

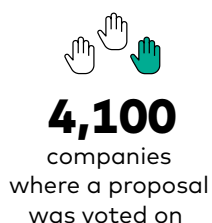
U.S. Regional Brief

This Regional Brief reports on the corporate governance topics and trends Vanguard’s Investment Stewardship team observed across portfolio companies in the United States during the 2024 proxy year; it includes data on the proxy votes cast by the Vanguard-advised funds during the period.¹ We provide this brief, and other publications and reports, to give Vanguard fund investors and other market participants an understanding of the engagement and proxy voting activities we conduct on behalf of Vanguard-advised funds.

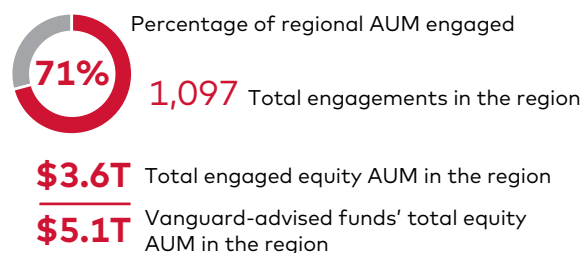
Vanguard’s Investment Stewardship team conducts proxy voting and engagement on behalf of the Vanguard-advised funds. Our approach to evaluating portfolio companies’ corporate governance practices is centered on four pillars of good corporate governance, which are used to organize this brief: board composition and effectiveness, board oversight of strategy and risk, executive pay, and shareholder rights.

During the 2024 proxy year (July 1, 2023, through June 30, 2024), the team conducted 1,097 engagements related to 935 companies in the U.S., representing \$3.6 trillion in equity assets under management (AUM) of the \$5.1 trillion in Vanguard-advised funds’ total equity AUM in the region. The funds voted on 36,711 proposals across 4,100 companies in the region.

At a glance



Regional AUM engaged



¹ Vanguard’s Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, “Vanguard-advised funds”). Vanguard’s externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, “we” and “the funds” are used to refer to Vanguard’s Investment Stewardship program and Vanguard-advised funds, respectively.



Board composition and effectiveness

Good governance begins with a company's board of directors. Our primary focus when evaluating a company's corporate governance profile is on understanding to what extent the individuals who serve as board members are appropriately independent, capable, experienced, and equipped to represent the interests of all shareholders.

During the 2024 proxy year in the U.S., we engaged with portfolio company directors and executives on a broad range of topics, including the assessment of boards' evolving skill sets, enhanced disclosure of board composition and evaluation practices, and the leadership and structure of board committees. In the second year of the universal proxy card, we saw issuers continue to evolve their disclosures regarding board composition, including refining disclosure of board skill-set matrices, as attention on individual board members' skills and experiences heightened.

A universal proxy card lists all director nominees of all sides in a director election contest. Prior to the universal proxy card, companies and dissident shareholders sent separate proxy cards listing only their own slate of nominees for a board of directors. It was difficult for shareholders to mix and match management and dissident nominees unless they attended a company's annual meeting in person to cast their votes. Under the universal proxy rule, shareholders can select the nominees they favor regardless of who nominated them.

Proxy contests

The volume of contested director elections that went to a vote declined this proxy year (16 contests in 2024, versus 22 in 2023), although high-profile contests drew outsized attention. In 2024, proxy contests featured several unique

elements, including questions regarding CEO succession, multiple dissidents, and arguments related to workers' rights or social themes. While the underlying drivers and themes of proxy contests change year to year, the funds' approach to evaluating proxy contests remains consistent: We assess the case for change, the company's approach to governance, and the quality of director nominees.

Board composition disclosures

Among U.S. portfolio companies, we continued to see enhanced disclosures related to the board's evaluation of director skill sets and how the company's strategy informs the aggregate portfolio of skill sets and experiences represented in the boardroom. Companies have increasingly published disaggregated director skills matrices with more detailed rationale related to individual director profiles, including each director's role on the board. During engagements, we encouraged company leaders to describe to investors how their board's unique mix of skills and experiences enable the board to effectively oversee company strategy and material risks to long-term shareholder returns.

