

Your money, your voice:

How Vanguard is piloting proxy voting options for everyday investors



Vanguard was founded on a simple but revolutionary idea: investor ownership. Vanguard is owned by the Vanguard funds, which in turn are owned by the funds' investors. Our unique structure serves to clearly align the company's interests with those of our investor-owners. This alignment has long differentiated Vanguard as a trusted voice on behalf of individual investors. Throughout our history, we have remained focused on serving the best interests of individuals to help them achieve their long-term financial goals and have a fair shake in the market.

For example, Vanguard created the first retail index mutual fund in 1976, making the strategy of indexing available to everyday investors.¹ Our unique corporate structure has enabled investors to keep more of their returns in the form of lower costs. Economies of scale enable us to lower expense ratios for our investors and reinvest in products and services that help improve their overall investing experience and outcomes. We offer a broad selection of mutual funds and exchange-traded funds (ETFs) to enable individuals to choose funds that match their distinct investment objectives, needs, and preferences, including ESG and energy-sector focused products.

As a continuation of this investor-centric focus, Vanguard is working to offer investors a greater voice in the proxy voting process. Starting in early 2023, Vanguard will pilot a number of proxy voting policy options for individual investors to choose from select Vanguard-managed equity index funds.

Proxy voting is one way shareholders can make their voices heard on important corporate questions. Individual investors can already vote in shareholder meetings for stocks they directly own. Currently, Vanguard's Investment Stewardship team casts proxy votes relating to portfolio securities held by Vanguard-managed equity funds. This team of experienced professionals is an important part of how we advocate for long-term value creation for investors in Vanguard funds.

“Piloting proxy voting choices is yet another way Vanguard is working to provide our investors with a wide range of investment options to meet their individual goals and personal preferences. In this endeavor, we are committed to listening and gathering feedback as we explore ways to further support our clients.”

Anne Robinson, Managing Director, General Counsel and Corporate Secretary

¹ Vanguard launched the First Index Investment Trust on August 31, 1976, with an objective of tracking the performance of the Standard & Poor's 500 Index. Today that fund is called Vanguard 500 Index Fund.

Piloting proxy voting choice for individual investors

As an investor-owned asset management firm, Vanguard is uniquely positioned to empower individual investors to participate in the proxy voting process.² We plan to gather client and stakeholder feedback as we test this approach and explore the full range of options with respect to proxy voting choices for index funds.

Vanguard's proxy voting choice pilot program will help us to assess options and to understand how and to what degree individual investors want to participate more directly in the proxy voting process. Initially, this pilot will be available to investors in select U.S. equity index funds, allowing them to express their preference for how proxies are voted at select companies held in the funds.

As a part of this pilot, eligible investors will receive an invitation link to a secure website where, if they choose to participate, they can select from a range of proxy voting policy options. The fund will cast votes for selected securities in the fund in a manner consistent with the investor's expressed policy preference in proportion to the investor's ownership of the fund. This can include matters such as electing directors to a company's board and other proposals from the company's management or shareholders. Proxy voting policy options under consideration for the pilot include casting votes consistent with a company board's recommendations, relying on guidance from an independent third-party provider, asking Vanguard to continue voting on the investor's behalf using the Funds' proxy voting policy, or giving investors the choice not to vote.

The proxy voting options offered as part of the pilot will give investors a range of clearly articulated choices and enable them to make informed decisions that better align their funds' votes to their preferences. Vanguard will utilize the pilot to gather feedback from investors and other important stakeholders, which will be critical to furthering our understanding of the optimal investor experience.

² Vanguard is investor-owned, meaning the fund shareholders own the funds, which in turn own Vanguard.

For more information about Vanguard funds or Vanguard ETFs, 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 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.

All investing is subject to risk, including the possible loss of the money you invest.
Vanguard Marketing Corporation, Distributor of the Vanguard Funds.

“When it comes to proxy voting, Vanguard’s focus is on shareholder value creation. Following the proxy voting guidelines approved by the Vanguard funds’ boards, our stewardship program will continue to carry out this important mission.”

John Galloway, Principal, Head of Global Fund Investment Stewardship

The path forward

Exploring ways to provide proxy voting choices to investors is a continuation of Vanguard's effort to give individuals the information and options they need to ensure that their portfolios reflect their investment goals and preferences. As with all our initiatives, we are being intentional and thoughtful about our approach, and we are committed to listening to our clients along the way so we can best meet their needs.

There remain open questions regarding how many investors will choose to participate more directly in the proxy voting process, as well as significant technological and operational challenges to address. We are encouraged by our discussions to date with investors and other relevant stakeholders on this topic, and we will continue to work with our investors, policymakers, and others to identify the most efficient and effective mechanisms for enabling investors to express their views in the proxy voting process.

Our initial pilot to offer these options to individuals is the next step in Vanguard's tradition of investor-first initiatives and will provide valuable information as we partner with other interested parties to explore the best ways forward. On proxy voting choice, as on all matters, Vanguard will be guided by our mission to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success.

Vanguard

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