Vanguard

Vanguard Investment Stewardship

Europe Regional Brief

This Regional Brief reports on the corporate governance topics and trends Vanguard's Investment Stewardship team observed across portfolio companies domiciled in Europe; it includes data on the proxy votes cast by the Vanguard-advised funds between July 1, 2024, and June 30, 2025 (the 2025 proxy year).[1,2] We provide this brief, and other publications and reports, to give Vanguard fund investors and other interested parties an understanding of the engagement and proxy voting activities we conduct on behalf of the funds.

Vanguard's Investment Stewardship team's analysis of portfolio companies' corporate governance practices centers on four pillars of good corporate governance, which are used to organize this brief: board composition and effectiveness, board oversight of strategy and risk, executive pay, and shareholder rights.

During the 2025 proxy year, the team conducted 209 engagements related to 177 companies in Europe, representing $303 billion in equity assets under management (AUM) of the $503 billion in the funds' total equity AUM in the region. The funds voted on 22,600 proposals across 1,118 companies in the region.

At a glance

209 total engagements

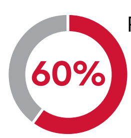
177 companies engaged

$303B equity assets under management engaged

22,600 proposals voted on

1,118 companies where a proposal was voted on

Regional AUM engaged



Percentage of regional AUM engaged

209 Total engagements in the region

$303B Total engaged equity AUM in the region

$503B Vanguard-advised funds' total equity AUM in the region

1 Throughout this report, "Europe" refers to countries in the European Economic Area, the European Union, and Switzerland, and excludes Ireland. Ireland, the United Kingdom, and the Crown Dependencies are covered in a separate Regional Brief.

2 Vanguard's Investment Stewardship program is responsible for administering proxy voting and engagement activities pursuant to the Vanguard-Advised Funds Policy for the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). This publication describes the proxy voting and engagement activities conducted by Vanguard's Investment Stewardship program pursuant to the Vanguard-Advised Funds Policy; it does not include (a) votes cast on behalf of investors who, through Vanguard's Investor Choice program, chose to have their proportionate portfolio holdings in certain index funds voted in accordance with a policy other than the Vanguard-Advised Funds Policy, or (b) proxy voting and engagement activities for externally managed funds conducted by their respective third-party investment advisors. Throughout this document, "we" refers to Vanguard's Investment Stewardship program and "the funds" refers to Vanguard-advised fund shares voted pursuant to the Vanguard-Advised Funds Policy.

Board composition and effectiveness

Good governance begins with a company's board of directors. We seek to understand to what extent board members, who are elected to represent the interests of all shareholders, are suitably independent, capable, and experienced to carry out their duties. We also aim to understand how boards assess and enhance their own effectiveness over time.

Board independence

During the 2025 proxy year, we continued to prioritize engagement with leaders at portfolio companies where we had questions about board and key committee independence, encouraging greater levels of independence and/or related disclosures. We continued to observe a lack of disclosure of director nominee independence at some companies in Europe, including in Norway, Poland, and Switzerland. We encouraged companies to disclose the board's assessment of the independence of each director and nominee. As is delineated in the funds' proxy voting policies, we look for boards and committees to be majority independent, with key committees (that is, the nomination committee, the remuneration committee, and the audit committee) composed of only nonexecutive. We encouraged robust disclosure of how the board's composition aligned with best practices established by local corporate governance codes or other regulation and encouraged boards to increase the levels of board and committee independence over time. Concerns related to board independence and related disclosures continued to drive the majority of the Vanguard-advised funds' votes against directors in Europe.

Board diversity

In all European countries where the funds are invested, regulations, legal quotas, or other requirements concerning gender diversity on public company boards—such as those contained in local market corporate governance codes—have either been implemented or are in the process of being adopted, with some set to take effect in the coming years.[3] While the funds are not prescriptive regarding board gender diversity, we engaged during the 2025 proxy year with company directors and executives to gain insights into how companies have adjusted, or plan to adjust, to these evolving market requirements. We look for companies to implement thorough director nomination procedures and provide detailed disclosures that outline board composition strategies, including considerations for gender diversity. This transparency helps investors assess how a board's structure is optimized to safeguard and promote the interests of company shareholders. We saw companies respond to changing market requirements for gender diversity by enhancing disclosure of board skills matrices, board diversity policies, and board effectiveness assessments. In situations where new binding gender diversity quotas are being implemented, we observed that most boards were taking appropriate steps to incorporate these requirements into their processes for nominating new directors.

Director capacity

In recent years, European boards have increasingly enhanced their disclosures to address investor concerns about directors being overcommitted due to serving on multiple public

3 In accordance with *Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on Improving the Gender Balance Among Directors of Listed Companies and Related Measures*, all European Union member states are required to adopt a legal provision for 40% of nonexecutive director positions or 33% of executive and nonexecutive director positions to be held by "the underrepresented sex" at certain publicly listed companies by 2026. All but four member states had legislation in place by December 31, 2024. Iceland, Norway, and Switzerland, which are not E.U. members, have separate requirements in place regarding board gender diversity.

company boards—a concept often referred to as "overboarding." Given the complexity and time-intensive nature of public company director roles, we aimed to determine whether holding multiple directorships hindered directors' ability to devote sufficient time and attention to their duties at each company. In 2025, we continued to engage with companies where we identified potentially overcommitted directors and urged disclosure of the board's policies and processes for evaluating director capacity. When we had concerns about overboarding, and either the company did not provide adequate disclosure or the provided information did not allay our concerns, the funds voted against those directors. We assess each proposal on its merits and by making balanced, case-by-case assessments of the facts and circumstances at the company in question.

