How the funds voted

At the annual meeting for American Express, a U.S.-based financial services company, the Vanguard funds supported a shareholder proposal that requested the board publish annually a report outlining the board’s oversight of diversity, equity, and inclusion (DEI) efforts. The funds also voted to support re-election of all director nominees.

Vanguard’s principles and policies

As firms compete for employees with the right skills and experience, they face greater scrutiny on how they attract, develop, and retain their workforces.

We believe that boards are responsible for oversight of how workforce diversity is integrated into their company’s broader human capital management strategy. There are strategic opportunities for companies that do this well and material risks for companies that do it poorly. These matters are critical to a company’s long-term success, and they can help create sustainable value well into the future.

Analysis and voting rationale

Our analysis found that American Express already provides robust quantitative and qualitative disclosures about its DEI programs. However, the shareholder proposal under consideration focused on a specific gap in the company’s disclosures: the board’s role in overseeing American Express’s DEI strategy and its process for measuring the outcomes of the company’s diversity programs. We believe shareholders could benefit from clarity on this important oversight responsibility and therefore voted to support the proposal.
Vanguard has held meaningful discussions with members of the American Express board over many years, and the company has routinely been attentive to DEI risks and receptive to shareholder feedback. In our most recent engagement, directors provided insight into the Compensation and Benefits Committee’s oversight of American Express’s DEI strategy and goals as well as the Nominating, Governance, and Public Responsibility Committee’s oversight of American Express’s ESG strategy and corporate social responsibility program. American Express leaders also shared the company’s intent to release an updated ESG report, with plans to include disclosure through the U.S. Equal Employment Opportunity Commission’s EEO-1 compliance survey and other enhancements. The Vanguard funds’ vote in favor of the proposal should be interpreted as support for the company’s stated direction, not an expression of concern about oversight failure or a lack of confidence in the board.

What we expect from companies on this matter

Human capital management risks are financially material to companies across all industries. Boards should provide effective oversight of this key topic.

Boards should also disclose relevant processes, programs, and metrics used to measure a company’s DEI programs over time. Such quantitative metrics—for example, EEO-1 data in the U.S.—demonstrate intentionality and enable investors to measure progress in addressing human capital risks over time.