanguard funds for companies in the Americas (ex-U.S.)

(July 1, 2019–December 31, 2019)

331 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	782	80%	738	77%
	Other board-related	125	68%	124	62%
	<b>Shareholder proposals</b>				
	Board-related	21	52%	7	57%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	197	91%	133	95%
	<b>Shareholder proposals</b>				
	Environmental/social	2	50%	1	0%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	18	94%	19	95%
	Other compensation-related	204	79%	139	93%
	<b>Shareholder proposals</b>				
	Compensation-related	1	0%	3	0%
Governance structures	<b>Management proposals</b>				
	Governance-related	140	81%	129	86%
	<b>Shareholder proposals</b>				
	Governance-related	4	25%	2	50%
Other proposals	<b>Management proposals</b>				
	Capitalization	376	98%	273	99%
	Mergers and acquisitions	289	94%	167	99%
	Adjourn/other business	113	96%	99	95%
	<b>Shareholder proposals</b>				
	Other	0	NA	2	0%
<b>Total</b>		<b>2,272</b>	<b>86%</b>	<b>1,836</b>	<b>85%</b>

## Summary of proxy votes cast by Vanguard funds for companies in the Middle East and Africa

(July 1, 2019–December 31, 2019)

214 meetings

Alignment with our principles	Proposal type	July 1–December 31, 2018		July 1–December 31, 2019	
		Number of proposals	% for	Number of proposals	% for
Board composition	<b>Management proposals</b>				
	Elect directors	618	94%	833	79%
	Other board-related	348	98%	382	96%
	<b>Shareholder proposals</b>				
	Board-related	3	0%	1	0%
Oversight of strategy and risk	<b>Management proposals</b>				
	Approve auditors	148	78%	146	84%
	<b>Shareholder proposals</b>				
	Environmental/social	0	NA	2	50%
Executive compensation	<b>Management proposals</b>				
	Management Say on Pay	144	78%	181	88%
	Other compensation-related	383	98%	420	97%
	<b>Shareholder proposals</b>				
	Compensation-related	0	NA	0	NA
Governance structures	<b>Management proposals</b>				
	Governance-related	439	40%	438	46%
	<b>Shareholder proposals</b>				
	Governance-related	0	NA	0	NA
Other proposals	<b>Management proposals</b>				
	Capitalization	202	98%	201	99%
	Mergers and acquisitions	47	87%	49	78%
	Adjourn/other business	88	81%	97	79%
	<b>Shareholder proposals</b>				
	Other	0	NA	0	NA
<b>Total</b>		<b>2,420</b>	<b>83%</b>	<b>2,750</b>	<b>81%</b>



## Company engagements

The following table lists the 440 companies that Vanguard’s Investment Stewardship team engaged with during the six months ended December 31, 2019. A bullet (●) indicates a primary topic of the engagement. However, these are open dialogues and can cover a wide range of issues over multiple discussions. Secondary topics often arise.

For context, *board composition* discussions can cover topics such as board independence, tenure, and diversity. When we discuss *oversight of strategy and risk*, we want to know whether the board understands how the company will remain relevant over the long term in the context of all relevant risks. Our discussions on *executive compensation* look at pay in comparison with relevant peers and its linkage to long-term performance benchmarks. Our meetings about *governance structures* focus on companies’ provisions that support—or limit—shareholders’ ability to effect change over time through their voice or their vote.

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
3M Co.	●	●		
ABB Ltd.	●	●	●	
Abbott Laboratories	●	●	●	
AbbVie, Inc.	●	●		●
ABIOMED, Inc.	●		●	●
Accenture Plc	●	●		
ACS, Actividades de Construcción y Servicios, SA	●			●
Adobe, Inc.	●	●		
Adtalem Global Education, Inc.	●		●	
AECOM		●	●	
Agilent Technologies, Inc.	●		●	●
AGL Energy Ltd.		●	●	
AIA Group Ltd.		●		
Air Liquide SA	●	●		
Air Products and Chemicals, Inc.	●	●		
Aircastle Ltd.			●	
Albemarle Corp.	●	●		●
Alexander & Baldwin, Inc.	●	●		
Align Technology, Inc.	●	●	●	●
Alkermes Plc	●		●	
Alliant Energy Corp.	●	●		●
Allianz SE	●		●	●
AMA Group Ltd.			●	
American Electric Power Co., Inc.	●	●		
American Express Co.	●	●		
American Outdoor Brands Corp.	●	●	●	
American Water Works Co., Inc.	●	●		
Ameriprise Financial, Inc.	●	●	●	
Amphenol Corp.	●	●		
Anthem, Inc.	●	●		●
Apache Corp.	●	●	●	



Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Applied Materials, Inc.	•			•
Aqua America, Inc.	•	•	•	
Aramark Corp.	•	•	•	
Arcosa, Inc.	•	•		•
Armstrong World Industries, Inc.	•	•	•	
ASGN, Inc.			•	
Ashford, Inc.		•		
Aspen Technology, Inc.			•	
Associated British Foods Plc			•	
Aston Martin Lagonda Global Holdings Plc	•	•	•	
AstraZeneca Plc	•		•	
AT&T, Inc.	•	•		
Atlantia SPA	•	•		
Atlas Copco AB	•			
Atmos Energy Corp.	•	•		
Aurora Cannabis, Inc.	•			•
Australia & New Zealand Banking Group Ltd.	•	•		•
Automatic Data Processing, Inc.	•	•		
Avanos Medical, Inc.	•		•	•
Avantor, Inc.	•	•	•	•
Aventus Group	•	•		
Avery Dennison Corp.	•	•	•	•
Avis Budget Group, Inc.	•	•		•
Avnet, Inc.	•	•		
Axis Bank Ltd.	•			
Axis Capital Holdings Ltd.	•		•	
Axogen, Inc.	•		•	
Baker Hughes Co.	•	•		•
Banco Bilbao Vizcaya Argentaria SA	•	•		
Bank of America Corp.	•	•		
Bank of New York Mellon Corp.	•	•		
Bank of Nova Scotia	•	•		
Barclays Plc			•	
Barrick Gold Corp.	•	•	•	
BASF SE	•		•	
Bayer AG	•	•	•	
Bayerische Motoren Werke AG			•	
Baytex Energy Corp.	•	•	•	
Bed Bath & Beyond, Inc.	•	•	•	

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Berkeley Group Holdings Plc	•			
Best Buy Co., Inc.	•	•	•	
BHP Group Ltd.	•		•	
BioCryst Pharmaceuticals, Inc.	•	•		•
Biogen, Inc.	•	•		
BJ's Wholesale Club Holdings, Inc.	•	•	•	•
Blackbaud, Inc.		•		
Boeing Co.	•	•	•	
Boston Beer Co., Inc.	•	•	•	
Boston Properties, Inc.	•	•	•	•
Boston Scientific Corp.	•	•		•
BP Plc			•	
Brinker International, Inc.	•	•	•	
Bristol-Myers Squibb Co.	•	•	•	
Broadridge Financial Solutions, Inc.	•	•		
Cadence Design Systems, Inc.	•	•		•
Callaway Golf Co.	•	•		•
Callon Petroleum Co.		•		
Camden Property Trust	•	•		
Canfor Corp.		•		
Capital One Financial Corp.		•		•
Cardinal Health, Inc.	•	•		•
Cardtronics Plc			•	
Carnival Corp.	•	•	•	
Caterpillar, Inc.	•	•		
Cboe Global Markets, Inc.	•	•		
Celanese Corp.	•	•	•	
Centrica Plc	•		•	
CenturyLink, Inc.	•	•	•	
CF Industries Holdings, Inc.	•	•	•	
Charter Communications, Inc.	•	•	•	•
Cheesecake Factory, Inc.	•	•		•
Chevron Corp.	•	•		
Chubb Ltd.	•	•		
Church & Dwight Co., Inc.	•	•	•	•
Cie Financiere Richemont SA	•		•	
Ciena Corp.	•	•	•	
Cigna Corp.				•
Cisco Systems, Inc.	•	•		