Below are some country-specific highlights related to board composition and effectiveness.

In **France**, we continued to promote board structures and processes, including appropriate levels of independence, associated with long-term shareholder returns. During the 2025 proxy season, we continued to encourage boards of French companies to better disclose alignment with the governance structures and requirements set out in regulations and relevant best-practice recommendations. In particular, we focused on board and committee independence, director capacity, independent board leadership or oversight provided by a lead independent director, and the role of censors, who are nonvoting advisors to the board. The funds voted against directors on boards where we identified a lack of alignment with relevant best practices outlined in the AFEP-MEDEF Corporate Governance Code of Listed Corporations and we assessed that the company did not offer a sufficiently compelling justification for noncompliance.

As in prior years in **Germany**, we engaged with numerous companies on the topic of supervisory board chair succession planning. Most public companies in Germany employ a two-tiered board structure, separating responsibilities for the day-to-day operation of the business (performed by a management board) from oversight of management (performed by a supervisory board). The German Corporate Governance Code recommends that former management board members complete a two-year cooling-off period before joining the supervisory board. We evaluated such nominations of former management board members to the supervisory board case by case and encouraged supervisory boards to disclose how they assessed the independence of former company executives, as well as how any potential conflicts of interest were managed.

In **Italy**, we followed ongoing developments related to a capital markets reform law (DDL Capitali), approved in 2024, that aimed to make listing on the Borsa Italiana, the Italian stock exchange, more attractive to companies. Some of the law's provisions, including one that made it more difficult for boards to propose their own nominees for the board, took effect in 2025. In our engagements with Italian companies, we learned that many companies were monitoring for potential clarifications to the relevant legal provisions through early 2025, leaving them little time to adjust to the requirements. The rule changes left in place the "voto di lista" system, through which shareholders may propose competing lists of candidates, and seats are allocated proportionally according to the share of favorable votes from shareholders at the annual meeting. In the past, at many widely held companies, boards also proposed their own slate of candidates for consideration. However, in 2025, as a result of the legal changes, we observed that boards of many widely held companies relied on shareholders to present all candidates for election. Through our engagement with company leaders and careful consideration of relevant disclosures, we analyzed the most appropriate shareholder-nominated list—by evaluating the nominees' independence, skills diversity, alignment to any desired profiles published by the outgoing board, and overall board continuity—to promote long-term shareholder returns in accordance with the funds' proxy voting policy.

In **Sweden**, we continued to observe a relatively high number of potentially overboarded directors relative to other markets in Europe. In addition, we noted a pattern of directors with poor board attendance records. We continued to assess the relevant disclosure of both issues case by case, and we engaged with company leaders to encourage better disclosure of director attendance, capacity, and related board policies.

In **Switzerland**, we saw more companies taking action to meet an upcoming 2026 comply-or-explain regulatory requirement for 30% gender diversity on public company boards. In 2025, we observed more boards addressing gender diversity considerations in advance of the deadline, with an increasingly small number of companies not having taken steps to demonstrate compliance with this requirement. In our engagements, we encouraged boards that had not met the 30% gender diversity requirement—or had not yet explained how they consider this requirement in nominating processes—to consider providing additional disclosure describing how they factored in gender diversity requirements alongside other skills, experiences, and personal characteristics prioritized by the board when recruiting board candidates.

Notable case studies

We engaged with company leaders at **Assicurazioni Generali S.p.A.**, a multinational Italian insurance and asset management group, ahead of its 2025 annual meeting to understand how the board was preparing for the upcoming election of directors, taking into account recent changes to Italian law (DDL Capitali, explained on page 3). As a result of these legal changes, the board could not propose its own slate of candidates to shareholders as it had done at prior shareholder meetings. During the engagement, we learned of the board's efforts to document the profile of its ideal board composition, accounting for the board's desired mix of independence, skills, diversity, and experience. After reviewing public disclosures provided by the shareholder proponents for three competing slates of candidates—of which shareholders could vote for only one, per the "voto di lista" system—the funds voted in favor of the slate of candidates proposed by shareholder Mediobanca S.p.A. (Mediobanca). This decision was driven by a comprehensive evaluation of the candidates' qualifications, independence, and alignment with the board's published profile outlining its ideal composition. The Mediobanca proposed slate aligned most closely with the board's published profile, included a majority of independent directors, and retained both the company's current chair and its CEO. As a result, we determined that this slate was best positioned to support long-term shareholder returns.

