

Vanguard Investor Choice fact sheet

First announced in November 2022, Vanguard's Investor Choice pilot program has enabled individual investors to express their perspective on shareholder matters at the companies held in their equity index funds. We believe that Investor Choice is an impactful way to empower individual investors in specific Vanguard funds to more directly influence how their proxies are voted, improve the corporate governance ecosystem, and reinforce our passive, investor-owned, and time-tested approach that supports millions of investors.¹ We have been encouraged by investor reception and interest since Vanguard Investor Choice launched in 2023; we expanded the pilot to additional equity index funds in 2024 and intend to expand it further in 2025. We are committed to further exploring how to best provide proxy voting options and empower more investors in the coming years.

The design

The novel design of Vanguard Investor Choice, and our incremental approach of introducing it, reflects the nature of the investors in our index

funds. The vast majority of our shareholders are individual investors, holding Vanguard products either directly as Vanguard clients or through a financial advisor, a retirement plan, or a different brokerage platform.

- We have prioritized providing a range of simple but differentiated voting policy options. We continue to gather feedback from investors on their interests as we evaluate the optimal policy lineup for our shareholders that balances choice and complexity.
- We continue to test approaches to solve the myriad operational complexities, challenges, and costs that come with offering Vanguard Investor Choice to our distributed base of investors.
- Finally, we look to provide transparency to our investors, our portfolio companies, and others who are interested in Vanguard Investor Choice. We are developing appropriate reporting and disclosures to give interested parties a clear understanding of the pilot program.

¹ Vanguard is owned by its funds, which are owned by Vanguard's fund shareholder clients.

How our index fund investors have chosen

This year, Vanguard expanded the scope of Investor Choice, offering Vanguard Investor Choice to nearly two million individual investors in funds representing over \$100 billion in assets under management. We are encouraged by the early pilots and will build on the lessons learned and other observations, including the following:

- Interest continues to grow, with approximately 40,000 investors (representing over 2% of the shareholders who were eligible for the pilot) choosing to participate during the 2024 proxy season.
- Our shareholder base is distributed across many intermediaries, and many shareholders of Vanguard funds do not hold them on our platform, which creates significant challenges in engaging those investors on Vanguard Investor Choice. Notably, fund shareholders who invest directly with Vanguard chose to participate in the 2024 pilot at roughly twice the rate of those who hold their shares at other firms. This finding will inform our continued work to develop cost-effective mechanisms for introducing fund shareholders to Vanguard Investor Choice over time.
- We have confirmed that investors have a range of preferences for how their pro rata shares are voted, reflecting varying beliefs about the appropriate outcomes of proxy ballot proposals. Some investors have chosen "mechanical" policy options, such as choosing to have their proportionate shares voted in line with the recommendation of each portfolio company's board of directors, while others have chosen "discretionary" policies that reflect differing views regarding approaches to proxy voting.

- Differences in investors' preferences can be seen in the variation of policy selections across different funds (reflecting the makeup of each fund's investors). For example, in most of the funds included in the 2024 pilot, the Company Board-Aligned Policy and the Vanguard-Advised Funds Policy were the most frequently selected options, followed by the third-party environmental, social, and governance (ESG) policy. In contrast, investors in Vanguard ESG U.S. Stock ETF who opted into the pilot selected the third-party ESG policy more frequently than the other options.

What's next

We are encouraged by investor reaction to Vanguard Investor Choice and by what we are learning through our pilots. We will continue to build upon this work to empower investors and provide proxy voting choices. For the 2025 proxy season, we plan to expand the pilot further to include additional funds, making more investors eligible to participate. We are exploring adding to the range of policy providers and options offered to reflect the range of investors' preferences.

We have an opportunity to increase awareness and to educate our fund shareholders about Vanguard Investor Choice while studying the best ways to make the pilot program accessible and easy for investors to use. Reaching the large, distributed base of individual investors whom the Vanguard funds serve involves significant challenges, and we will continue to make progress in expanding Investor Choice in a cost-effective and thoughtful manner.

Important information:

All investing is subject to risk, including the possible loss of the money you invest.

For more information about Vanguard funds, visit [vanguard.com](https://www.vanguard.com) to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy and sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

ESG funds are subject to ESG investment risk, which is the chance that the stocks or bonds screened by the index provider or advisor, as applicable, for ESG criteria generally will underperform the market as a whole or, in the aggregate, will trail returns of other funds screened for ESG criteria. The index provider or advisor's assessment of a company, based on the company's level of involvement in a particular industry or their own ESG criteria, may differ from that of other funds or an investor's assessment of such company. As a result, the companies deemed eligible by the index provider or advisor may not reflect the beliefs and values of any particular investor and may not exhibit positive or favorable ESG characteristics. The evaluation of companies for ESG screening or integration is dependent on the timely and accurate reporting of ESG data by the companies. Successful application of the screens will depend on the index provider or advisor's proper identification and analysis of ESG data. The advisor may not be successful in assessing and identifying companies that have or will have a positive impact or support a given position. In some circumstances, companies could ultimately have a negative or no impact or support of a given position.

This piece is part of our efforts to provide useful disclosure and transparency into Vanguard's Investor Choice Pilot Program, helping to provide investors with information regarding how their policy selections were instructed at eligible shareholder meetings.

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092024