



Global Proxy Voting Policy

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Vanguard Portfolio Management, LLC

Vanguard Fiduciary Trust Company

Vanguard Global Advisors, LLC

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This proxy voting policy (the Policy) describes general positions on matters that may be subject to a vote by portfolio company shareholders around the globe and serves as the foundation for regional proxy voting policies.¹ The Policy has been adopted by the boards (or relevant governing bodies) of funds and portfolios managed by certain Vanguard-affiliated entities including U.S.-domiciled mutual funds and ETFs advised by Vanguard Portfolio Management, LLC (VPM), as well as the boards of Vanguard Fiduciary Trust Company and Vanguard Global Advisors, LLC in connection with their management of certain equity index and quantitative equity funds and portfolios (together with the U.S.-domiciled mutual funds and ETFs advised by VPM, the "Funds"). The adoption of this Policy is anchored in the belief that effective corporate governance practices support long-term investment returns.

It is important to note that proposals – whether submitted by company management or other shareholders – often require a facts-and-circumstances analysis based on an expansive set of factors. While the Policy may recommend a particular voting decision, all proposals are voted case by case as determined in the best interests of each Fund consistent with its investment objective. The Policy is applied over an extended period of time; as such, if a company's board is not responsive to voting results on certain matters, support may be withheld for those and other matters in the future.

As a baseline, the Policy looks for companies to abide by the relevant governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.) of the market(s) in which they are listed. While the Policy is informed by such frameworks, final voting decisions may differ from the application of those frameworks due to the investment stewardship team's independent research, analysis, and engagement. In addition, this Policy and its application to specific voting matters are predicated on the relevant Funds' acquisition and ownership of securities in the ordinary course of business, without the intent of influencing company strategy or changing the control of the issuer. These Funds will not nominate directors, solicit or participate in the solicitation of proxies, or submit shareholder proposals at portfolio companies. The application of this Policy to specific voting matters will also adhere to any passivity requirements to which the Funds and/or The Vanguard Group, Inc., and any of its subsidiaries (collectively, Vanguard) may be subject.

¹ As a supplement to and consistent with this Global Proxy Voting Policy, the Funds may adopt more granular regional policies that reflect local market regulation and practices with respect to portfolio companies in those regions where the Funds' assets under management are most significant.

Four pillars of corporate governance

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

Pillar I: Board composition and effectiveness

In order to maximize the long-term return of shareholders' investments in each company, the individuals who serve as board directors to represent the interests of all shareholders should be appropriately independent, experienced, committed, capable, and diverse. Diversity of thought, background, and experiences meaningfully contribute to the ability of boards to serve as effective, engaged stewards of shareholders' interests. The board's effectiveness includes how board directors 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, among other responsibilities. The evaluation of portfolio company boards will be informed by relevant market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.).

Independence

Boards should be appropriately independent of company management in both form and substance.² Independence at the board level supports a structure of shareholder representatives who are independent in mindset and able to fulfill their role to properly challenge management. In practice, this generally means that the majority of directors on each board should be independent and that the board's key committees should be composed solely of independent directors. In markets where majority independence is not the norm, companies should generally move in the direction of greater board independence over time.

Shareholders' interests are best served by board leadership that is independent of company management. That may take the form of an independent chair or a lead independent director. Regardless of title, the role's responsibilities should be robust and clearly defined through company disclosure.

Board composition

Boards should be fit for purpose by reflecting sufficient breadth of skills, experiences, and perspectives resulting in cognitive diversity that enables effective, independent oversight on behalf of all shareholders. The appropriate mix of skills, experiences, and perspectives is unique to each board and should reflect expertise related to the company's strategy and material risks from a variety of vantage points. Boards should determine the composition best suited to their company while considering market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.).

To this end, companies should produce fulsome disclosure of a board's process for building, assessing, and maintaining an effective board well suited to supporting the company's strategy, long-term performance, and shareholder returns. This disclosure should include the range of skills, background, and experiences that each board member provides and their alignment with the company's strategy (typically presented as a skills matrix). Such disclosure should also cover the board's process for evaluating the composition and effectiveness of their board on a regular basis, the identification of gaps and opportunities to be addressed through board refreshment and evolution, and a robust nomination (and renomination) process to ensure the right mix of skills, experiences, and perspectives in the future.