Ahead of the 2025 annual meeting of **Carrefour SA (Carrefour)**, a French multinational food retailer, we engaged with company leaders to discuss board composition and other governance topics. Before 2023, the funds had, on occasion, voted against director elections at Carrefour to express various concerns, including a lack of key committee independence. Since 2023, we have seen increased independence at both the overall board and key committee levels. During our engagement, and through the company's disclosures, Carrefour outlined the board's considerations in evolving its board and key committee composition, including independence levels. Company leaders shared that the feedback the board received from shareholders, along with Carrefour's intention to align with the rules and recommendations set out by AFEP-MEDEF (the French corporate governance code) and the French financial markets authority, had led the company to reconsider the independence classification of certain directors and to make changes to its board composition. We were encouraged by the board's responsiveness to shareholder concerns, the clarity of Carrefour's disclosures, and the steps the board had taken to align its composition to market standards.

At the 2025 annual meeting of **Anheuser-Busch InBev SA/NV (AB InBev)**, a multinational beverage and brewing company headquartered in Belgium, the funds did not support several director elections due to concerns about a lack of board and key committee independence. In the case of one director, the funds' votes also reflected concerns regarding the nominee's low attendance at board meetings during the past year. We observed that AB InBev's board composition is shaped largely by the company's ownership structure and the agreements in place between major shareholders, as set out in the company's articles of association. While we understand these formal arrangements and their historical context, we observed that the company's major shareholders would remain disproportionately represented on the board relative to their voting rights. More broadly, the board's overall independence level was below one-third, which fell short of the general thresholds for non-widely held companies delineated in the funds' proxy voting policies. With respect to the key committees, we noted that AB InBev's nomination committee was only 17% independent. This level was below both the general thresholds stated in the funds' proxy voting policy and the recommendations of the 2020 Belgian Code on Corporate Governance.

Board oversight of strategy and risk

Boards should be meaningfully involved in the formation, evolution, and ongoing oversight of a company's strategy. Similarly, boards should have ongoing oversight of material risks to their company and establish plans to mitigate those risks. We work to understand how boards of directors are involved in strategy formation and evolution; oversee company strategy, and identify, govern, and disclose material risks to shareholders' long-term returns.

Sustainability reporting

In recent years, we have heard from European boards and company leaders that they have made significant efforts to comply with new regulatory requirements for sustainability reporting. Beyond regulatory and stakeholder scrutiny of sustainability reporting, shareholders in several jurisdictions, including Spain and Switzerland, are now required to approve reporting on certain nonfinancial matters.

This year, many company leaders informed us that they were concentrating on meeting the rigorous reporting requirements set by the E.U.'s Corporate Sustainability Reporting Directive (CSRD), which took effect in 2024. The CSRD mandates that companies report on sustainability issues from a "double materiality" perspective, addressing both the financial implications for the company and the company's impact on the environment and society. As these reporting requirements continue to evolve, we have seen many boards prioritize obtaining meaningful and consistent data that can be reliably verified to assess performance on material risks and opportunities. During our engagements, many boards shared with us that they were focused on fulfilling the assurance requirements of CSRD, including the challenges of managing separate independent audits for financial and nonfinancial disclosures.

Say on Climate proposals

In the 2025 proxy year, the number of management-proposed Say on Climate resolutions at company shareholder meetings remained similar to 2024 levels. We continued to engage with companies that sought shareholder input on climate transition plans via a shareholder vote or other environmental and social topics, both to share our perspectives on Say on Climate votes and to inform our case-by-case analysis of those resolutions. Following the funds' proxy 2025 voting policy, which clarified our general approach of abstaining on Say on Climate proposals, the funds abstained on more of these votes than in the previous year. As passive investors, the funds do not seek to opine on or dictate portfolio company strategy or operations, inclusive of strategies and operations regarding climate-related matters.

Proxy contests

Although shareholder activism appeared to be rising somewhat in Europe during the 2025 proxy year, we did not see an increase in the number of proxy contests in Europe coming to a vote. In Europe, most cases of shareholder activism were resolved by an agreement between the company and proponent, and without a shareholder vote.

During the 2025 proxy year, we saw five proxy contests, across **Italy**, **Norway**, and **Switzerland**. In many cases, these contests questioned directors' oversight of strategy and risk at the companies in question, typically in addition to raising governance concerns. Where possible, we engaged with both the companies and the proponents to better understand their perspectives. In each case, consistent with the funds' proxy voting policies, we evaluated the case for change, the company's approach to governance, and the quality of director nominees when determining the funds' votes.

Below are some country-specific highlights related to board oversight of strategy and risk.

In **Switzerland**, under the Swiss Code of Obligations, which took effect in 2023, certain companies must submit their nonfinancial report to a shareholder vote at annual shareholder meetings; these reports must include reporting on specific topics, such as environmental impact, climate risk, labor matters, human rights, and anticorruption metrics. After evaluating each proposal's compliance with Swiss legal requirements, the funds generally supported these proposals. We observed that companies continued to consider whether to submit their nonfinancial reports for shareholder approval in the form of a binding resolution in the absence of full legal clarity on the requirement for a binding versus advisory vote.

The scope and format of the proposals is likely to change in the future, as Swiss lawmakers are considering updating the relevant regulations, including increasing the scope of affected companies, and whether to make the resolutions binding.

