

Vanguard Investment Stewardship

Update on the 2020 Proxy Season

April 1, 2020



Proxy voting season is under way in many countries. At the same time, the world is dealing with the unprecedented impact of the coronavirus pandemic. Rarely have the roles of company leaders and board members been more crucial or challenging. They are looking out for the health and safety of their employees, customers, and communities while steering their businesses through some of the most volatile market and economic conditions in memory.

Collectively, the Vanguard funds invest in 13,000 companies worldwide. We want those companies to know that Vanguard is in it for the long term. As we enter the main season for voting proxies on behalf of the Vanguard funds, we reaffirm our belief that *good governance matters*.

Vanguard's Investment Stewardship program remains centered on four principles of good governance: (1) boards that are well-composed and highly effective, (2) board oversight of strategy and risk, (3) executive compensation that aligns the interests of company leaders and their long-term shareholders, and (4) governance structures that protect shareholder rights.

During this period of acute risk and volatility, we recognize the need for companies to exercise judgment and flexibility as they balance short- and long-term considerations. We understand, for example, that many companies are adapting their approaches to shareholder meetings or changing capitalization strategies to meet immediate business needs. Companies that communicate clearly and regularly in times of crisis can provide much-needed reassurance to their investors and other stakeholders.

As a long-term investor, Vanguard also stays keenly focused on risks that are difficult to measure quarter by quarter but that can erode a company's value over time, such as social and environmental risks. In particular, climate change presents a pressing and concerning risk to long-term shareholder value. We will continue to raise our voice on climate risk through our voting and engagement activities, and we will raise our expectations for the companies that our funds invest in.

The directors of public company boards have been elected by their shareholders to serve as their eyes, ears, and voice in the boardroom. We thank directors for the work they are doing, and we ask that they keep the interests of long-term shareholders at the forefront as they help guide companies through this crisis.