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
CIT Group, Inc.	•	•	•	
Citigroup, Inc.	•	•		
Citizens Financial Group, Inc.	•	•	•	
Citrix Systems, Inc.	•	•	•	
Coca-Cola Co.		•	•	
Coca-Cola European Partners Plc	•		•	
Cognizant Technology Solutions Corp.	•	•	•	
Coles Group Ltd.	•	•	•	
Columbia Banking System, Inc.	•	•		
Commonwealth Bank of Australia	•	•	•	
Conduent, Inc.	•	•		
ConocoPhillips	•	•	•	
Continental AG	•	•	•	
CoreCivic, Inc.	•	•		
CoreSite Realty Corp.	•	•		
Corning, Inc.	•	•	•	
Costco Wholesale Corp.	•	•		•
Cracker Barrel Old Country Store, Inc.	•	•		•
Credit Suisse Group AG	•	•	•	
Cree, Inc.	•	•		
CRH Plc	•	•	•	
CSL Ltd.	•		•	
CubeSmart	•	•	•	•
Cubic Corp.	•	•		•
CUI Global, Inc.			•	
Danaher Corp.	•	•	•	•
Danone SA	•	•		
Deere & Co.	•	•		
Dell Technologies, Inc.	•	•	•	•
Deutsche Börse AG	•	•	•	
Diageo Plc	•	•		
Diebold Nixdorf, Inc.	•	•	•	
Direct Line Insurance Group Plc	•	•	•	
Dominion Energy, Inc.	•	•	•	
Dover Corp.		•	•	•
Dow, Inc.	•	•	•	
Drax Group Plc		•	•	
Duke Energy Corp.	•	•		
DuPont de Nemours, Inc.	•	•		

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
DXC Technology Co.	•	•	•	
Ebix, Inc.	•		•	
Ecolab, Inc.	•	•		
Edison International	•	•		
Edwards Lifesciences Corp.	•	•		•
Eisai Co., Ltd.	•	•		
Emerson Electric Co.	•	•		
Enbridge, Inc.	•	•		
Enel SPA		•		
Eni SPA	•	•		•
Entertainment One Ltd.			•	
Enzo Biochem, Inc.	•	•		
EQT Corp.	•	•		
Equifax, Inc.	•	•	•	
Equity Residential	•	•		
Estée Lauder Cos., Inc.	•		•	•
Eurazeo SE	•	•	•	
Exelixis, Inc.	•	•	•	•
Exelon Corp.	•	•	•	
FedEx Corp.			•	
Ferguson Plc		•		
First Hawaiian, Inc.	•	•	•	•
FirstEnergy Corp.	•	•		
Fisher & Paykel Healthcare Corp., Ltd.	•	•		
Fitbit, Inc.		•		
Flexion Therapeutics, Inc.	•	•		•
Flowers Foods, Inc.	•			•
Fluor Corp.	•	•	•	
Ford Motor Co.	•	•		•
Fortescue Metals Group Ltd.			•	
Fox Corp.	•		•	
Fresenius Medical Care AG & Co. KGaA	•	•	•	
Front Yard Residential Corp.	•	•		
Gaming and Leisure Properties, Inc.	•	•	•	
Gannett Co., Inc.	•	•		•
Gaztransport & Technigaz SA			•	
General Dynamics Corp.	•	•	•	
General Electric Co.	•	•	•	
General Mills, Inc.	•	•		•

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Genfit			•	
Genmab A/S	•		•	
Genus Plc	•			
Genworth Financial, Inc.		•	•	
Georg Fischer AG		•		
Gilead Sciences, Inc.	•	•	•	
Glanbia Plc	•		•	
GlaxoSmithKline Plc	•	•	•	
Goldman Sachs Group, Inc.	•	•		
GrandVision NV			•	
Greencore Group Plc			•	
Greggs Plc	•		•	
Guidewire Software, Inc.	•	•		
GVC Holdings Plc	•		•	
Haier Electronics Group Co., Ltd.	•	•		
Hain Celestial Group, Inc.	•		•	
Halliburton Co.	•	•	•	
Hammerson Plc			•	
Hawaiian Electric Industries, Inc.	•	•		
HC2 Holdings, Inc.	•		•	•
Hecla Mining Co.		•	•	•
Herbalife Nutrition Ltd.	•			
Hexcel Corp.	•			
Hologic, Inc.		•	•	•
HomeStreet, Inc.	•	•		•
Honda Motor Co., Ltd.	•	•		
Honeywell International, Inc.	•	•		
Horizon Therapeutics Plc	•	•		
Hoshizaki Corp.	•	•		
Humana, Inc.	•	•	•	
Huntington Bancshares, Inc.	•	•		
IHS Markit Ltd.	•	•	•	•
Inchcape Plc			•	
Industrial & Commercial Bank of China Ltd.	•	•		
Intel Corp.	•	•		
InterContinental Hotels Group Plc			•	
Interface, Inc.	•			
International Business Machines Corp.	•	•		
Intuit, Inc.	•	•		