In the **Nordic region**, we continued to observe a higher number of shareholder proposals on environmental, social, and governance topics compared with other European markets. One company—**Equinor ASA**, an international energy company headquartered in Norway—received 10 distinct shareholder proposals related to a range of topics including climate risk, human rights, and worker safety. After assessing each proposal case by case, the funds voted against all 10 shareholder proposals. We found that most of the proposals were overly prescriptive in dictating company strategy or operations, similar to most other shareholder proposals we assessed in the region. We found the company's disclosure of the board's detailed assessment of each proposal, as well as the board's recommendations for how shareholders should vote on each proposal, helpful and informative to our analysis. In many cases, boards in the Nordic region do not publicly disclose their analysis of shareholder proposals or recommendations for how shareholders should vote on them. We continue to encourage boards to provide such disclosure.

In **Poland**, we continued to see limited disclosure from companies regarding supervisory board oversight of strategy and risk. As in Germany, most public companies in Poland operate under a two-tier board structure, with a management board handling day-to-day business operations and a supervisory board overseeing the actions of management. We also noted several companies with ongoing investigations, internal and external, that raised questions about whether discharging management's actions served investors' long-term interests. As a result, the funds refrained from voting to discharge the actions of certain management board members at the 2025 annual meetings of **Jastrzębska Spółka Węglowa SA**, **Enea S.A.**, **PGE Polska Grupa Energetyczna S.A.**, **Powszechny Zakład Ubezpieczeń Spółka Akcyjna**, and **ORLEN S.A.** In each case, we found that the company provided limited disclosure of the relevant investigations and implications for shareholders. However, we found varying levels of disclosure from supervisory boards regarding their recommendations to shareholders; some boards did not provide recommendations to shareholders, others specified a recommendation to vote against members of management teams without a rationale, and others provided a limited rationale. We continued to encourage supervisory boards in Poland to provide relevant recommendations and rationales for shareholders to consider when voting at annual meetings.

Notable case studies

At the 2025 annual meeting of **The Swatch Group AG**, a Swiss watch and jewelry manufacturer, the funds supported the election of the dissident-proposed candidate in a proxy contest. The contest was grounded in the company's governance practices, its long-term underperformance, and questions about the company's strategy. We evaluated the case for change, the quality of the company's governance, and the qualifications and experience of the dissident shareholder's nominee. We assessed that there was a sufficient case for change, noted several concerns regarding the company's governance practices, and determined that the dissident nominee would add relevant experience and skills to the board. As such, the funds voted in favor of the dissident shareholder's proposal to elect an additional representative of the bearer shareholders on the board.

At the 2025 annual meeting of **Aurubis AG (Aurubis)**, a German provider of nonferrous metals and copper recycling, the funds did not support the discharge of the supervisory board and the management board for the 2022–2023 fiscal year. Aurubis had been subject to criminal activities, namely theft and fraud incidents, that negatively affected the company's financial results and led to an overhaul of the executive team. Given that investigations into the matter were ongoing at the time of the company's 2024 annual meeting, the board proposed to postpone the votes on the discharge of the supervisory board and the management board for the 2022–2023 fiscal year until the 2025 annual meeting. The funds supported that proposal, considering it a reasonable request in light of the ongoing developments at the time. Since then, we engaged with the company's executives and directors to discuss our concerns with oversight of its risk and control framework. Aurubis's chair outlined the specific measures implemented to reinforce risk management processes, emphasized the board's increased focus on safety and security—particularly regarding remuneration and the corporate culture—and highlighted accountability measures taken at management levels. While we were reasonably reassured by the mitigation actions taken in subsequent years, we determined that it was not in the funds' interests to grant discharge to the board and management at the time of the material risk failure (2022–2023); thus, the funds did not support the discharge of directors for the 2022–2023 fiscal year at Aurubis's 2025 annual meeting.

At the 2025 annual meeting of **Icade SA (Icade)**, a French real estate investment company, the funds abstained on two resolutions: one seeking shareholder approval of the company's progress on climate transition as outlined in Icade's sustainability report, and the other seeking shareholder approval of the company's biodiversity preservation progress as outlined in its sustainability report. In 2024, the funds had approved similar proposals, having engaged with the company to understand the rationale behind submitting separate resolutions, the significance of biodiversity risk to the company, and the board's oversight of climate- and biodiversity-related risks. In line with the funds' 2024 proxy voting policy, support for these proposals was based on the quality of the company's disclosures and the fact that the governance implications of the vote were made clear (shareholders were not being asked to approve or disapprove aspects of the company's strategy, which remained the purview of management and the board). At the 2025 annual meeting, the funds abstained on both proposals, consistent with the funds' 2025 proxy voting policy, which outlines that the funds generally abstain from voting on advisory management proposals that seek shareholder approval for specific components of a company's strategy. In advance of the shareholder meeting, we met with Icade leaders, including the chair of the Audit Committee, and shared the funds' general approach to voting on such matters; we explained that, as passive investors, the funds do not seek to influence portfolio company strategy or operations, including elements of a company's strategy or operations related to climate or biodiversity. Icade leaders expressed that they understood the policy update and appreciated the clarification about the funds' approach.

Executive pay

Sound pay policies and practices linked to long-term relative company performance can drive long-term shareholder returns. We look for companies to provide clear disclosure about their remuneration policies and practices, the board's oversight of these matters, and how the policies and practices are aligned with shareholders' long-term returns.

