Mr. Mortimer (Tim) Buckley
Chairman and Chief Executive Officer
The Vanguard Group, Inc.
100 Vanguard Boulevard
Malvern, PA 19355

Dear Mr. Buckley:

We are writing on behalf of the Interfaith Center on Corporate Responsibility (ICCR), a coalition of over 300 global institutional investors that collectively represent more than $4 trillion in managed assets, to express our concern over Vanguard's 2022 proxy voting record on shareholder proposals related to environmental, social and governance (ESG) risks. Our members, many of whom are Vanguard clients, are long-term investors who believe that a company's management of environmental and social risks, and commitment to strong governance, are essential to long-term value creation.

As you may know, there has been increasing scrutiny of the proxy voting records of asset managers on ESG-related shareholder proposals and on Board oversight of these issues. Research from Morningstar, Majority Action, ShareAction, Georgeson, and others reflects asset owners' heightened expectations of their asset managers to address these material risks in their proxy voting. While we are mindful of the recent pressures fund managers face from parties attempting to discredit ESG, the fiduciary case for integrating material ESG risk factors into investment decisions and proxy voting is clear and irrefutable.

We are disappointed to see that Vanguard's 2022 proxy voting record belies its stated commitment to serve as a responsible steward of its clients' assets. According to ShareAction's recent ranking of the proxy voting records of the top asset managers on 252 ESG-themed shareholder proposals in 2022, Vanguard ranked 65th out of the 68 asset managers assessed. The Fund supported only 10% of ESG proposals examined including only 12% of environmental resolutions and 9% of resolutions related to social risks.

Vanguard's 2022 Investment Stewardship Semiannual Report states that the fund found the many climate proposals on 2022 proxy statements to be overly prescriptive and instead looked to *"boards to oversee climate-related risks, to determine mitigation measures, and to provide comprehensive disclosures where material risks are present"*. Given this reasoning, if Vanguard were not voting proxies in favor of climate-related shareholder proposals, we would expect it to vote against Board members at companies where there is high climate risk and poor environmental oversight. Yet Majority Action's Report, *Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2022,* indicates that the fund supported

100% of directors at climate-critical companies[1] in 2022, and its support for board members at these companies rose each year. Furthermore, Vanguard supported none of the ten votes against directors flagged by Climate Action 100+ investors. This voting record combined with the Fund's exit from the Net Zero Asset Managers Alliance has raised concerns among its shareholders and clients, with over a thousand Vanguard clients expressing their concerns in a public letter.

Vanguard's voting record on shareholder resolutions related to social issues, particularly those related to racial justice, is even more concerning. Vanguard supported only 9% of social proposals assessed by ShareAction in 2022 and voted against all 20 shareholder proposals calling for a racial equity audit[2]. Many of these racial equity audit proposals received strong support from other shareholders with some receiving majority votes and many others being withdrawn by proponents due to successful agreements reached in dialogue. Vanguard's voting record on diversity in the boardroom is also worth highlighting: the fund supported the reelection of the chair of the nominating committee at two of the only four S&P 500 companies with all-white boards in 2022 - PTC Inc. and West Pharmaceutical Services, Inc.[3]**.** We note that an increasing number of investors are opposing directors in companies with inadequate board diversity.

Morningstar's analysis of asset manager voting on key resolutions, including shareholder resolutions addressing environmental or social themes that were supported by 40% or more of a company's independent shareholders, indicates that Vanguard's FTSE Social Index Fund offered noticeably lower support for ESG resolutions compared with other Vanguard-managed funds - a fact which may raise serious concerns for your sustainable fund clients.

In summary, as a coalition of long-term investors, including many Vanguard clients, we want to underscore that we see the adequate management of material ESG risks as critical to long-term value creation and the safeguarding of shareholder value. As a fiduciary managing the assets of millions of clients, we believe Vanguard has an obligation to fully leverage its proxy voting powers to mitigate those ESG risks. We look forward to your response, which we will gladly share with ICCR members. We will continue to monitor Vanguard's proxy voting practices and, in the meantime, would welcome a discussion with management regarding the issues raised in this letter. My colleague Tim Smith, Senior Policy Advisor (tsmith@iccr.org) will be glad to coordinate a call.

Sincerely,

Josh Zinner, CEO

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[1] 'Those large companies where fossil fuel production, consumption, and financing are central to their core business and have outsized climate impact.'

[2] Majority Action and SEIU's 2022 Proxy Voting Data Brief, 2022

[3] Majority Action's report on Equity in the Boardroom, 2022

CC:
Bill Roberts, Head of Investment Stewardship Policy and Research
John Galloway, Global Head of Investment Stewardship
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