

VANGUARD 2022 POLICY UPDATES

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Overview

Vanguard recently released its voting policy updates, which will be effective on March 1, 2022. While most of the changes are clarifications, some key points are outlined below.

Vanguard's 2022 proxy voting policies for U.S. companies may be found [here](#).

Overboarding

Vanguard plans to show more flexibility in its board capacity policy. Currently, Vanguard votes against public company NEOs who serve on more than two public company boards and other directors who serve on more than four public company boards. It makes exceptions if it appears that the director has sufficient capacity to fulfill his responsibilities or has publicly committed to stepping down from other directorships to fall within Vanguard's overboarding thresholds.

Beginning in 2022, Vanguard will also consider if the company has a director commitment policy and discloses how the board oversees implementation of the policy.

Board Diversity

Vanguard has stated its expectations regarding board diversity disclosure, which should at least include the genders, races, ethnicities, tenures, skills, and experience that are represented on the board. Disclosure of personal characteristics (such as race and ethnicity) should be on a self-identified basis and may be presented at an aggregate level or at the director level. Vanguard expects disclosure of tenure, skills, and experience to be at the individual director level.

Climate Risk Oversight

Vanguard will vote against the chair of the relevant committee or, in its absence, the board chair or lead director, for material risk oversight failures, including

social and environmental risks. To assess a climate risk oversight failure, Vanguard will consider:

- The materiality of the risk,
- The effectiveness of disclosures to enable the market to understand and price the risk,
- Whether the company has disclosed business strategies and reasonable risk mitigation plans in line with the Paris Agreement, and
- Company-specific factors.

Vanguard will also take into account the board's overall governance of and effective independent oversight of climate risk.

Virtual Meetings

Currently, Vanguard votes against proposals to conduct virtual-only meetings but may vote for proposals to conduct hybrid meetings where shareholders can participate online or in person. In 2022, Vanguard may vote for proposals to conduct virtual-only meetings if shareholder rights are not unreasonably curtailed. Vanguard's expectations include:

- Meeting procedures and requirements are disclosed ahead of the meeting,
- A formal process is in place to allow shareholders to submit questions to the board, and
- Real-time video footage is available and attendees can call into the meeting or send a recorded message.

Alliance Advisors will continue to provide summaries on institutional proxy voting guidelines and other corporate governance and ESG matters as newsworthy items are released. Contact us today if you would like to examine how these policy changes will impact your company.