Public companies domiciled in Europe must annually submit to a shareholder vote their remuneration reports, which explain their approach to executive remuneration in the prior year. They also must submit a remuneration policy—which provides the framework for how executives and key employees will be incentivized—for shareholder approval at least every four years. In 2025, as in prior years, we focused on engaging with companies that were making significant changes to their remuneration policies. We also engaged with many companies where we identified concerns regarding the connection between executive pay and company performance and observed a lack of relevant company disclosure about the linkage. In 2025, we noted an uptick in European companies seeking pay increases, citing the need to better compete in an international market for talent as the rationale for such increases.

Pay quantum and benchmarking

Consistent with the prior year, during the 2025 proxy year we observed many companies seeking substantial increases in base salaries or incentive opportunities for executives. Company leaders indicated that these increases were meant to account for inflation and often came after several years of restrained remuneration growth during the COVID-19 pandemic.

During the 2025 proxy year, multinational companies increasingly cited the need to remain competitive in a challenging global market for executive talent. We encouraged companies to disclose benchmarking assessments and any rationale considered by the board for such increases to help us understand how the board aimed to align long-term executive pay with company performance relative to a competitive peer group. We observed that many companies provided such disclosures, and they often included an assessment of overall executive pay increases and/or pay opportunity for employees across the organization in their accompanying rationale. Some multinational companies conducted new peer benchmarking assessments referencing U.S. and global competitors. In our case-by-case analyses, we often found that these assessments were aimed at justifying significant increases in pay and addressing potential shareholder concerns about diverging from local market norms. While we observed that the quality and disclosure of benchmarking varied, we found that more compelling examples disclosed detailed peer-group analysis, including the members of the refined peer group as well as the methodology for selecting the peer group. We found that some companies provided reasonably detailed disclosures, often including an assessment of overall employee pay increases and/or pay opportunities in their organization as part of their rationale.

ESG metrics

In the 2025 proxy year, we noticed more and more companies in Europe revising their environmental, social, and governance (ESG) metrics or targets, which often constituted a substantial part of incentive awards. As a result of the increasing quality and quantity of data on ESG risks required by CSRD, many companies were aiming to align variable pay for performance metrics and targets with both internal and external assured data. While the quality and standardization of ESG data continued to evolve, we saw companies adopt a range of practices when integrating ESG metrics into their pay plans. Some presented these metrics thoughtfully, linking them to material risks or opportunities and aligning them clearly with the company's strategy, while providing transparent and well-defined metrics and targets. Others continued to employ vaguely defined ESG components that lacked connection to material risks or opportunities or were not clearly disclosed. We encouraged companies to establish and disclose targets that are closely aligned to corporate strategy and long-term shareholder returns—regardless of whether these targets include ESG metrics—to ensure that executive pay remains aligned with company performance outcomes.

Below are country-specific highlights related to executive remuneration.

In **Italy**, the funds' support for remuneration proposals remained relatively low at 66%, but this was higher than in the proxy year 2024. The increase can be partly attributed to fewer remuneration policies being put to a shareholder vote, as well as some enhancements to disclosure practices.

However, the funds' support in Italy was still lower than in other European countries. This disparity reflects concerns about limited disclosure of pay plans and the prevalence of significant incentive payments, one-off awards, and severance payments that did not appear to be connected to performance outcomes. We continued to engage with Italian companies to encourage better disclosure and governance of executive remuneration.

In the **Netherlands**, we continued to share our perspectives on the importance of aligning executive remuneration plans with long-term shareholder returns. We urged companies to provide detailed disclosures of the performance targets within their incentive plans, helping investors to understand how these plans ensure that executive pay is linked to company performance. Although most Dutch companies maintained strong disclosure and governance practices, a small number consistently fell short in demonstrating robust governance of their remuneration policies. These concerns were sometimes heightened by one-off awards that we assessed were not strongly linked to company performance or benchmarked against a relevant peer group.

In **Germany**, executive pay remained a frequent topic in our engagements. Despite the funds voting against a significant proportion of remuneration proposals during the 2025 proxy year compared with the previous proxy year, primarily due to concerns about disclosure and governance, we have observed that some companies have made improvements in disclosing the alignment between executive pay and company performance outcomes.

In the **Nordic** region, we noticed that companies still offered limited transparency about the performance metrics, targets, and past achievements related to executive pay. We have been engaging with some companies to encourage more detailed disclosure of these fundamental aspects of their incentive plans. Despite this, we observed that remuneration and company performance remained generally aligned, and it was uncommon to see substantial one-time awards or severance payments. However, more and more companies in the region were planning to boost executive pay opportunities in 2025, often without providing much disclosure of the board's rationale.

