Vanguard®

Vanguard Asset Management, Limited and Vanguard Investments UK, Limited

Stewardship Policy

October 2016

The UK Stewardship Code 2020 (the"2020 Code") took effect from 1 January 2020, replacing the UK Stewardship Code 2012 (the "2012 Code").

Organisations wanting to become signatories to the 2020 Code are required to produce an annual disclosure explaining how they have applied the 2020 Code in the previous 12 months. Organisations have until 31 March 2021 to submit a disclosure to the Financial Reporting Council under the 2020 Code.

Please note that this disclosure is made against the 2012 Code and therefore the information contained within it relates solely to the application of the 2012 Code. For the avoidance of doubt, it does not reflect Vanguard's position with respect to the 2020 Code and should not be read as a disclosure against the 2020 Code.

Introduction

The purpose of this policy is to describe the approach taken by VAM and VIUK (together **Vanguard**) to stewardship and in particular how its policies and procedures meet the requirements of the UK Stewardship Code. The purpose of the Stewardship Code is to enhance the quality of communication between institutional investors and companies to help improve long term returns to shareholders and the proper exercise of governance responsibilities.

What is the Stewardship Code?

Stewardship aims to promote the long term success of companies in a way that the ultimate providers of capital (the shareholders) also prosper. Vanguard's commitment to effective corporate governance and adherence to the Stewardship Code is to ensure that its companies, investors and the economy as a whole benefit. Stewardship includes voting as well as monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance.

The UK Stewardship Code is a set of principles and guidance for institutional investors which was published in 2010 and subsequently updated in 2012. It represents current best practice on how these types of companies should conduct their stewardship duties. It consists of seven main principles with guidance which set out how companies can aim to comply with their stewardship requirements.

Compliance with the Stewardship Code

Vanguard is committed to sound principles of corporate governance and efficient exercise of their governance responsibilities in the context of their activities as investment managers.

VAM acts as a discretionary investment manager for separately managed accounts (**Accounts**) and for certain UK domiciled collective investment schemes, and VIUK acts as authorised corporate director/manager (as appropriate) for such schemes (together the **Funds**). The Vanguard Group, Inc. (**VGI**) is the ultimate parent company of Vanguard. Vanguard places reliance on VGI to administer the proxy voting and stewardship requirements of the Funds and of any relevant Accounts as proxy voting agent (where clients have extended the ability to vote to Vanguard) in accordance with the Proxy Voting Procedures and Guidelines (the **Voting Guidelines**) adopted by Vanguard, a copy of which can be found on our website.

The Principles state that institutional investors should:

1 Publicly disclose their policy on how they will discharge their stewardship responsibilities;
2 Have a robust policy on managing conflicts of interest in relation to stewardship, and this policy should be publicly disclosed;
3 Monitor their investee companies;
4 Establish clear guidelines on when and how they will escalate their stewardship activities;
5 Be willing to act collectively with other investors where appropriate;
6 Have a clear policy on voting and disclosure of voting activity; and
7 Report periodically on their stewardship and voting activities.

Vanguard's Stewardship Policy is part of its broader corporate governance policy. The following overview summarises this policy and the Voting Guidelines by explaining how Vanguard's Stewardship Policy addresses each Principle.

The Principles

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Policy Overview

At VGI, our core purpose is to take a stand for all investors, treat them fairly, and give them the best chance for investment success. To guide us in this mission, we rely on our core values of integrity, focus, and stewardship in every decision we make. VGI's ownership structure means integrity is foundational to our character as an organization — we have no conflicting loyalties, and we're built to do the right thing for clients. Our long-term perspective and disciplined approach to investing puts our focus squarely on clients and the sustainable value of their investments. Our stewardship is reflected in a commitment to keep costs low and to protect our clients from undue risk. We believe responsible investment is inherently part of VGI's culture and is consistent with our fiduciary duty to manage investments in the best interest of clients.

Vanguard and VGI support responsible investment and comply with the UK Stewardship Code by:

- **Voting** in support of proxy proposals that, in our view, will improve our clients' long-term investing outcomes.
- **Advocating** for responsible corporate governance, particularly with the companies in which we invest, as a driver of long-term value creation.
- **Acting** on material environmental, social, and governance (ESG) opportunities or risks in our investments.