Continuing a trend from prior years, we also saw more portfolio companies implement director commitment policies and expand disclosures around how boards evaluate director capacity and commitments. In several instances, these enhanced disclosures provided context that led the funds to support directors who may have otherwise been considered overboarded (serving on too many boards) based on quantitative information about other board commitments.

We continue to look for robust disclosure on these topics to provide a clear understanding of how each company's board is ensuring that its members have sufficient capacity to serve as effective and engaged representatives of shareholders.

Committee structure

In our engagements, a number of board members shared that they are being thoughtful about board committee structure as they increasingly deal with a complex variety of risks. For certain significant or technical risks such as artificial intelligence and machine learning, sustainability, and cybersecurity, we have seen several boards create standalone committees to ensure that

the board is devoting the appropriate time and attention to oversight of risks that they have deemed material. Increasingly, however, we are finding that boards are using existing committee structures to provide more deliberate risk oversight for significant and nuanced emerging or continuing risks. Boards often also share that they are tapping into expertise—both from within the company and from third-party experts—to widen the directors' aperture in highly technical, rapidly evolving risk areas. While there is no right committee structure for a particular board, understanding through disclosure and engagement the context within which a board has made these decisions helps shareholders assess the rigor of the board's oversight process.



Notable votes from the 2024 proxy year include:

As we shared in an [Insights](#) piece, at the 2024 annual meeting of **The Walt Disney Company (Disney)**, a diversified worldwide company with operations in entertainment, sports, and experiences, the Vanguard-advised funds evaluated but did not support two activist investors' nominees in a proxy contest. Although we found that there was a case for change and demonstrable gaps in the company's governance practices, we were unable to determine that election of the dissident nominees represented the optimal remedy to those concerns. Given that the funds supported the company's nominees but still had concerns regarding the effectiveness of board governance at Disney, we plan to continue to engage with Disney leaders and directors to understand their progress on key issues such as strategic oversight and succession planning.

The 2024 annual meeting of **Warrior Met Coal, Inc.**, a U.S.-based supplier to the global steel industry, represented a unique use of the universal proxy card. In this instance, the dissident did not nominate any board director candidates; rather, they utilized the rules of the universal proxy card to submit five shareholder proposals (which would otherwise have been capped at one under U.S. Securities and Exchange Commission rules). The Vanguard-advised funds supported one of the five shareholder proposals: a proposal requesting proxy access, as that shareholder proposal was aligned with the funds' policies.



Board oversight of strategy and risk

Boards should be meaningfully involved in the formation and oversight of strategy and have ongoing oversight of material risks to their company. We work to understand how boards of directors are involved in strategy formation, how they oversee company strategy, and how they identify and govern material risks to long-term shareholder returns.

During the 2024 proxy year, we discussed with many directors how boards undertake prioritization exercises to identify, define, and mitigate material risks to their companies. These risks cover a broad spectrum, as represented by the emerging board committees established to oversee risks such as artificial intelligence and cybersecurity. Company leaders shared that certain shareholders continue to express interest in how boards are managing material environmental and/or social risks; we also saw that reflected in the continued range of shareholder proposals submitted on environmental and social topics.