Notable case studies

At the 2025 annual meeting of **EssilorLuxottica SA (EssilorLuxottica)**, a French-listed global leader in the design, manufacturing, and distribution of advanced vision care products, eyewear, and med-tech solutions, the funds did not support binding proposals to approve the remuneration policy of the chair and CEO or the deputy CEO. Since 2023, EssilorLuxottica has adjusted its executive remuneration policy several times, increasing the maximum pay opportunity for executives. Historically, the funds have supported these proposals due to what we assessed to be a strong alignment between executive pay and shareholder returns. However, the 2025 changes introduced an exceptional remuneration provision for the chair and CEO and the deputy CEO—equal to one year's remuneration—and removed the relative share-price metric in the executives' long-term incentive plan. These changes raised concerns for us about future alignment between executive pay and company performance, as the proposed limits were notably higher than those of industry and market peers and, in our assessment, lacked supporting disclosure regarding usage conditions. After engaging with the chair of the Nomination and Compensation Committee, we had outstanding questions about the rationale for the proposed changes; consequently, the funds did not support the resolutions. For more information on how the funds voted at EssilorLuxottica's annual meeting, see our **Insights piece**.

At the 2025 annual meeting of **JDE Peet's N.V. (JDE Peet's)**, a Dutch coffee and tea company, the funds did not support proposals to approve the remuneration policy and a one-off option grant for the new CEO. In December 2024, JDE Peet's invited us to participate in its remuneration consultation process, in which we provided our perspectives and feedback on proposed revisions to the company's remuneration policy. These proposed changes included structural changes to the policy, such as introducing performance share units in the long-term incentive plan, as well as granting a one-off award to the new CEO. During the engagement, we shared our concern that the one-off award could exacerbate previous concerns we had identified regarding the alignment of executive pay and company performance. We also encouraged company leaders to provide clear, robust disclosure of the rationale for the award.

When we subsequently reviewed the remuneration policy ahead of the JDE Peet's shareholder meeting, we remained concerned about the one-off award granted to the CEO, given the award's potential quantum opportunity, structure (which was only partly performance-based), and rationale. As a result, the funds voted against the binding pay proposals.

At the 2025 annual meeting of **Nokia Corporation (Nokia)**, a Finnish multinational B2B technology company, the funds voted in support of the executive remuneration policy. Under the revised policy, the company sought to add malus provisions to the CEO's incentive plans and grant non-performance-based restricted share units (RSUs) to the CEO with a grant date value up to 100% of base salary. Malus provisions allow the company to reduce or cancel unvested awards in specific circumstances, such as misconduct or material misstatement. Nokia reached out directly with a letter from the board providing its extensive rationale regarding the company's U.S. operations, the North American talent pipeline, peer benchmarking, and long-term alignment between executive pay and company performance. This led us to seek further detail on how the board evaluated the competitiveness of the CEO's package relative to its global and U.S. peer group. The board's comprehensive response clarified the rationale for introducing the RSU component and reinforced the case for the overall structure. Taken together with the company's disclosure, we observed the historical relative alignment between executive pay and company performance outcomes, and we noted the strong performance-based pay alignment that would continue under the proposed remuneration policy. As such, the funds supported the remuneration policy at the company's 2025 annual meeting.

Shareholder rights

Shareholders have fundamental rights as company owners. We believe that a well-functioning capital markets system requires that companies have in place governance practices and structures that enable shareholders to exercise those rights.

Legal systems across Europe typically include strong protections for minority shareholders' rights. In recent years, these protections have been further reinforced and standardized through legislative initiatives, such as the E.U.'s "Shareholder Rights Directive" (the Directive). Following regulatory consultations in 2022 and 2023, the Directive may be subject to further revision in the near future. The one-share-one-vote principle, which has long prevailed across most of Europe, is also shifting with the adoption of new regulations intended to facilitate the growth of European capital markets.[4]

Multiple share-class structures

In certain parts of Europe, many companies maintain a capital structure with multiple classes of shares. We recognize that multiclass share capital can encourage companies to list on public exchanges and create greater access to capital for investors, but they also can create an imbalance in shareholder power that can work to the detriment of minority shareholders. When engaging with companies with multiclass share structures, we encouraged them to consider implementing sunset clauses or other mechanisms to protect minority shareholders' interests over the long term.

Below are some country-specific highlights related to shareholder rights.

In **Germany**, shareholder meetings have long been an important forum for shareholder debate and are relatively well-attended in person. In 2025, many companies sought to extend or renew the authorizations for the board to hold a virtual-only shareholder meeting, which has been permissible under recently finalized legal provisions governing virtual shareholder meetings. These proposals drew scrutiny from many shareholders. The funds generally supported these proposals after evaluating the relevant company disclosures case by case to understand how boards sought to preserve shareholder rights when implementing virtual meetings.

In the **Nordic markets**, the nomination committee is often a shareholder-led body—particularly in Sweden and Finland—with representatives from the largest shareholders typically participating in the selection and evaluation of board candidates. Many companies' share registers are dominated by a few large shareholders, who are frequently appointed to these committees. Dual class share structures, which are especially common in Sweden, have been a feature of Nordic companies for nearly a century and are still used by firms that account for almost three-fourths of Nasdaq Stockholm's market capitalization. We continued to evaluate proposals concerning multiple share class structures case by case. While we encourage single share class structures that enable equal voting rights, we recognize the historically stable share ownership structure in Sweden.

In **Italy**, the capital markets reform law, DDL Capitali, introduced provisions that may weaken companies' corporate governance practices and have an adverse impact on shareholder rights. One provision allowed listed companies to offer up to 10 voting rights for each share for long-term shareholders, defined as shareholders who have invested in the company for at least 24 months.