Proxy voting
The most visible sign of VGI's engaged ownership is our funds' proxy voting at shareholder meetings. We have an experienced group of analysts on our Corporate Governance team that evaluates proposals and casts our funds' votes in accordance with our voting guidelines. Our guidelines are designed to promote long-term shareholder value by supporting good corporate governance practices. They frame the analysis of each proxy proposal, providing a basis for decision-making. In evaluating votes, the Corporate Governance team may consider information from many sources, including a company's management and board, shareholder groups, and various research and data resources. We periodically review our voting guidelines to consider further developments in governance standards or risks to long-term shareholder value.

Advocating through engagement
Our funds typically hold companies' stock for long periods of time, and in the case of index funds, we are near-permanent investors. We believe good corporate governance is key to helping these companies maximize returns over time, and we view effective management of environmental and social risks as an integrated component of good corporate governance practices. Significant analysis and effort are put into discussions with the directors and managers of the companies in which we invest; the level and frequency of these discussions may be influenced by the materiality of impact to our funds and the contentiousness of the issue. We believe these engagements, more so than voting, provide an opportunity to fully understand issues and target feedback and messaging to companies.

We characterize our approach as "quiet diplomacy focused on results"— providing constructive input that will, in our view, better position companies to deliver sustainable value over the long term for all investors.

We have a well-established process for identifying governance risks in our portfolio companies. We do not outsource our engagement, but communicate directly with boards and management via letters, conference calls and in person meetings. Our key areas of focus for engagement include:
- A well-composed, independent, capable, and experienced board.
- Governance structures that empower shareholders.
- Sensible remuneration that incentivises long-term performance.

Furthermore, VGI promotes good corporate governance and responsible investment through thoughtful participation in industry events and discussions where we can expand our advocacy and enhance our understanding of investment issues. We also engage with index providers to understand the methodology, construction, and maintenance of various equity indexes. Finally, we actively contribute to the development of regulatory policy with other market stakeholders to raise standards and promote best practices around the globe.

Acting on ESG opportunities and risks in our investments
Fixed Income Group
Our actively managed fixed income mandates are supported by a global team of credit analysts that develops independent risk assessments and investment opinions for each fixed income issuer. The team seeks to understand the material implications of ESG risk as part of an overall independent risk assessment and to determine whether or not market pricing adequately reflects those risks. Focus is placed on consistently applying an ESG integration framework to our investment decision-making process and working with issuers to better understand risks and how improvements can be made to address them.

Equity Investment Group
The majority of our global investments, including most of our equity mandates, seeks to track an index. Index providers may not take into account ESG risk when selecting or retaining constituent investments. Our global product lineup includes a number of funds designed to track indexes that exclude companies that do not meet social responsibility criteria specified by the index provider.

Portfolio Review
The Portfolio Review team is responsible for the ongoing oversight of our external managers, as many of our active funds use external advisors to manage investments. The team's manager search and oversight process focuses on understanding the drivers of investment performance and a firm's ability to sustain investment success over the long term. Multiple inputs are considered when assessing an investment manager, including the firm's culture, ethics, and stability; the skill and depth of the investment team; the investment philosophy and process; and the firm's ability to implement its investment process while managing risk effectively. The team engages with our external investment managers periodically to review their practices to better understand how ESG factors inform the investment process. Additionally, we retain documentation of each manager's responsible investment or ESG policy to help monitor improvements, developments, and changes over time.

Oversight and disclosure
The integration of ESG in VGI's investment and engaged ownership practices is currently overseen by the Proxy Oversight Committee, which consists of our Chief Executive Officer and select senior officers of VGI. Day-to-day management of ESG integration is supported by a cross-functional team representing those groups that regularly evaluate and address environmental, social, and governance risks across our product lineup.