Environmental and social shareholder proposals

During the 2024 proxy year, the Vanguard-advised funds evaluated 400 shareholder proposals that requested actions from U.S. portfolio companies on a range of environmental and/or social matters (compared with 359 such proposals during the 2023 proxy year). Following the use of our case-by-case approach to applying the funds' voting policies, the funds did not support any of the proposals. Those included the 40 "counterproposals" that appeared on U.S. company ballots this past proxy year.² The lack of support for environmental and/or social proposals this year does not reflect a change in our team's application of the funds' voting policies. Rather, it can be attributed to our

assessment that, in each of these cases, the proposals did not address financially material risks to shareholders at the companies in question or were overly prescriptive in their requests—including, for example, proposals calling for specific greenhouse gas (GHG) emissions targets or third-party audits of aspects of portfolio company operations. In other instances, we did not identify a gap in the receiving company's governance practices or disclosures that the proposal in question would address. In addition, a number of the 2024 shareholder proposals were repeats or variations of previously filed proposals that companies have taken action to address. For example, at both Wells Fargo and Charter Communications, although in prior years the funds supported shareholder proposals focused on assessed gaps in company disclosure and board oversight, the funds voted in 2024 against similar proposals at both companies due to enhanced board oversight processes and disclosures by both companies.

The number of environmental-related shareholder proposals remained relatively consistent from the prior proxy year (106 proposals, compared with 104 in the prior year). Industrial and consumer discretionary companies received the largest number of environmental proposals—21 apiece. As was the case in the 2023 proxy year, the most common subject of those proposals was target-setting for GHG emissions. We also saw several proposals focused on restricting spending on climate change-related analysis or actions.

² "Counterproposals" are classified by Institutional Shareholder Services (ISS) as "shareholder proposals that most often seek to rebuke company efforts to mitigate climate change and implement sustainability programs, make charitable contributions to certain organizations, and adopt anti-discrimination proposals." The ISS classification is provided purely for reporting purposes. It was not a factor in Investment Stewardship's independent case-by-case assessments of each proposal.

Across all sectors, companies received shareholder proposals focused on social topics such as political contributions and lobbying disclosure; animal welfare; and diversity, equity, and inclusion effectiveness. The consumer sector continued to draw the largest proportion of social proposals (110 of the 294 social proposals on which the funds voted), with several notable proposals in the sector concerning living wages and workers' rights. We also saw new proposals

related to the use of artificial intelligence within companies in the communications and entertainment industries.

In recent years, we have observed many U.S. public companies evolving and enhancing their disclosures related to material risks, including material environmental and social risks, in response to both shareholder and consumer interest as well as pending or recently enacted regulation.



Notable votes from the 2024 proxy year include:

At the 2024 annual meeting of **Apple Inc. (Apple)**—which designs, makes, and markets smartphones, personal computers, tablets, wearables, and accessories—the Vanguard-advised funds did not support a shareholder proposal seeking a report on the use of artificial intelligence (AI) at the company. Although we assessed that its use could be a material risk to Apple, we were able—based on discussions with company leaders—to better understand the level of risk within the company's current product offering. The funds did not support the proposal, as the company demonstrated appropriate board oversight related to the risks and opportunities associated with its current use of AI. The company shared that it intended to disclose more information about its application of AI as that use within the company's products evolves.



Executive pay

Sound, performance-linked pay programs can drive long-term shareholder returns. We look for companies to provide clear disclosure about their compensation practices, the board's oversight of those practices, and how the practices are aligned with shareholders' long-term investment returns.

During the 2024 proxy year, we prioritized engagements with companies at which we identified potential concerns about the linkage between the relative magnitude of executive pay and long-term shareholder returns. We also engaged with companies soliciting proactive feedback on their executive compensation plans as part of broader discussions regarding corporate governance practices.

Plan structure

We believe that executive pay plan structures and practices linked to long-term relative company performance are fundamental drivers of sustainable, long-term investment returns. Because we look for pay to ultimately align with performance relative to a competitive peer set of companies, we emphasize the importance of integrating relative metrics and benchmarking into pay plans. Although we are not prescriptive as to the exact structure of a compensation plan, we seek to understand the rigor of performance metrics and look for clear disclosure of the program and outcomes that enables shareholders to understand the connection to long-term shareholder returns. During the 2024 proxy year, we saw several companies include absolute stock price hurdles

as a metric within the executive compensation plan as companies sought to align performance outcomes with overall executive pay. When a program is heavily based on absolute metrics, clear and comprehensive disclosure of the board's target-setting process helps shareholders assess the rigor of these metrics and their alignment with long-term company performance relative to their peers.