4 In April 2024, the European Parliament adopted amendments to Directive 2014/65/EU to make public capital markets in the European Union more attractive for companies and to facilitate access to capital for small- and medium-sized enterprises. Among other requirements, the Directive requires all E.U. member states to allow multiple class share structures for IPOs.

DDL Capitali also allowed for companies to continue using a closed-door shareholder meeting format. In the 2025 proxy year, the funds voted against proposals at various Italian companies requesting amendments of company bylaws to allow closed-door shareholder meetings at which only a proxy representative—and no other shareholders—would be allowed to be present. Under these newly adopted rules, we had concerns about the ability of shareholders to voice their perspectives at shareholder meetings.

Notable case studies

In Germany, the funds voted in support of management proposals seeking to extend or renew authorizations to hold virtual shareholder meetings, including at the 2025 annual meetings of **TUI AG (TUI)**, an integrated tourism business; **Siemens AG (Siemens)**, a global technology company; **Infineon Technologies AG (Infineon)**, a global semiconductor company; and **Siemens Energy AG (Siemens Energy)**, a global leader in energy technology. Ahead of their annual meetings, we engaged with leaders and directors at TUI, Siemens, and Siemens Energy to discuss the companies' approaches on this topic and share feedback. We considered that the proposed authorizations, including those at Infineon, had been designed to protect shareholder rights, and that the companies had robust procedures to ensure that shareholder rights were not unreasonably curtailed. As part of our assessment, we also noted that applicable laws and regulations in Germany provided relevant safeguards to shareholder rights, and that the companies complied with these provisions.

At the annual meeting of **Veolia Environnement SA (Veolia**), a French multi-utility company, the funds abstained on a resolution to amend the company's articles of association to include Veolia's corporate purpose. The company explained that Veolia's purpose, adopted in 2019, had guided its strategy and created value for shareholders. The proposed amendment aimed to transfer authority for updating Veolia's purpose from the board of directors to the annual shareholder meeting. Prior to voting, we engaged with Veolia to better understand the proposal and its implications for shareholders. Company leaders cited the French legislative framework that provided for such amendments to the articles of association, and they emphasized the importance of aligning the interests of Veolia's various stakeholders. While we recognized the board's rationale, the proposal raised questions about board accountability for overseeing company strategy, given the prescriptive nature of the proposed amendments. In addition, asking shareholders to codify Veolia's purpose—which included a range of stakeholder considerations—via an inclusion in the company's legally binding articles of association raised concerns for us about how the board would prioritize shareholder rights in the future. The funds consequently abstained from voting on the proposal.

Proxy voting data

While the number and types of management proposals in Europe stayed relatively consistent year over year, we observed a slight decrease in the number of shareholder proposals on both contentious and noncontentious topics. Notably, many of the director nominees put forth by shareholders were nominated through uncontested processes and supported by management because of different norms for nominating directors in European markets.

The Vanguard-advised funds' rate of support for each category of proposals was also relatively consistent year over year. We observed a slight increase in each of the past two years in the funds' support for management-proposed board nominees, which rose to 89% in the 2025 proxy year. This may reflect increased disclosures by companies related to topics such as board and committee independence, as well as director capacity and commitments.

Following refinements to the funds' policy on management Say on Climate proposals in 2025, the funds abstained from voting on all related proposals put forward in 2025. The highest number of management Say on Climate proposals continued to be in **France**. As for shareholder proposals related to environmental topics, unlike in prior years, we observed that no boards recommended support for any shareholder-originated environmental proposals put forward to a vote.

In **Germany**, the funds' votes were broadly consistent with the last proxy year, although we observed an increase in the volume of proposals. We saw a small increase in remuneration-related proposals in Germany, driven by the cyclical nature of remuneration policy approvals, which are required every four years. When compared with other types of proposals, the funds' support for these proposals remained relatively low; however, support levels did rise from the prior year, reflecting an increase in disclosure about pay for performance at some companies.

In **Italy**, the high proportion of shareholder proposals reflected the slate election system, whereby shareholders submitted competing slates of candidate lists for board of directors and statutory audit board elections. While these elections were typically uncontested, legal changes in the 2025 proxy year (see the discussion of DDL Capitali on page 3) discouraged boards from proposing their own slates, making some shareholder meeting outcomes less predictable. The funds' support for remuneration-related proposals in Italy remained lower than for other proposal types and below support levels in other key European markets. This was largely because of a combination of a lack of disclosure and what we assessed to be poor structural features.

In the **Netherlands**, the number and types of proposals remained relatively consistent in the 2025 proxy year compared with prior years, as did the proportion of proposals the funds supported. The funds' support for remuneration-related proposals slightly decreased compared with last year's trend, partly reflecting boards' increased application of discretion without robust accompanying disclosure and the granting of one-off awards.

In the **Nordic** markets, we continued to observe a relatively high number of shareholder proposals compared with other European countries. As in prior years, the focus of these proposals entailed environmental or social topics, including climate risk; operational issues; and the occasional governance topics, such as unequal voting rights.

