



November 26th, 2024

Mr. Salim Ramji
Chief Executive Officer
The Vanguard Group, Inc.
100 Vanguard Boulevard
Malvern, PA 19355

Dear Mr. Ramji

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 reflect the concerns of a number of investors regarding Vanguard's 2024 proxy voting record on shareholder proposals related to environmental and social and governance (ESG) risks. Our members, many of whom are shareholders and clients of Vanguard, are long-term investors who have raised these concerns before through conversations and correspondence.

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. BlackRock's research¹ indicates that the long-term implications of inaction on climate change could reduce global economic output by nearly 25 percent over the next two decades, making addressing climate change a material issue for fiduciaries.

Vanguard believes *"that climate change, related regulatory changes, and shifts in market dynamics, present material risks (and opportunities) to many companies and their ability to deliver long-term financial returns to their shareholders"*² Yet despite this understanding, Vanguard's recently released [Investment Stewardship U.S. Regional Brief for 2024](#)³ indicates that the firm supported *none* of the 400 environmental and social shareholder proposals examined. We believe this an abdication of fiduciary duty and is also bad business.

¹ <https://www.blackrock.com/us/individual/insights/blackrock-investment-institute/investing-in-climate-awareness>

² Vanguard's approach to climate risk governance, May 2024, https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/climate_risk_governance_policy_insights.pdf

³ https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/us_regional_brief_082024.pdf

Furthermore, Vanguard's 2024 proxy voting record and rationale appears at times to be contradictory and unclear. The firm's [Investment Stewardship U.S. Regional Brief for 2024](#) states that 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... (or) previously filed proposals that companies have taken action to address." However this begs the question as to why the company did not challenge the proposal at the SEC as ordinary business, micro-management or substantially implemented or make appropriate disclosures about the processes in place to address the issue(s) raised. Given how important proxy voting on sustainability is to your clients we hope you will address some of these apparent inconsistencies.

As we look at the hundreds of climate-related and social resolutions, we believe there are many more shareholder proposals that make a strong business case and are not poorly written or overly prescriptive. It seems like Vanguard has instituted a new high bar for shareholder resolutions that is almost impossible to meet. We are concerned about what motivated this voting shift and if pressure from conservative investors played any role in this change. In addition, we note that many other investment firms guided by the same fiduciary standards as Vanguard, have a much higher percentage of votes in favor of ESG resolutions.

Furthermore, while we appreciate your case-by-case approach to assessing shareholder proposals, ICCR members and many of your clients are investors with diversified portfolios and ignoring systemic risks like climate and racial justice may benefit one of their companies but passes that cost on to the other companies in their portfolio. PRI and CAF's recent guidance on stewardship also states that: "Using influence to promote short-term performance or the performance of individual companies, industries, or markets, without regard to overall value, does not constitute stewardship"⁴.

There is growing evidence that asset owners are becoming increasingly concerned about asset manager proxy voting on ESG shareholder proposals⁵ and many are taking action⁶. And it seems these concerns are well placed. The [UK Asset Owner Stewardship Review](#), highlights⁷ a growing misalignment between asset owners and asset managers when it comes to exercising

⁴ <https://www.unpri.org/investment-tools/definitions-for-responsible-investment-approaches/11874.article#Stewardship>

⁵ <https://www.responsible-investor.com/iigcc-calls-on-asset-owners-to-conduct-annual-post-proxy-manager-review/#:~:text=The%20Institutional%20Investor%20Group%20on,owner%20expectations%20and%20manager%20policies.>

⁶ [NYC's Lander 'unsatisfied' with responses from CA100+ dropouts New York City comptroller sets out how he will step up scrutiny of manager. Non-US asset owners target managers over CA100+ departures UK and European clients want to know managers' alternative plans, express 'disappointment' over dropouts. Maine pension fund mulls pulling voting power from BlackRock over resolution misalignment,](#)

⁷ <https://www.brunelpensionpartnership.org/wp-content/uploads/2023/11/Hoepner-2023-Asset-Owner-Asset-Manager-Voting-Alignment-Review.pdf>

stewardship and proxy voting at major Oil and Gas companies. This misalignment is more pronounced (i) in recent years, (ii) on shareholder resolutions (vs management proposals) and (iii) at American companies (vs. European ones). There is also [worrying evidence that asset managers' corporate engagements are not moving the needle](#) with companies⁸.

As clients and shareholders, our members want to see Vanguard as both a market and an ESG leader and would welcome efforts on behalf of the firm's leadership to reiterate their commitment to ESG and to commit to a critical review of their proxy voting guidelines and record. We welcome the opportunity to continue the dialogue with you on the issues raised.

Sincerely,

Josh Zinner, CEO ICCR

David A. Klassen, Chief Investment Officer, [The Pension Boards - United Church of Christ, Inc.](#)

Ethan Birchard, Executive Director, [Friends Fiduciary Corporation](#)

CC:

Bill Roberts, Head of Investment Stewardship Policy and Research

John Galloway, Global Head of Investment Stewardship

Maria Sebastian, Director, Investment Stewardship

Edward Gehl, Director, Investment Stewardship

Jessica Pearce, Investment Stewardship Engagement Lead

⁸ *Engagement (by managers) also does not change subsequent corporate governance outcomes for portfolio firms. Companies do not reduce CEO compensation, increase female board representation, or become less likely to have dual class structures after being targeted for engagement by the largest asset managers... (infact, managers) become less likely to vote against management the year after they select a portfolio company for engagement* [Big Three \(Dis\)Engagements](#)
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4580206