Ongoing review of policies and practices
We will continue to adapt and evolve our approach to responsible investment as we identify and evaluate new risks and issues affecting our investments. Our policy, guidelines and practices will be revisited on a regular basis. Any updates will be disclosed on Vanguard's external website and through other relevant channels.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Vanguard and VGI maintain a rigorous policy so that conflicts of interest in the proxy voting and corporate governance programme are addressed. A separation of proxy voting and client functions and documented guidelines are intended to eliminate potential conflicts in the proxy voting process. The Board has delegated the day to day operations of the Funds' proxy voting process to the VGI Proxy Voting Group, which the Committee oversees. While most votes will be determined, subject to the individual circumstances of each Fund, by reference to the Voting Guidelines as separately adopted by each of the Funds, there may be circumstances when the Proxy Voting Group will refer proxy issues to the Committee for consideration. Among the Proxy Voting Group's functions is to determine and address potential or actual conflicts of interest that may be presented by a particular proxy and elevate such potential or actual conflicts to the Proxy Oversight Committee.

The Proxy Oversight Committee does not include anyone whose primary duties include external client relationship management or sales. This clear separation between the proxy voting and client relationship functions is intended to eliminate any potential conflict of interest in the proxy voting process. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must recuse himself or herself from the committee meeting at which the matter is addressed and not participate in the voting decision.

We also have in place a Conflicts of Interest Policy which sets out what conflicts of interest are, how they are identified and how Vanguard manages them. A Conflicts Register is also maintained and regularly updated in accordance with the Conflicts of Interest Policy.

Conflict of interest is a key area in which Crew receive training. This is to ensure that Crew recognise the issues they need to be aware of in order to identity any conflict at an early stage.

Principle 3: Individual investors should monitor their investee companies.

VGI engages with the boards and management of investee companies with the objective of maximising long-term shareholder value, and Vanguard monitors this as part of their ongoing oversight of VGI's investment activity. Due to the constantly evolving nature of investee company practices and other circumstances, it is important to note that it may not be possible to identify or address pre-emptively all material or potential risks, although best endeavours will be exercised. Our team monitors risk across their assigned sectors and with a regional lens leveraging data and research from various ESG data and service providers, as well as a database that tracks data on year over year engagements. These tools enable us to identify outliers with regard to our key areas of focus including remuneration, independent and effective boards, environmental and operational risks, and shareholder rights.

VGI's Proxy Voting Guidelines, which are aligned to the Main Principles and the spirit of the UK code, guide our voting and engagement practices. There may be instances where portfolio company practices deviate from the UK code, but align to Vanguard's principles. For example, in situations where the chairman and chief executive officer role are held by the same individual, Vanguard supports the role and appointment of a Lead Independent Director. An update on some of our recent engagement activity can be found here: https://about.vanguard.com/vanguard-proxy-voting/update-on-voting/index.html.

As discussed in "Vanguard's approach to corporate governance" VGI believes that it is important for company officials to communicate regularly with shareholders regarding areas of interest or concern. In addition, shareholders should be provided with channels through which they may communicate with the board. While boards receive shareholder feedback through the proxy voting process, a "yes/no" vote provides only limited insight into shareholder views. We have found, through hundreds of meetings and discussions annually, that we can often accomplish more through dialogue than through the ballot.

Although not common, through our engagement with portfolio companies, VGI personnel may come across confidential information about a portfolio company that is not otherwise generally available to the public. VGI personnel are subject to VGI's Code of Ethics and VGI's policies and procedures regarding insider trading and ethical walls, which are designed to prevent the misuse of such confidential information. Failure by VGI personnel to comply with VGI's Code of Ethics or VGI's policies and procedures regarding insider trading and ethical walls may result in sanctions that may include, without limitation, bans on personal trading, disgorgement of trading profits, and personnel action, including termination of employment, where appropriate.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

VGI actively engages with boards and management on corporate governance matters appearing on AGM and EGM ballots. Matters discussed include governance structures; executive remuneration; board practices; oversight of risks, including environmental and social matters; and pending transactions and contests for board seats. We will engage on multiple occasions and frequently request director attendance to elevate issues. In some situations, we document the conversations and commitments to change in a letter to the Chairman and Lead Independent Director to confirm changes that will be made. When we feel that boards or management have not been responsive, we will vote against directors and remuneration, as appropriate.

When issues are particularly contentious we have a process for elevating decisions internally to the Proxy Oversight Committee (discussed in Principle 1). This Committee will consider the vote and may engage directly with the company's board or management.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

VGI's Corporate Governance team acts by reference to the investment strategy of the Funds/Accounts and their own investment management policies. That said, we proactively seek input on stewardship matters from relevant stakeholders including other investors, academics, non-governmental organizations, and our approximately 30 external active investment advisers. VGI is willing to listen to other investors' positions on particular matters and regularly analyse and vote on shareholder proposals. Shareholder proposals against management's recommendations will be supported when VGI believes such votes are in the Funds'/Accounts' best interest.

