

Engaging with Vanguard

A guide for company boards and management teams



Vanguard funds own shares in more than 13,000 public companies around the world. We maintain a disciplined approach to investment stewardship that focuses on ensuring that these companies' corporate governance practices align with the long-term interests of our clients. This guide outlines how we strive for transparent and constructive dialogues with company leaders, the type of information we look for in advance of meetings and how to set up engagements.

For professional investors only (as defined under the MiFID II Directive) investing for their own account (including management companies (fund of funds) and professional clients investing on behalf of their discretionary clients). Not to be distributed to the public.



Vanguard®

Strategic considerations: Why engage with Vanguard?

Engagement benefits both shareholders and companies. Shareholders hear directly from company leaders and directors about strategy, risk and governance matters. In turn, company leaders can gain a deeper understanding of what really matters to their shareholders. Through thousands of company meetings over the years, we have found that we often accomplish more through dialogue than through proxy voting alone.

Our team applies both a sector and a regional lens to analysis, engagement and voting for companies in our equity portfolios. Our sector expertise informs our approach to relevant topics by industry, including board composition, board oversight of strategy and risk and remuneration matters. Our regional perspective takes into consideration local corporate governance, engagement and voting practices.

Different types of engagement

Most engagements fall into one of three categories.

Strategic

These engagements help us understand the board's role in the oversight of the company's long-term strategy and relevant risks. This enables us to put any bumps in the road into the appropriate context.

Event-driven

These are meetings to discuss a particular ballot issue or contentious vote (when we want to hear all sides of a matter). They often take place before a company's shareholder meeting.

Topic-driven

These conversations allow us to discuss specific topics that may materially affect companies and that come under board responsibilities. Examples include performance, board composition and risk disclosure.

What is Vanguard interested in hearing from companies?

As near-permanent owners of the companies in which we invest, we prefer to focus our discussions on the long term. In most situations, we are more interested in understanding the board's oversight of matters that will affect the company over the next decade, rather than the next quarter.

Our four principles of governance frame our thinking.



Board composition

Our primary focus is to ensure that the individuals who represent the interests of all shareholders are independent, committed, diverse and appropriately experienced.



Oversight of strategy and risk

Boards are responsible for effective governance of the company's long-term strategy and appropriate oversight of material risks most relevant to each company, including environmental and societal risks.



Executive remuneration

We believe that remuneration policies that play an important role in incentivising long-term outperformance versus peers can drive sustainable, long-term value for a company's investors.



Governance structures

We believe that governance structures should be designed to empower shareholders and ensure accountability of the board and management.

Practical considerations: How to engage with Vanguard

Who should attend an engagement?

Company executives and/or directors.

In most engagements, we meet with members of the executive leadership team, board directors (preferably independent members), corporate secretaries, company executives, general counsels or investor relations officers.

Some topics are best addressed by certain individuals based on their role or experience with a particular matter. For example, in conversations on executive pay, we prefer to speak with a member of the remuneration committee. For discussions about leadership succession or board composition, the chair of the nomination committee is most appropriate. **Our team will advise if we prefer a discussion with any particular individual or committee.**

Vanguard's Investment Stewardship team.

Engagements with Vanguard's Investment Stewardship team are led by senior leaders and analysts who conduct thorough research ahead of each engagement to support high-quality discussions.

Are engagements always necessary?

Our team evaluates a range of factors when considering whether we need to engage with a portfolio company and what timing makes sense. We thoughtfully evaluate engagement requests, and our decision to engage or not is deliberate and research-driven. The purpose, impact and timeliness of a discussion are all factors that our team takes into consideration. When we decline an engagement request, we may still want to engage in the future, particularly when company circumstances change.

Where do engagements take place?

The majority of our engagements take place by teleconference. We will advise if we believe that an in-person meeting is more appropriate.

How do I contact Vanguard to set up an engagement?

To schedule an engagement, email our team at investmentstewardship@vanguard.com. Include a proposed agenda and a list of attendees. Our team will work to determine the appropriate time and manner to engage.

Sending materials

Materials should be sent to our team **at least 72 hours before an engagement**. This ensures that our analysts have enough time to adequately review your company materials and prepare.

Please include the following:

- An agenda, including the topics you'd like to cover and an attendee list.
- Any relevant background materials and documents.

Connect with Vanguard® > global.vanguard.com

For professional investors only (as defined under the MiFID II Directive) investing for their own account (including management companies (fund of funds) and professional clients investing on behalf of their discretionary clients). Not to be distributed to the public.

The material contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information in this document does not constitute legal, tax, or investment advice. You must not, therefore, rely on the content of this document when making any investment decisions.

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Issued by Vanguard Asset Management, Limited which is authorised and regulated in the UK by the Financial Conduct Authority.



© 2019 Vanguard Asset Management, Ltd.
All rights reserved.

ISEWV_E 032019