

Shareholder Rights Directive II – Engagement Policy

THE “POLICY”

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Overview

Each UK- and Irish-domiciled fund (the “funds”) advised by Vanguard group companies (“Vanguard”) has retained the authority to vote proxies with respect to the shares of equity securities held in the portfolio advised by Vanguard.¹

Vanguard is tasked with administering the day-to-day operations of proxy voting for the funds. This policy generally describes how the Investment Stewardship team engages with issuers with respect to proxy voting and governance and is intended to meet the requirements set out in the Shareholder Rights Directive II (as amended by the relevant jurisdictions) for Vanguard Asset Management, Limited, Vanguard Investments UK, Limited, and Vanguard Group (Ireland) Limited.

1. Our four pillars

Investment Stewardship’s analysis of companies’ corporate governance practices is centred on four pillars of good corporate governance. These four pillars guide our efforts when we engage, vote and share our perspectives on corporate governance practices. The pillars are the foundation of the funds’ proxy voting policies, and each pillar links back to our focus on safeguarding and promoting long-term shareholder returns.

Board composition and effectiveness

Good governance begins with a company’s board of directors. We seek to understand to what extent a company’s board members, who are elected to represent the interests of all company shareholders, are suitably independent, capable and experienced to carry out their duties. We

¹ Vanguard’s Investment Stewardship programme 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 advisers, and proxy voting and engagement for those portfolios are conducted by their respective advisers. As such, throughout this document, “we” refers to Vanguard’s Investment Stewardship programme and “the funds” refers to Vanguard-advised funds.

also aim to understand how a company's board of directors assess and enhance their own effectiveness over time.

Board oversight of strategy and risk

Boards should be meaningfully involved in the formation, evolution and ongoing oversight of strategy. Similarly, boards should have ongoing oversight of material risks to their company and establish plans to mitigate those risks. We work to understand how boards of directors are involved in strategy formation and evolution, oversee company strategy, and identify, govern and disclose material risks to shareholders' long-term returns.

We engage with boards regarding the oversight of material risks ranging from business and operational risks to environmental and social risks. Boards should disclose material risks to shareholders, explain why those risks are material to their business and disclose their approach to risk oversight.

Executive pay

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

Shareholder rights

Shareholders have fundamental rights as company owners. We believe that a well-functioning capital markets system requires that companies have in place governance practices and structures that allow shareholders to exercise those rights.

2. Our approach

All aspects of Vanguard's Investment Stewardship programme are focused on safeguarding and promoting long-term shareholder returns with the goal of giving investors in the Vanguard funds the best chance for investment success. The funds' portfolio construction process is inherently passive — the

equity index funds seek to track benchmarks determined by unaffiliated, third-party index providers. Our execution of proxy voting and engagement with portfolio companies operates in that context.

Accordingly, with respect to portfolio companies held by the funds, Investment Stewardship does not seek to influence or dictate portfolio company strategy or operations, nor does the team submit shareholder proposals or nominate board members. Rather, the team believes that a well-composed board of directors, overseeing a properly incentivised management team, is best positioned to determine the best strategies and tactics for maximising long-term shareholder returns at individual portfolio companies. Similarly, Vanguard does not use proxy voting and engagement to pursue public policy objectives. Setting public policy, including policy on environmental and social matters, is appropriately the responsibility of elected officials.

On behalf of Vanguard-advised funds, Investment Stewardship seeks to understand how boards of directors ensure effective governance of the companies in which the funds invest. In keeping with the funds' proxy voting policies, the team examines how each board is composed to provide for the long-term success of their company, how it consults with management on strategy and oversees material risks, how it aligns executive financial incentives with shareholder returns and how it safeguards the rights of shareholders. Investment Stewardship does so by:

Engaging. The team meets with portfolio company directors and executives to learn about each company's corporate governance practices and to share Vanguard's perspectives on corporate governance practices to inform the funds' votes associated with long-term shareholder returns.

Voting. The team casts proxy votes at portfolio company shareholder meetings based on the policies and procedures of the funds.

Promoting. The team seeks to promote corporate governance practices associated with long-term shareholder returns. Investment Stewardship

does this by sharing its perspectives through our published materials and participation in industry events.

3. Engagement approach

How Investment Stewardship engages on behalf of Vanguard-advised funds

Candid and constructive discussions with directors and executives of companies held in the funds are a core part of the Investment Stewardship programme. Investment Stewardship believes that ongoing engagement with leaders of the portfolio companies held in the funds is a valuable input to inform voting at portfolio company shareholder meetings. These engagements have enabled the Investment Stewardship team to deepen its understanding of individual portfolio companies' governance practices and to share perspectives on a wide range of corporate governance topics associated with long-term shareholder returns. These topics include board composition and effectiveness, board oversight of strategy and risk, executive pay and shareholder rights. All engagement activities are carried out by Vanguard's Investment Stewardship team. No third parties, such as proxy advisers, conduct engagements on behalf of the Vanguard-advised funds.

How Investment Stewardship prioritises engagements

The Investment Stewardship team evaluates engagement requests from individual portfolio companies thoroughly to determine whether an engagement is warranted. The team considers, among other factors, the company's proposed agenda items for the discussion, the funds' exposure to the company and any governance concerns or questions that may inform the funds' voting decisions.