One-time awards

Although we observed that the use of one-time retention awards has generally decreased as we've moved away from the COVID-19 pandemic, the continued use of large one-time awards in connection with executive transitions remained prevalent. During our engagements, directors explained their view that such awards may serve as a necessary talent-attraction tool and a means to provide "make-whole" compensation for external hires. We note that opportunities exist for companies to provide enhanced contextual disclosure of their boards' decision-making process and rationale in these instances, and we will continue to encourage companies to provide clarity on the discrete facts and circumstances underlying decisions to make one-time awards.



Notable votes from the 2024 proxy year include:

At the 2024 annual meeting of **Netflix, Inc. (Netflix)**, an entertainment services company offering paid subscription memberships for streaming services, the funds supported Say on Pay. This followed several years of the funds voting against Say on Pay at Netflix because of concerns about plan structure and overall executive compensation governance. In 2023, the Netflix Compensation Committee enacted incremental changes in response to shareholder feedback, including a salary cap, a minimum stock option allocation, and the introduction of an annual bonus program with pre-set financial metrics. Although we still have some concerns about the remaining plan structure, the company disclosed its efforts to make changes to the plan in response to shareholder feedback in 2024, including expanding the amount of pay allocated to long-term equity and adding a component of pay linked to relative stock performance. The newly introduced structure, the Compensation Committee's explanation of the underlying rationale in company disclosures, and our engagements with Netflix leaders helped us understand how the plan structure and the Compensation Committee's oversight aligned executive and shareholder outcomes.

As we published in an [Insights](#) piece, at the 2024 annual meeting of **Broadcom, Inc. (Broadcom)**, a global semiconductor and infrastructure software solutions company, the Vanguard-advised funds supported Say on Pay. The plan included a front-loaded equity award to the CEO and another Named Executive Officer (NEO) earned based on the achievement of several absolute stock-price hurdles (price appreciation ranging from 75% to 139%). At the time of our analysis, Broadcom's stock had already surpassed the highest hurdle, valuing the awards at over \$1 billion. We had initial concerns with the overall rigor of the metrics set, given that all hurdles had been surpassed by the time of the annual meeting. We noted that the company's stock appreciated more than 139% between the grant date and when the highest hurdle was hit, and that shareholders stand to gain the vast majority of the stock appreciation if the highest hurdle is maintained throughout the earning and vesting period. Through discussion with company leaders, we were able to gain insight into the board's governance of the compensation program that mitigated our concerns about the plan's structure.



Shareholder rights

We believe that governance structures should allow shareholders to effectively exercise their foundational rights. We look for companies to give shareholders the ability to use their voice and their vote—in proportion to their economic ownership of a company's shares—to effect and approve changes in corporate governance practices.

Simple majority shareholder proposals

During the 2024 proxy season, we saw shareholder proposals at more than 40 U.S. portfolio companies requesting amendment of the company's governing documents to eliminate supermajority vote standards (that is, vote standards requiring more than a simple majority vote) on matters subject to shareholder approval. We look for companies to adopt governance practices that help ensure that boards and management serve in the interests of the shareholders they represent. Generally, we believe that material transactions (including capital raising, mergers, and acquisitions, among others) and material changes to a company's governing documents (for example, the corporate charter or bylaws) should be subject to approval by a simple majority of shareholders; requiring more than majority approval may unnecessarily entrench management and the board. Requiring a simple majority for approval of such matters improves the accountability of directors to shareholders and strengthens shareholders' voices in instances where the board may be resistant to shareholder input. Based on our case-by-case analysis of each of these proposals in the 2024 proxy year, the Vanguard-advised funds supported approximately 60% of them.