In **Switzerland**, we saw management proposals related to governance provisions that could affect shareholder rights decline significantly in the 2025 proxy year, following widespread amendments to company articles in response to the updated Swiss Code of Obligations that took effect in 2023. We also observed a small decrease in the number of shareholder proposals put forward at Swiss public companies. Given recent changes to Swiss company law, which enhanced shareholder rights to call extraordinary general meetings and add agenda items to shareholder meetings, we anticipate a potential increase in shareholder activism in Switzerland.

Europe

Alignment with our pillars	Proposal type	Management: Number of proposals	Management: % for	Shareholder: Number of proposals	Shareholder: % for
Board composition and effectiveness	Elect directors	4,432	89%	176	50%
	Other board-related	5,317	96%	155	57%
Board oversight of strategy and risk	Approve auditors	1,459	99%	—	—
	Environmental and social	13	0%	14	0%
Executive pay	Management Say on Pay	2,156	74%	—	—
	Other pay-related	1,786	94%	15	0%
Shareholder rights	Governance-related	559	93%	11	55%
Other proposals	Adjourn/other business	2,980	93%	—	—
	Capitalization	3,323	95%	—	—
	Mergers and acquisitions	98	95%	—	—
	Other	—	—	106	45%

Note: Data are for the proxy year ended June 30, 2025.

France

Alignment with our pillars	Proposal type	Management: Number of proposals	Management: % for	Shareholder: Number of proposals	Shareholder: % for
Board composition and effectiveness	Elect directors	482	90%	2	100%
	Other board-related	176	99%	1	0%
Board oversight of strategy and risk	Approve auditors	92	97%	—	—
	Environmental and social	7	0%	—	—
Executive pay	Management Say on Pay	815	83%	—	—
	Other pay-related	292	95%	2	0%
Shareholder rights	Governance-related	64	94%	—	—
Other proposals	Adjourn/other business	497	96%	—	—
	Capitalization	912	88%	—	—
	Mergers and acquisitions	37	86%	—	—
	Other	—	—	—	—

Note: Data are for the proxy year ended June 30, 2025.

Germany

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	317	87%	—	—
	Other board-related	989	96%	—	—
Board oversight of strategy and risk	Approve auditors	258	100%	—	—
	Environmental and social	—	—	—	—
Executive pay	Management Say on Pay	215	73%	—	—
	Other pay-related	69	96%	—	—
Shareholder rights	Governance-related	49	100%	—	—
Other proposals	Adjourn/other business	117	95%	—	—
	Capitalization	316	98%	—	—
	Mergers and acquisitions	7	100%	—	—
	Other	—	—	5	0%

Note: Data are for the proxy year ended June 30, 2025.

Switzerland

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	923	90%	5	60%
	Other board-related	486	90%	2	0%
Board oversight of strategy and risk	Approve auditors	115	97%	—	—
	Environmental and social	1	0%	—	—
Executive pay	Management Say on Pay	103	70%	—	—
	Other pay-related	306	91%	—	—
Shareholder rights	Governance-related	18	100%	1	0%
Other proposals	Adjourn/other business	472	73%	—	—
	Capitalization	169	98%	—	—
	Mergers and acquisitions	5	100%	—	—
	Other	—	—	2	0%

Note: Data are for the proxy year ended June 30, 2025.

The Netherlands

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	228	94%	—	—
	Other board-related	182	100%	—	—
Board oversight of strategy and risk	Approve auditors	104	100%	—	—
	Environmental and social	1	0%	—	—
Executive pay	Management Say on Pay	104	76%	—	—
	Other pay-related	31	81%	—	—
Shareholder rights	Governance-related	18	100%	—	—
Other proposals	Adjourn/other business	75	100%	—	—
	Capitalization	314	97%	—	—
	Mergers and acquisitions	4	100%	—	—
	Other	—	—	—	—

Note: Data are for the proxy year ended June 30, 2025.

The Nordic markets: Denmark, Sweden, Finland, Iceland, the Faroe Islands, and Norway

Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	1,792	91%	5	20%
	Other board-related	2,012	100%	1	0%
Board oversight of strategy and risk	Approve auditors	617	99%	—	—
	Environmental and social	1	0%	14	0%
Executive pay	Management Say on Pay	395	80%	—	—
	Other pay-related	663	99%	2	0%
Shareholder rights	Governance-related	130	99%	6	50%
Other proposals	Adjourn/other business	966	100%	—	—
	Capitalization	863	99%	—	—
	Mergers and acquisitions	7	100%	—	—
	Other	—	—	28	0%

Note: Data are for the proxy year ended June 30, 2025.

Italy

Alignment with our pillars	Proposal type	Management: Number of proposals	Management: % for	Shareholder: Number of proposals	Shareholder: % for
Board composition and effectiveness	Elect directors	10	100%	121	58%
	Other board-related	40	83%	86	95%
Board oversight of strategy and risk	Approve auditors	36	100%	—	—
	Environmental and social	1	0%	—	—
Executive pay	Management Say on Pay	166	66%	—	—
	Other pay-related	121	91%	—	—
Shareholder rights	Governance-related	45	62%	—	—
Other proposals	Adjourn/other business	121	76%	—	—
	Capitalization	164	99%	—	—
	Mergers and acquisitions	7	100%	—	—
	Other	—	—	2	50%

Note: Data are for the proxy year ended June 30, 2025.

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