

Vanguard Investment Stewardship Insights

Director capacity and commitment



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Vanguard publishes Investment Stewardship Insights to promote good corporate governance practices and to provide public companies with our perspectives on important governance topics and issues that come up for shareholder votes.



Good governance starts with a great board of directors. Boards represent the interests of shareholders by making critical decisions about a company's leadership, overseeing strategy, and managing material risks to the business.

In analyzing a company's board, Vanguard evaluates several factors, including its composition and independence. Another important consideration is director capacity and commitment. Directors' responsibilities are complex and time-consuming, and therefore we want to see directors with appropriate workloads, so they can focus on their roles and deliver value for shareholders. This is especially important during times of crisis, when the demands placed on directors increase.

In the United States, Vanguard has maintained a policy on director capacity and commitments since 2019; similar provisions were included in our U.K. and European proxy voting policy, published in December 2020. For companies based in the U.S., Europe, or the U.K., the Vanguard funds will consider voting against directors whose outside commitments infringe on their capacity to effectively support their responsibilities in the boardroom—in other words, directors whom we deem to be “overboarded.”

How we define an overboarded director

Broadly, Vanguard defines an overboarded director as:

- Any director who holds an executive role at any public company and serves on two or more additional outside public company boards.
- Any director who serves on five or more public company boards.

While Vanguard understands that no two boards are identical and that time commitments may vary, we believe that the limitations set out in our voting policies are appropriate absent compelling evidence to the contrary. We evaluate director capacity case by case and weigh a range of criteria as we formulate our proxy voting decisions.

Relevant factors may include transitional periods (interim appointments, for example) or commitments from directors to step down from a board by the following year's annual general meeting. We also consider the nature of the board commitments and overall board attributes, including specialist director competencies and diversity characteristics. We recognize and support the efforts across markets to increase board diversity. Where we identify that a proposed director brings board diversity but is also overboarded, we review these situations case by case and may seek more information from the board. We strongly encourage boards to think about broadening and deepening their pool of candidates and to avoid the need to overboard directors.

What we expect from companies on this matter

Vanguard is aware that public companies face growing challenges as they seek to strengthen and evolve their boards. We look to boards to provide clear disclosures on board composition, including diversity characteristics and a skills matrix, and we encourage them to communicate more information when succession planning, recruitment processes, and board capacity raise challenges. Where boards self-identify an overboarding situation, we welcome additional disclosure.

For further details on Vanguard's overboarding policy, please refer to Vanguard's regional proxy voting policy documents for U.S., U.K., and European portfolio companies.