

Vanguard Investment Stewardship Policy Insights

Our expectations for portfolio company boards in Latin America

March 2022



Vanguard publishes Investment Stewardship Policy Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our growing effort to enhance disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide additional clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can do. This Insights piece should be viewed in conjunction with the most recent region- and country-specific voting policies.

Vanguard's Investment Stewardship team advocates for the highest standards of corporate governance at the more than 250 Latin American companies held by Vanguard's internally managed equity funds.

In 2021, the Vanguard funds voted on more than 5,000 proposals at companies from six countries, including Brazil and Mexico, the two largest equity markets in the region.

Application of our global principles

The Investment Stewardship program is grounded in four global principles of good governance:

- **Board composition.** An effective board should be independent and reflect diversity of skill, experience, and opinion as well as diversity of personal characteristics (such as gender) that are relevant to a company's market and strategy.
- **Oversight of strategy and risk.** A company's board is responsible for oversight of strategy and material risks, such as climate and social risks.
- **Executive remuneration.** Performance-linked remuneration policies are fundamental drivers of long-term value creation.
- **Shareholder rights.** Shareholders should have the power to use their voice and vote to ensure the accountability of a company's board and management.

Our [global investment stewardship principles](#) webpage contains more information on these four principles.

Regional proxy voting policies

Although our global principles are applied consistently across markets, regional nuances help inform our expectations and approach to specific companies. Our portfolio companies in Latin America operate under different regulatory environments and governance norms that are evolving at different paces in different regions. The Vanguard funds have adopted country-specific [voting policies](#) that align with our global principles and that account for relevant local laws and regulations, as well as market norms and best practices.

Regional expectations

Vanguard index funds are practically permanent investors of the companies in which they invest, holding a stock indefinitely—or as long as it is included in the benchmark index. This long-term perspective informs every aspect of our Investment Stewardship program. We employ a principles-based approach to stewardship and follow best practices in corporate governance. Although we expect governance standards to continue evolving across Latin American markets, our current expectations focus on the following areas:

Timely disclosures. Portfolio companies should publish, well in advance of their annual meetings, information on proxy-related matters such as director biographies (including commitments), executive and director remuneration, corporate transactions, and board composition measures. These disclosures should also outline any revisions or amendments that would limit shareholder rights.

Governance practices. As governance policies, practices, and regulations in Latin America evolve, the Vanguard funds will look for portfolio companies to make progress toward adopting best-in-class governance practices, including increased board and key committee independence as well as board diversity, management of director commitments, and disclosure about board oversight of material risks and strategy.

More on our voting and engagement activities

Our [website](#) contains information on our views on key topics that can affect long-term shareholder value, including board and workforce diversity, human rights, and the risks of a changing climate. The site also houses our Insights, which provide our rationale on key votes.