We are signatories to the Principles for Responsible Investment, a member of the European Fund and Asset Management Association, and we are a financial sponsor the Association for Member Nominated Trustees. Additionally, VGI's CEO has spoken before multiple industry groups promoting engagement with shareholders. In addition, he has contacted the most senior independent board members of approximately 500 of the largest publicly traded U.S. companies, pressing corporate boards to make sure they are strengthening their systematic engagement with their shareholders.

VGI leaders have supported research and forums at academic institutions and associations promoting shareholder rights and discussing various ESG issues. Our broader staff of Corporate Governance analysts also engage in roundtables, participate in conferences, and contribute to publications encouraging effective shareholder engagement and promoting ESG best practices among companies, investment managers, and service providers.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

VGI will provide Vanguard (as appropriate) with the Fund's (or when appropriate, the Account's) proxy voting records each August for the 12 months ending on 30 June. Vanguard will review this information and may ask for further details if necessary. Vanguard will publish its proxy voting activities annually on its website (https://www.institutional.vanguard.co.uk/portal/site/institutional/uk/en/investments/proxy-voting-engagement-efforts).

The Funds are permitted to engage in securities lending activity. Securities lent may be recalled for voting purposes.

VGI's Proxy Voting Guidelines are as follows:
The Board of each Vanguard fund has adopted proxy voting procedures and guidelines to govern proxy voting by the fund. The Board has delegated oversight of proxy voting to the Proxy Oversight Committee (the Committee), made up of senior officers of Vanguard and subject to the procedures and guidelines described below. The Committee reports directly to the Board. Vanguard is subject to these procedures and guidelines to the extent that they call for Vanguard to administer the voting process and implement the resulting voting decisions and for these purposes the guidelines have also been approved by the Board of Directors of Vanguard.

The overarching objective in voting is simple: to support proposals and director nominees that maximise the value of a fund's investments — and those of fund shareholders — over the long term. Although the goal is simple, the proposals the funds receive are varied and frequently complex. As such, the guidelines adopted by the Board provide a rigorous framework for assessing each proposal. Under the guidelines, each proposal must be evaluated on its merits, based on the particular facts and circumstances as presented. While we subscribe to several ESG data and service providers including proxy advisors; these providers and their research are a used as a data point or for additional background market or contextual information.

For ease of reference, the procedures and guidelines often refer to all funds. However, our processes and practices seek to ensure that proxy voting decisions are suitable for individual funds. For most proxy proposals, particularly those involving corporate governance, the evaluation will result in the same position being taken across all of the funds and the funds voting as a block. In some cases, however, a fund may vote differently, depending upon the nature and objective of the fund, the composition of its portfolio and other factors.

The guidelines do not permit the Board to delegate voting responsibility to a third party that does not serve as a fiduciary for the funds. Because many factors bear on each decision, the guidelines incorporate factors the Committee should consider in each voting decision. A fund may refrain from voting some or all of its shares if doing so would be in the fund's and its shareholders' best interests. These circumstances may arise, for example, if the expected cost of voting exceeds the expected benefits of voting; if exercising the vote would result in the imposition of trading or other restrictions; or if a fund (or all Vanguard- managed funds in the aggregate) were to own more than a maximum percentage of a company's shares (as determined by the company's governing documents).

In evaluating proxy proposals, we consider information from many sources, including but not limited to, the investment adviser of the fund, the management or shareholders of a company presenting a proposal and independent proxy research services. We will give substantial weight to the recommendations of the company's board, absent guidelines or other specific facts that would support a vote against management. In all cases, however, the ultimate decision rests with the members of the Committee, who are accountable to the fund's Board.

While serving as a framework, the following guidelines cannot contemplate all possible proposals with which a fund may be presented. In the absence of a specific guideline for a particular proposal (e.g., in the case of a transactional issue or contested proxy), the Committee will evaluate the issue and cast the fund's vote in a manner that, in the Committee's view, will maximise the value of the fund's investment, subject to the individual circumstances of the fund.