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Invesco Ltd.	•	•	•	
Invitation Homes, Inc.	•	•		
JFE Holdings, Inc.	•	•		
Johnson & Johnson	•	•	•	
JPMorgan Chase & Co.	•	•	•	
K12, Inc.	•		•	
Kellogg Co.	•	•		•
Kering SA	•	•	•	
Kimball Electronics, Inc.	•			
Kimberly-Clark Corp.	•	•		
Kingfisher Plc	•	•	•	
Kingspan Group Plc	•		•	
Kirin Holdings Co., Ltd.	•	•		
KLA Corp.			•	
Koninklijke Ahold Delhaize NV			•	
Kraft Heinz Co.		•	•	
Kroger Co.	•	•		
Laboratory Corp. of America Holdings	•	•		
Lam Research Corp.	•	•	•	
Las Vegas Sands Corp.	•	•	•	
Laurentian Bank of Canada	•	•	•	
Legg Mason, Inc.	•	•		•
Leidos Holdings, Inc.	•	•		•
LendingClub Corp.	•		•	•
Lincoln National Corp.	•	•	•	•
Linde Plc	•	•	•	
Lions Gate Entertainment Corp.	•		•	
Liontrust Asset Management Plc			•	
Lloyds Banking Group Plc			•	
Lockheed Martin Corp.	•	•		
LogMeIn, Inc.	•	•		
L'Oréal SA	•	•	•	
Lululemon Athletica, Inc.	•	•		•
Lundin Petroleum AB	•			
LVMH Moët Hennessy – Louis Vuitton SE	•	•	•	
Macquarie Group Ltd.	•	•		
Madison Square Garden Co.	•	•	•	
Marathon Petroleum Corp.	•	•		
MasterCraft Boat Holdings, Inc.	•	•	•	•

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Matson, Inc.	•	•		
MAXIMUS, Inc.	•	•		
McKesson Corp.	•	•	•	•
MDU Resources Group, Inc.	•	•		
Medical Properties Trust, Inc.	•	•		•
Mediobanca Banca di Credito Finanziario SPA	•			•
Medtronic Plc	•	•	•	
Merck & Co., Inc.	•	•		
MetLife, Inc.		•		
Metro Bank Plc	•	•		
MGM Resorts International		•		
Microchip Technology, Inc.		•		
Microsoft Corp.	•	•	•	
Model N, Inc.	•	•	•	
Mondelēz International, Inc.		•	•	
Movado Group, Inc.	•		•	
Muenchener Rueckversicherungs-Gesellschaft AG	•	•	•	
MVB Financial Corp.	•	•	•	•
National Australia Bank Ltd.	•	•		
NCR Corp.		•	•	
Nektar Therapeutics	•	•	•	•
Nestlé SA	•	•	•	
New Media Investment Group, Inc.	•	•		
Newell Brands, Inc.	•	•	•	
NextEra Energy, Inc.		•		
NN Group NV		•		
Noble Energy, Inc.	•	•		
Nomura Holdings, Inc.	•	•		
Nordstrom, Inc.	•	•		
Novartis AG		•	•	
Novo Nordisk A/S	•	•		
Nuance Communications, Inc.	•	•	•	•
Nucor Corp.	•	•	•	•
Nutrien Ltd.	•	•		
nVent Electric Plc		•		
Occidental Petroleum Corp.	•	•		•
Old Republic International Corp.	•	•		•
OMV AG	•	•	•	
Opus Bank	•	•	•	•

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Oracle Corp.		•	•	
Ormat Technologies, Inc.	•		•	•
Owens & Minor, Inc.	•			•
Owens Corning	•	•		
PacWest Bancorp	•	•	•	
PageGroup Plc			•	
Palo Alto Networks, Inc.	•	•	•	
Paragon Banking Group Plc			•	
PayPal Holdings, Inc.	•	•		
PepsiCo, Inc.		•		
Petroleo Brasileiro SA	•	•		
Pfizer, Inc.	•	•		
PJT Partners, Inc.	•	•		
Platinum Asset Management Ltd.		•		
Playtech Plc			•	
Polaris, Inc.	•	•	•	
Portland General Electric Co.	•	•		
PostNL NV	•		•	
Premier, Inc.	•	•		•
Premier Oil Plc			•	
Procter & Gamble Co.	•	•		
Progenics Pharmaceuticals, Inc.	•	•		•
PROS Holdings, Inc.	•	•	•	•
Prothena Corp Plc	•		•	•
Provident Financial Plc			•	
QEP Resources, Inc.	•	•	•	•
Ralph Lauren Corp.	•			
Range Resources Corp.	•	•	•	
Redrow Plc			•	
Regeneron Pharmaceuticals, Inc.	•	•	•	
Regions Financial Corp.	•	•		
Regis Corp.	•	•	•	
Reinsurance Group of America, Inc.	•	•		
Repsol SA		•		
Republic Services, Inc.	•	•		
Resolute Mining Ltd.			•	
Ricoh Co., Ltd.	•	•		
RMR Group, Inc.	•			•
Rockwell Automation, Inc.	•	•	•	



Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Royal Bank of Canada	•	•		
Royal Bank of Scotland Group Plc			•	
Royal Dutch Shell Plc	•	•		
R.R. Donnelley & Sons Co.				•
Rural Funds Group		•		
Ruth's Hospitality Group, Inc.	•		•	
RWE AG	•	•	•	
Ryman Hospitality Properties, Inc.	•	•		
Sabre Corp.	•	•	•	•
Saga Plc	•	•	•	
Sanmina Corp.			•	
Saputo, Inc.		•		
Saracen Mineral Holdings Ltd.			•	
SBA Communications Corp.		•	•	
Schroders Plc			•	
Scout24 AG	•	•		
SEEK Ltd.		•	•	
Shopify, Inc.	•	•	•	
Siemens AG	•	•	•	
Signature Bank	•	•	•	
Sika AG	•	•	•	
Sinopec Kantons Holdings Ltd.	•	•		
SkyCity Entertainment Group Ltd.	•	•		
Societe Generale SA		•	•	
Sonoco Products Co.	•	•		•
Sony Corp.	•	•		
Sorrento Therapeutics, Inc.	•	•	•	•
South Jersey Industries, Inc.	•	•	•	
Southern Co.	•	•	•	
Spark New Zealand Ltd.	•	•		
Spirit Realty Capital, Inc.		•	•	
Splunk, Inc.	•	•	•	
SSP Group Plc	•		•	
Stagecoach Group Plc			•	
Standard Chartered Plc			•	
Standard Life Aberdeen Plc	•	•		
Stanley Black & Decker, Inc.				•
Stobart Group Ltd.			•	
Sumitomo Realty & Development Co., Ltd.				•

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Sunrise Communications Group AG		•		
SunTrust Banks, Inc.		•		
Swedbank AB	•	•		
Swiss Re AG	•	•	•	
Tabcorp Holdings Ltd.	•	•	•	
Tailored Brands, Inc.	•	•		
Taishin Financial Holding Co., Ltd.	•	•		
Targa Resources Corp.	•	•	•	•
Ted Baker Plc			•	
Tele Columbus AG	•	•		
Telstra Corp., Ltd.	•		•	
Textron, Inc.	•		•	
TJX Companies, Inc.		•		
thyssenkrupp AG	•	•		
Toyota Motor Corp.	•	•	•	
TransDigm Group, Inc.		•	•	
Transocean Ltd.	•	•	•	
Transurban Group	•	•	•	
Travelers Companies, Inc.	•	•		
UGI Corp.	•	•		
Under Armour, Inc.	•	•	•	
UniCredit SPA			•	
Union Pacific Corp.	•	•		
United Technologies Corp.	•	•		
UnitedHealth Group, Inc.	•	•		
Universal Health Realty Income Trust	•		•	
U.S. Bancorp	•	•	•	
Vale SA	•	•		
Varonis Systems, Inc.	•		•	•
Verint Systems, Inc.	•	•		
Veritiv Corp.			•	
Verizon Communications, Inc.	•	•	•	
Vesuvius Plc	•	•	•	
Vinci SA	•	•		
Visa, Inc.	•	•		
Vista Outdoor, Inc.		•	•	
Vodafone Group Plc	•	•	•	
Walgreens Boots Alliance, Inc.	•	•	•	•
Walt Disney Co.	•	•	•	

Company name	Board composition	Oversight of strategy and risk	Executive compensation	Governance structures
Wells Fargo & Co.	•	•		
Welltower, Inc.	•	•	•	
Wesfarmers Ltd.	•	•		
Westpac Banking Corp.	•	•	•	
Weyerhaeuser Co.	•	•	•	
Whitbread Plc			•	
Williams-Sonoma, Inc.	•	•	•	
Woodside Petroleum Ltd.	•	•	•	•
World Acceptance Corp.			•	
WPP Plc			•	
Xcel Energy, Inc.	•	•		
Xenia Hotels & Resorts, Inc.	•	•		
Xerox Holdings Corp.		•	•	
Xilinx, Inc.	•	•	•	
Yamaha Motor Co., Ltd.	•	•		
Yum! Brands, Inc.	•	•	•	
Zebra Technologies Corp.	•	•	•	

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