During most engagements, members of the Investment Stewardship team meet with one or more members of a company's board of directors (preferably independent directors), members of the executive management team, corporate secretaries, investor relations professionals or general counsels, depending on the engagement topic. Where relevant, the team may also meet separately with dissident shareholders or

shareholder proponents to inform the funds' voting decisions on proxy contests or shareholder proposals, respectively.

For each engagement, the Investment Stewardship team develops meeting objectives based on the facts and circumstances of the company with which it engages. For example, the team may focus on understanding what structures and processes a board has in place to enable effective oversight of material risks, or the team may discuss particular items on the ballot to inform their analysis and execution of a vote at a company's shareholder meeting. The team tracks engagement activity and topics discussed during engagements.

The Investment Stewardship team does:

- Focus on matters that support long-term investment returns.
- Seek to engage with independent directors, because they play a particular role in serving as representatives of shareholders, including the funds.
- Seek to understand how the company's board oversees long-term strategy and material risks.
- Encourage companies to provide appropriate disclosure of material risks to long-term investment returns.

The Investment Stewardship team doesn't:

- Seek to influence or dictate portfolio company strategy or operations.
- Focus on short-term financial results.
- Advance any agenda other than promoting long-term investment returns specific to individual portfolio companies.

Vanguard maintains its independence during engagement activities with portfolio companies and in making proxy voting decisions in accordance with the Vanguard-advised funds' proxy voting policies and with the goal of promoting and safeguarding long-term shareholder returns. That includes Vanguard's participation in any trade association, industry group or initiative. Vanguard speaks independently on matters of importance to our investors, including sustainability-related matters.

Vanguard does not make any commitments to third-party groups that supersede our duty to our investors. Vanguard also does not collaborate with other investors to engage with individual issuers. In terms of our involvement with outside organisations, if we determine that such an organisation's mandate has changed, that it no longer aligns with Vanguard's mission or investing perspectives or that its strategies or actions create a credible risk of confusion about Vanguard's involvement or independence, we reassess our involvement with the organisation. Regardless of Vanguard's membership status in any given organisation, our role as an investment manager is to uphold the stated investment objectives of each fund selected by our investors.

4. Proxy voting

Investment Stewardship administers proxy voting on behalf of the funds, with the goal of promoting and safeguarding long-term shareholder returns. An experienced team of analysts evaluates proxy ballot items based on the publicly disclosed voting policies approved by the board of each Vanguard-advised fund. The team assesses each proposal on its merits and conducts case-by-case assessments of the facts and circumstances at the company in question. Complex, contentious or novel voting matters are escalated to senior leaders of the Investment Stewardship team, who provide oversight of the analysis and approve the ultimate voting decision; some of these votes are further escalated to the Investment Stewardship Oversight Committee (the "Committee") for input and direction, as well as ultimate approval.

Multiple inputs are used as part of the team's research and voting process; however, all voting decisions are made independently on behalf of each fund. Research from a wide variety of third-party providers – including proxy advisers – are utilised to inform the team's perspective on what proxy voting outcomes are most supportive of long-term shareholder returns. These perspectives are considered in conjunction with the funds' proxy voting guidelines and other relevant data, including insights from company engagements, to reach independent decisions on behalf of each Vanguard-advised fund. Vanguard

has established risk oversight processes and proprietary systems to monitor the funds' shares and voting rights and to manage the proxy voting process.

Investment Stewardship generally intends to vote at all meetings where the funds are eligible to vote. A fund may refrain from voting some or all of its shares on a particular matter if doing so is impracticable or would not be in the best interests of the fund and its shareholders. Such situations may arise if, for example, the expected cost of voting exceeds the expected benefits of voting. These circumstances may arise due to securities that are out on loan, liquidity constraints imposed by voting, untimely ballots or materials or limitations on voting as a result of a company's governing documents or applicable law, regulation or agreements with state, US federal or non-US regulators. In some markets, voting proxies will result in a fund being prohibited from selling shares for a period of time because of requirements known as "share-blocking" or re-registration. Generally, the team's assessment of the value of voting is unlikely to outweigh the loss of liquidity imposed by these requirements on the funds.

Most matters on which the funds vote concern routine corporate governance matters, such as the election of board directors, the ratification of auditors and the approval of executive pay. Whether evaluating routine matters proposed by management or proposals put forth by another shareholder, Investment Stewardship is guided by a focus on maximising long-term shareholder returns at each portfolio company in which the funds invest.

Proxy voting policies and procedures

Each fund's proxy voting policies and procedures are designed to safeguard and promote long-term shareholder returns by supporting effective corporate governance practices. The proxy voting policies for each of the Vanguard-advised funds detail the general positions of the fund on proxy proposals that appear frequently at public companies (for example, proposals to approve executive pay plans). The funds have also developed country- or region-specific policies for markets where the funds have

significant portfolio company holdings. These regional policies reflect local market nuances on regulatory requirements and governance practices. When the Investment Stewardship team encounters a ballot item for which specific policies are not defined in the funds' voting policies, the vote is determined on a case-by-case basis consistent with the pillars articulated in the funds' proxy voting policies and each fund's investment objective.