I. The Board of Directors

A. Election of directors

Good governance starts with a majority-independent board, whose key committees are composed entirely of independent directors. As such, companies should attest to the independence of directors who serve on the compensation, nominating and audit committees. In any instance in which a director is not categorically independent, the basis for the independence determination should be clearly explained in the proxy statement.

While the funds will generally support the board's nominees, the following factors will be taken into account in determining each fund's vote:

Factors for approval

- Nominated slate results in board composed of a majority of independent directors.
- All members of audit, nominating and compensation committees are independent of management.

Factors against approval

- Nominated slate results in board composed of a majority of non-independent directors.
- Audit, nominating and/or compensation committees include non-independent members.
- Incumbent board member failed to attend at least 75% of meetings in the previous year.
- Actions of committee(s) on which nominee serves are inconsistent with other guidelines (e.g., excessive equity grants, substantial non-audit fees, lack of board independence).

B. Contested director elections

- In the case of contested board elections, we will evaluate the nominees' qualifications, the performance of the incumbent board, and the rationale behind the dissidents' campaign, to determine the outcome that we believe will maximise shareholder value.

C. Classified boards

- The funds will generally support proposals to declassify existing boards (whether proposed by management or shareholders), and will block efforts by companies to adopt classified board structures in which only part of the board is elected each year.

II. Approval of independent auditors

- The relationship between the company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. The funds will generally support management's recommendation for the ratification of the auditor, except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm. We will evaluate on a case-by-case basis instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) to determine whether independence has been compromised.

III. Compensation issues

A. Stock-based compensation plans

- Appropriately designed stock-based compensation plans, administered by an independent committee of the board and approved by shareholders, can be an effective way to align the interests of long-term shareholders with the interests of management, employees, and directors. The funds oppose plans that substantially dilute their ownership interest in the company, provide participants with excessive awards, or have inherently objectionable structural features.
- An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company's employees. However, we will evaluate compensation proposals in the context of several factors (a company's industry, market capitalisation, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders. We will evaluate each proposal on a case-by-case basis, taking all material facts and circumstances into account.

The following factors will be among those considered in evaluating these proposals:

Factors for approval
- Company requires senior executives to hold a minimum amount of company stock (frequently expressed as a multiple of salary).
- Company requires shares acquired through equity awards to be held for a certain period of time.
- Compensation programme includes performance-vesting awards, indexed options, or other performance-linked grants.
- Concentration of equity grants to senior executives is limited (indicating that the plan is very Share-based compensation is clearly used as a substitute for cash in delivering market-competitive total pay.

Factors against approval
- Total potential dilution (including all share-based plans) exceeds 15% of shares outstanding.
- Annual equity grants have exceeded 2% of shares outstanding.
- Plan permits re-pricing or replacement of options without shareholder approval.
- Plan provides for the issuance of reload options.
- Plan contains automatic share replenishment ("evergreen") feature.

B. Bonus plans
Bonus plans should have clearly defined performance criteria and maximum awards expressed in dollars or equivalent local currency. Bonus plans with awards that are excessive in both absolute terms and relative to a comparative group generally will not be supported.

C. Employee share purchase plans
The funds will generally support the use of employee stock purchase plans to increase company share ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value and that shares reserved under the plan constitute less than 5% of the outstanding shares.

D. Advisory votes on executive compensation ("Say on Pay")
In addition to proposals on specific equity or bonus plans, the funds are required to cast advisory votes approving many companies' overall executive compensation plans (so-called "Say on Pay" votes). In evaluating these proposals, we consider a number of factors, including the amount of compensation that is at risk, the amount of equity-based compensation that is linked to the company's performance, and the level of compensation as compared to industry peers. The funds will generally support pay programmes that demonstrate effective linkage between pay and performance over time and that provide compensation opportunities that are competitive relative to industry peers. On the other hand, pay programmes in which significant compensation is guaranteed or insufficiently linked to performance will be less likely to earn our support.