Exculpation proposals

Effective in August 2022, the Delaware General Corporation Law was amended to permit Delaware corporations to exculpate certain

company officers for breaches of fiduciary duty—granting such officers protections similar to, but more limited than, the protections offered for the past 40 years to company directors. In January 2023, Pennsylvania, too, adopted a provision allowing for officer exculpation. Recent changes to the Pennsylvania Business Corporation Law enable shareholders to adopt a bylaw providing for the limitation of officer liability similar to the limitation of liability that has been available for directors.

To take advantage of officer exculpation, corporations must obtain shareholder approval to amend the certificate of incorporation. When reviewing exculpation proposals, we look to understand the following:

- whether the provision aligns with applicable state law;
- whether the provision limits liability for a breach of duty of loyalty to the company or stockholders, for acts or omissions that are not in good faith or that involve intentional misconduct or a knowing violation of law, for any transaction from which the officer derives improper personal benefit, or for any action by or in the right of the company; and
- whether it is consistent with the scope of the company's director exculpation provision.

The funds have generally supported these proposals.



Notable votes from the 2024 proxy year include:

At the 2024 annual meeting of **The Sherwin-Williams Company**—which develops, makes, distributes, and sells paint, coatings, and related products—the funds voted against a shareholder proposal to eliminate the supermajority vote standard for bylaw amendments. In conducting our analysis, we noted that a simple majority vote requirement already applied to most matters submitted for shareholder approval. The company’s charter required only a supermajority vote standard for related/affiliated party transactions such as mergers or sales. The company disclosed that this narrow set of supermajority standards would help protect shareholders against potentially abusive actions and deter hostile takeovers of the company from those who might seek to advance their interests over the interests of the majority of shareholders.

Although we prefer that companies adopt a simple majority voting standard, in instances where a palatably narrow supermajority standard can protect long-term shareholder returns and actually strengthen shareholder voices, a supermajority may be preferred.

At the 2024 annual meeting of **Revvity, Inc.**, a provider of health science solutions, technologies, and services, the funds supported a shareholder proposal to eliminate the supermajority vote standard for bylaw amendments. Our analysis found that the company required two-thirds of the outstanding shares to approve several types of proposals, including the removal of a director, amendments to the bylaws, and approval of a merger or consolidation of the company with or into another corporation. In alignment with the funds’ proxy voting policies, the funds supported the shareholder proposal. In engagement with company leaders, however, we expressed our view that a vote standard of a majority of shares outstanding appropriately strengthens shareholders’ voices while limiting the risk that a small group of shareholders could enact change not supported by the broader shareholder base.

Proxy voting data

The volume of proposals voted on in the U.S. decreased overall from the prior year. A decrease in management proposals was driven in part by the decrease in Say on Pay frequency votes, a majority of which we saw come up for a vote in 2023. We saw a marginal increase in shareholder proposals attributable to an increase in proposals focused on environmental and social topics.

| U.S. | | | | | |
|--------------------------------------|----------------------------|---------------------|-------|---------------------|-------|
| Alignment with our pillars | Proposal type | Management | | Shareholder | |
| | | Number of proposals | % for | Number of proposals | % for |
| Board composition and effectiveness | Elect directors | 24,257 | 94% | 30 | 0% |
| | Other board-related | 453 | 97% | 74 | 0% |
| Board oversight of strategy and risk | Approve auditors | 3,947 | 100% | — | — |
| | Environmental and social | — | — | 400 | 0% |
| Executive compensation | Management Say on Pay | 3,117 | 98% | — | — |
| | Other compensation-related | 2,094 | 82% | 30 | 0% |
| Shareholder rights | Governance-related | 360 | 92% | 147 | 35% |
| Other proposals | Adjourn/other business | 580 | 86% | — | — |
| | Capitalization | 991 | 92% | — | — |
| | Mergers and acquisitions | 221 | 99% | — | — |
| | Other | — | — | 10 | 0% |

Note: Data are for the proxy year ended June 30, 2024.

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