

2018

Investment Stewardship

In focus: Europe



Vanguard[®]

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Vanguard funds own shares in nearly 13,000 public companies around the world, including more than 1,500 in Europe. In the 12 months ended 30 June 2018, the Vanguard funds voted 33,877 proposals at 2,439 meetings for companies based across 31 European countries and territories. In addition, we engaged with 102 European companies in 2018, representing 33% of European market equity.

Our approach is globally consistent while recognising local and regional market variations. Vanguard supports effective corporate governance practices in three main ways to ensure that the actions and values of public companies are aligned to create long-term value for fund shareholders.



Advocacy: We are tireless advocates for the sustainable, long-term value of our shareholders' investments. We promote a long-term view in both corporate governance and investment practices through public forums and published materials.



Engagement: We meet with portfolio company executives and directors to share our long-term orientation and principled approach and to learn about companies' corporate governance practices. We characterise our approach as deliberate, constructive and results-oriented.



Voting: Our team votes proxies at public company shareholder meetings for each of our funds. Because of our advocacy and engagement efforts, companies should be aware of our priorities and governance principles by the time we cast our funds' votes.

2018
highlights

102
Companies engaged

33%
Of European equity
AUM engaged

34
Engagements with
independent directors

Vanguard establishes Europe-focused team in London

In the past year, we strengthened our approach to Investment Stewardship in all of the global markets where our funds are invested. We increased our engagement efforts with companies in Europe, Asia and Australia compared to prior years and focused more deeply on understanding the regional market norms that inform corporate governance practices. We took a significant step towards deepening our approach in Europe in the spring of 2018, when we launched a Europe-focused Investment Stewardship team in our London office.

A new team off to a running start

The new European team collaborates daily with our US-based group and is already applying regional perspectives to our core activities of advocating, engaging and voting. In our first few months of operation, we have made strides towards building a talented team, bringing Vanguard's long-term-oriented voice to industry events, and establishing high-quality communication with companies and regulators in the region. One such example is our analysis and engagement concerning the European Union's focus on sustainable finance objectives and proposals.

A sector and regional perspective

Central to our stewardship approach is direct engagement with directors and executives. This approach is guided by a long-term perspective and supported by the sector expertise within our Investment Stewardship programme. With the establishment of a new presence in Europe, our regional team will collaborate with US-based sector analysts to conduct company research and drive engagement with our most significant fund holdings. The European team's early feedback from public companies and industry groups has signalled that Vanguard's focus on long-term sustainable value creation is a welcome contribution to an already actively engaged investment market.

Summary of proxy votes cast by Vanguard funds
for companies in Europe
(1 July 2017–30 June 2018)

10% of equity AUM
2,439 meetings

Alignment with our pillars	Proposal type	2017		2018	
		Number of proposals	% for	Number of proposals	% for
 Board composition	Management proposals				
	Elect directors	9,372	91%	9,976	89%
	Other board-related	4,155	97%	4,247	96%
	Shareholder proposals				
	Board-related	392	46%	289	53%
 Executive remuneration	Management proposals				
	Executive compensation	2,232	97%	2,384	91%
	Other remuneration-related	2,030	95%	2,129	94%
	Shareholder proposals				
	Remuneration-related	32	16%	4	0%
 Risk oversight	Management proposals				
	Approve auditors	2,442	98%	2,492	98%
	Shareholder proposals				
	Environmental/social	117	0%	13	0%
 Governance structures	Management proposals				
	Governance-related	1,173	95%	1,186	95%
	Shareholder proposals				
	Governance-related	67	27%	20	40%
Other proposals	Management proposals				
	Capitalisation	6,473	98%	6,624	97%
	Mergers and acquisitions	323	97%	325	96%
	Adjourn/other business	4,144	96%	4,139	96%
	Shareholder proposals				
	Other	199	8%	49	14%
Total		33,151		33,877	



Board composition

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



Executive remuneration

We believe that remuneration policies that incentivise long-term outperformance versus peers can drive sustainable, long-term value for a company's investors.



Oversight of risk & strategy

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



Governance structures

We believe in the importance of governance structures that empower shareholders and ensure accountability of the board and management.

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