E. Executive severance agreements ("golden parachutes")
Although executives' incentives for continued employment should be more significant than severance benefits, there are instances, particularly in the event of a change in control, in which severance arrangements may be appropriate. Severance benefits payable upon a change of control AND an executive's termination (so-called double-trigger plans) are generally acceptable to the extent that benefits paid do not exceed three times salary and bonus. Arrangements in which the benefits exceed three times salary and bonus should be justified and submitted for shareholder approval. We do not generally support guaranteed severance absent a change in control or arrangements that do not require the termination of the executive (so-called single-trigger plans).

IV. Corporate structure and shareholder rights
The exercise of shareholder rights, in proportion to economic ownership, is a fundamental privilege of stock ownership that should not be unnecessarily limited. Such limits may be placed on shareholders' ability to act by corporate charter or bylaw provisions, or by the adoption of certain takeover provisions. In general, the market for corporate control should be allowed to function without undue interference from these artificial barriers.

The funds' positions on a number of the most commonly presented issues in this area are as follows:

A. Shareholder rights plans ("poison pills")
A company's adoption of a so-called poison pill effectively limits a potential acquirer's ability to buy a controlling interest without the approval of the target's board of directors. Such a plan, in conjunction with other takeover defences, may serve to entrench incumbent management and directors. However, in other cases, a poison pill may force a suitor to negotiate with the board and result in the payment of a higher acquisition premium.

In general, shareholders should be afforded the opportunity to approve shareholder rights plans within a year of their adoption. This provides the board with the ability to put a poison pill in place for legitimate defensive purposes, subject to subsequent approval by shareholders. In evaluating the approval of proposed shareholder rights plans, we will consider the following factors:

Factors for approval
- Plan is relatively short-term (3–5 years).
- Plan requires shareholder approval for renewal.
- Plan incorporates review by a committee of independent directors at least every three years (so-called TIDE provisions).
- Plan includes permitted bid/qualified offer feature ("chewable pill") that mandates shareholder vote in certain situations.
- Ownership trigger is reasonable (15–20%).
- Highly independent, non-classified board.

Factors against approval
- Plan is long-term (>5 years).
- Renewal of plan is automatic or does not require shareholder approval.
- Ownership trigger is less than 15%.
- Classified board.
- Board with limited independence.

B. Increase in authorised shares
The funds are supportive of companies seeking to increase authorised share amounts that do not potentially expose shareholders to excessive dilution. We will generally approve increases of up to 50% of the current share authorisation, but will also consider a company's specific circumstances and market practices.

C. Cumulative voting
The funds are generally opposed to cumulative voting under the premise that it allows shareholders a voice in director elections that is disproportionate to their economic investment in the corporation.

D. Supermajority vote requirements
The funds support shareholders' ability to approve or reject matters presented for a vote based on a simple majority. Accordingly, the funds will support proposals to remove supermajority requirements and oppose proposals to impose them.

E. Right to call meetings and act by written consent
The funds support shareholders' right to call special meetings of the board (for good cause and with ample representation) and to act by written consent. The funds will generally vote for proposals to grant these rights to shareholders and against proposals to abridge them.

F. Confidential voting
The integrity of the voting process is enhanced substantially when shareholders (both institutions and individuals) can vote without fear of coercion or retribution based on their votes. As such, the funds support proposals to provide confidential voting.

G. Dual classes of shares
We are opposed to dual-class capitalisation structures that provide disparate voting rights to different groups of shareholders with similar economic investments. We will oppose the creation of separate classes with different voting rights and will support the dissolution of such classes.

V. Corporate and social policy issues
Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. The Board generally believes that these are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. Often, proposals may address concerns with which the Board philosophically agrees, but absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options), the funds will typically abstain from voting on these proposals. This reflects the belief that regardless of our philosophical perspective on the issue, these decisions should be the province of company management unless they have a significant, tangible impact on the value of a fund's investment and management is not responsive to the matter. For more information, please see Vanguard's view: Social concerns and investing.

VI. Voting in non-US markets
Corporate governance standards, disclosure requirements, and voting mechanics vary greatly in global markets in which the funds may invest. Each fund's votes will be used, where applicable, to advocate for improvements in governance and disclosure by each fund's portfolio companies. We will evaluate issues presented to shareholders for each fund's global holdings in context with the guidelines described above, as well as local market standards and best practices. The funds will cast their votes in a manner believed to be philosophically consistent with these guidelines, while taking into account differing practices by market. In addition, there may be instances in which the funds elect not to vote, as described below.