The team regularly reviews the funds' proxy voting policies and procedures, and, at least annually, submits them to the Committee and the relevant regional boards, including any recommended changes, for consideration and approval. Recommendations to update the proxy voting policies — subject to the approval of each relevant board — take into account evolving market standards, the legislative and regulatory landscape and emerging corporate governance practices. Any amendments to the funds' proxy voting policies are disclosed on Vanguard's website.

5. Oversight of Investment Stewardship

Each fund has delegated oversight of proxy voting and stewardship functions to the Committee. The Committee comprises a Vanguard senior management group, including fund officers and senior executives. It does not include anyone whose primary duties include external client relationship management or sales. This clear separation between the proxy voting and client relationship functions is intended to eliminate potential conflicts of interest in the proxy voting process. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must recuse himself or herself from the Committee meeting at which the matter is addressed and not participate in the voting decision.

The Committee oversees Investment Stewardship's preparation of reports for the funds' boards and provides other guidance regarding proxy voting decisions by the funds. The Committee has an obligation to conduct its meetings and exercise its decision-making

authority subject to the fiduciary standards of good faith, fairness and Vanguard's Code of Ethical Conduct. The Committee shall authorise proxy votes that the Committee determines, at its sole discretion, to be in the best interests of each fund's shareholders.

In determining how to apply the funds' proxy voting policies to a particular factual situation, the Committee may not consider any interest that would conflict with the interest of fund shareholders in maximising long-term shareholder returns at each portfolio company in which the funds invest.

6. Escalation

The Investment Stewardship team reviews how portfolio companies held in the funds evolve their governance practices and public disclosures over time. In instances where the team observes that a company has not taken appropriate steps to evolve its governance practices and/or disclosures, the team considers the appropriate methods of approaching each situation, such as by directly engaging with company directors and executives, voting in support of a relevant shareholder resolution or not supporting the elections of board members at a company's shareholder meeting. Such steps would be taken case by case, based on maximising long-term shareholder returns at each portfolio company in which the funds invest.

7. Securities lending

Vanguard funds engage in securities-lending activity to seek to generate incremental revenue for portfolios that can enhance returns for fund shareholders. There may be occasions when Vanguard needs to restrict lending of or recall securities that are on loan in order to vote in a shareholder meeting. For Vanguard-advised funds, Investment Stewardship manages processes, in partnership with Vanguard's Securities Lending team, to monitor securities on loan and to evaluate any circumstances that may require us to restrict or recall the stock.

In making this decision, Vanguard considers:

- The subject of the vote and whether, based on our knowledge and experience, we believe this topic could be material to the corporate governance or long-term performance of the company;
- The funds' individual and aggregate equity investment in a company in the context of its ownership and voting structure and whether we estimate that voting the funds' shares would affect the shareholder meeting outcome; and
- The long-term impact to fund shareholders, evaluating whether the benefits of voting a company's shares would outweigh the benefits of stock-lending revenues in a particular instance.

8. Proxy voting conflicts of interest policy

Vanguard has a Proxy Voting Conflicts of Interest Policy to manage and mitigate any actual or potential conflicts of interest in our engagement and proxy voting activities. The Proxy Voting Conflicts of Interest Policy states that all voting personnel must conduct their activities in a manner such that: (1) fund shareholders' interests come first; (2) conflicts of interest must be mitigated to the extent possible; and (3) compromising situations must be avoided. Furthermore, staff are subject to a Code of Ethical Conduct that addresses conflicts of interest and must attest compliance with the Code of Ethical Conduct regularly.

Vanguard's Investment Stewardship leadership team regularly receives a report of self-disclosed potential conflicts of interest for each team member from Vanguard's Compliance teams. The reported conflicts are reviewed against Investment Stewardship activities to ensure compliance with the Proxy Voting Conflicts of

Interest Policy. Conflicts reported by Investment Stewardship team members are maintained in proxy voting and engagement recordkeeping systems to help proxy voting and engagement personnel identify all portfolio companies where an Investment Stewardship team member conflict is present. When necessary, proxy voting and engagement analysts work with Compliance and the Investment Stewardship Data, Operations, and Controls team to further understand the conflict and, if needed, reassign analyst coverage.

Any instance of non-compliance with the policy, such as non-recusal of a vote or engagement in which a conflict of interest exists, is reported to the Committee, the Compliance team and the US Fund Board.

9. Reporting and disclosure

Investment Stewardship provides regular disclosure of our engagement activities to inform investors of the activities we conduct on behalf of the funds. These disclosures, located on [Vanguard's website](#), include:

- An Investment Stewardship annual report outlining engagement and voting activities conducted on behalf of the funds;
- "[Insights](#)" published throughout the year that bring to life the application of the funds' proxy voting policies through our engagements and voting activities; and
- Quarterly reports detailing our key votes, the portfolio companies with which we have engaged and noting the primary topic of engagement for those funds. This reporting applies only to those funds that are managed solely by Vanguard.

Vanguard reviews this document annually and will make updates as necessary.