² Independence is generally defined in accordance with market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.).

Appropriate commitment

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

Consideration of shareholder concerns

Boards should appropriately consider input from shareholders on whose behalf they serve. This may take the form of activist intervention that receives ample support from other shareholders or shareholder proposals that gain support based on the applicable vote standard. Shareholders—even those that do not submit shareholder proposals, nominate directors, or seek board seats—look for boards to listen to input from shareholders and consider it in the context of their fiduciary obligations. In cases where the board may choose to not implement actions requested by shareholders that have gained sufficient support based on the applicable vote standard, the company should disclose the board's process and rationale for reaching such decisions.

Pillar II: Board oversight of strategy and risk

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

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

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

Board oversight of strategy

Strategies and tactics for maximizing long-term investment returns should be decided by a company's management and board of directors. Shareholders seek to understand how boards are consulted on and involved in overseeing a company's strategic direction and progress toward attaining its objectives. Boards should educate themselves by seeking out varied internal and external perspectives and continuously taking part in dialogue with management teams. Directors should be knowledgeable about the risks and opportunities that stem from a company's strategy, how the company creates value, and how it will remain relevant over the coming decades.

Board oversight of material risks

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

Disclosure

Boards should communicate their approach to risk oversight to shareholders through engagement and written disclosure. Companies should provide fulsome disclosure of material risks to their company's long-term investment returns. To guide their presentation of information in a way that is consistent, comparable, and decision-useful, companies should also adhere to broadly accepted industry-specific investor-aligned reporting frameworks, such as those promulgated by the International Sustainability Standards Board. Companies should also disclose both historical data and forward-looking information so that the market has context for what companies have done, what they plan to do, and how their governance practices enable successful decision-making.

Capital structure, mergers, acquisitions, and other financial transactions

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

Pillar III: Executive pay

Executive pay policies and practices linked to long-term relative company performance are fundamental drivers of sustainable, long-term investment returns. As such, pay plans should incentivize outperformance versus industry peers over the long term.

There is no one-size-fits-all approach to executive pay, and norms vary by industry, company size, company maturity, and region. Boards should consider the following corporate governance practices when setting pay levels and plan structures.

Pay for relative performance

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

Long-term focus

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

Rationally competitive pay plan structure

To further emphasize the long-term focus of pay plans, relevant board committees should consider incorporating performance metrics that align with long-term corporate strategy and performance. To align pay with relative company performance, companies should consider integrating relative metrics and benchmarking into pay plans. When absolute metrics are included in a plan, companies should disclose how this pay design maintains alignment between pay and relative performance. All metrics, whether relative or absolute, should be set at rigorous but achievable objectives, with total pay targets set at reasonable and competitive market levels.

Prudent discretion

Boards should be able to apply positive or negative discretion regarding executive pay outcomes where appropriate. However, companies should be cautious when utilizing one-time special awards that are either not sufficiently linked to longer-term performance or result in pay magnitude misaligned with relevant peers. Where deviations in plan structure or payouts arise from the use of board discretion, companies should explain the reason for the award and the methodology used by the board to determine the change. Plans should also contain a clawback policy, and, when warranted, the board should invoke the policy.

Responsiveness and disclosure

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

Pillar IV: Shareholder rights

Companies should adopt governance practices to ensure that boards and management serve as designed in the best interests of the shareholders they represent. Such governance practices safeguard and support foundational rights for shareholders.

Annual director elections

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

Foundational shareholder rights

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

Proportional voting rights

Alignment of voting and economic interests is a foundation of good governance. As such, companies issuing, or proposing to issue, more than one class of stock with different classes carrying different voting rights should bear in mind many investors' "one-share, one-vote" philosophy, while not hindering public capital formation in the equity markets. A newly public, dual-class company should consider adopting a sunset provision that would move the company toward a one-share, one-vote structure over time that is aligned with shareholder rights.

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