Many global markets require that securities be "blocked" or reregistered to vote at a company's meeting. Absent an issue of compelling economic importance, we will generally not subject the fund to the loss of liquidity imposed by these requirements.

The costs of voting (e.g. custodian fees, vote agency fees) in global markets may be substantially higher than for US holdings. As such, the fund may limit its voting on global holdings in instances where the issues presented are unlikely to have a material impact on shareholder value.

VII. Voting shares of a company that has an ownership limitation
Certain companies have provisions in their governing documents that restrict stock ownership in excess of a specified limit. The ownership limit may be applied at the individual fund level or across all Vanguard-advised funds. Typically, these ownership restrictions are included in the governing documents of real estate investment trusts, but may be included in other companies' governing documents.

A company's governing documents normally allow the company to grant a waiver of these ownership limits, which allows a fund (or all Vanguard managed funds) to exceed the stated ownership limit. Sometimes the company will grant a waiver without restriction. From time to time, a company may grant a waiver only if a fund (or funds) agrees to not vote the company's shares in excess of the normal specified limit. In such a circumstance, a fund may refrain from voting shares if owning the shares beyond the company's specified limit is in the best interests of the fund and its shareholders.

VIII. Voting on a fund's holdings of other Vanguard funds
Certain Vanguard funds ("owner funds") may, from time to time, own shares of other Vanguard funds ("underlying funds"). If an underlying fund submits a matter to a vote of its shareholders, votes for and against such matters on behalf of the owner funds will be cast in the same proportion as the votes of the other shareholders in the underlying fund.

IX. The Proxy Voting Group
The Board has delegated the day-to-day operations of the funds' proxy voting process to the Proxy Voting Group, which the Committee oversees. Although most votes will be determined subject to the individual circumstances of each fund and by reference to the guidelines as separately adopted by each of the funds, there may be circumstances when the Proxy Voting Group will refer proxy issues to the Committee for consideration. In addition, the Board has the authority to vote proxies only when, in the Board's or the Committee's discretion, such action is warranted.

The Proxy Voting Group performs the following functions: (1) managing proxy voting vendors; (2) reconciling share positions; (3) analysing proxy proposals using factors described in the guidelines; (4) determining and addressing potential or actual conflicts of interest that may be presented by a particular proxy; and (5) voting proxies. The Proxy Voting Group also prepares periodic and special reports to the Board and any proposed amendments to the procedures and guidelines.

X. The Proxy Oversight Committee
The Board, including a majority of the independent directors, appoints the members of the Committee who are senior officers of VGI.

The Committee does not include anyone whose primary duties include external client relationship management or sales. This clear separation between the proxy voting and client relationship functions is intended to eliminate any potential conflict of interest in the proxy voting process. In the unlikely event that a member of the Committee believes he or she might have a conflict of interest regarding a proxy vote, that member must recuse himself or herself from the committee meeting at which the matter is addressed and not participate in the voting decision.

The Committee works with the Proxy Voting Group to provide reports and other guidance to the Board regarding proxy voting by the funds. The Committee has an obligation to conduct its meetings and exercise its decision-making authority subject to the fiduciary standards of good faith, fairness, and Vanguard's Code of Ethics. The Committee shall authorise proxy votes that the Committee determines, at its sole discretion, to be in the best interests of each fund's shareholders. In determining how to apply the guidelines to a particular factual situation, the Committee may not take into account any interest that would conflict with the interest of fund shareholders in maximising the value of their investments.

The Board may review these procedures and guidelines and modify them from time to time.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

Vanguard seeks to maintain a clear record of its stewardship activities. VIUK will report to the Board of each Fund annually with a summary provided by VGI of the Fund's stewardship and voting activities for the 12 months ending on 30 June. The board of Vanguard will receive a summary provided by VGI of stewardship and voting activities for each Account as appropriate, for the 12 months ending on 30 June. These reports will be published on our website (www.vanguard.co.uk). Additionally, Vanguard is a signatory to the Principles for Responsible Investment (PRI) and will make the first public report available in 2017.

Issued by Vanguard Asset Management Limited, which is authorised and regulated in the UK by the Financial Conduct Authority.
© 2016 Vanguard Asset Management, Limited. All rights reserved.