



Vanguard Updated 2025 U.S. Proxy Voting Policy

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Vanguard released its updated U.S. Proxy Voting Policy, effective February 2025, comprising several modifications regarding board composition, director accountability, director independence, mergers/acquisitions/financial transactions, and environmental/social proposals. These changes are likely to have minimal impact on Vanguard voting in 2025.

Board Composition and Director Accountability

Vanguard is emphasizing a broader approach to board composition based on breadth of skills, experience, perspective, and personal characteristics instead of diversity. It has removed previous references regarding expectations for a company, at a minimum, to include gender, racial, and ethnic diversity on its board. Further, Vanguard has removed previous language stating its expectation for companies to disclose a directors' personal characteristics (such as race and ethnicity) on a self-identified basis.

Vanguard has also removed language stating its consideration to generally vote against other relevant board members in the absence of a nominating and/or governance committee chair being up for election if a company's board is not taking action to achieve appropriate board composition. Additionally, it has removed its references to consider voting against other directors in circumstances where there are concerns relating to "Zombie" directors and/or limiting shareholder rights, in the absence of nominating and/or governance committee members being up for election.

Vanguard's 2024 Proxy Year Voting Report shows that it supported approximately 94% of director elections during the 2023-24 proxy year. In its 2024 U.S. Regional Brief, Vanguard acknowledged continued enhancements to disclosures by companies related to a board's evaluation of director skill sets and strategy in the boardroom. Vanguard further emphasized that during engagement with company leaders it encouraged them to describe how their board's unique mix of skills and experiences enable the board to effectively oversee company strategy and material risks to long-term shareholder returns.

Given these updates, Vanguard is likely to look at Board Composition more broadly with an expectation for boards to incorporate an appropriate mix of professional and personal characteristics to demonstrate there is an effective representation of directors from different backgrounds. In the case of any board composition concerns, Vanguard is unlikely to oppose any other directors if the responsible nominating and governance committee chair or members are not up for election.

Director Independence

Vanguard has removed previous language stating its general consideration of former CEOs as permanently non-independent members of their board, and CEOs who serve on one another's boards (interlocking directorships) as non-independent.

Vanguard states it will generally rely on a company's disclosure to determine a director's independence in the context of relevant market-specific governance frameworks, supplemented by its own independent research and/or engagement.

These changes suggest that Vanguard may be more lenient in determining the independence of former CEOs and interlocking directorships, based on specific circumstances of a company accompanied with sufficient rationale and relevant disclosure.

Added Context to its 4 Key Considerations regarding Mergers, Acquisitions, and Financial Transactions

- Valuation - Does the consideration provided in the transaction appear consistent with other similar transactions (adjusting for size, sector, scope, etc.)?
- Rationale - Has the board sufficiently articulated how this transaction is aligned with the company's long-term shareholder returns?
- Board Oversight of the Deal Process - Has the board provided sufficient evidence of the rigor of the evaluation process? This could include disclosures such as an independent valuation report or fairness opinion, a discussion of the board's process for evaluating alternative opportunities, or other relevant disclosures. How did the board manage any potential conflicts of interest among the parties to the transaction?
- The Surviving Entity's Governance Profile - If the funds will be holders of any entities resulting from the transaction, do they retain rights that sufficiently protect shareholder interests?

Vanguard's added insights provide an opportunity for companies to proactively address potential concerns and provide assurance of a transaction being in the best interest of its shareholders.

Environmental and Social Proposals

Vanguard is emphasizing its role as a passive investor to not dictate company strategy or interfere with a company's day-to-day management. It is further stating its position that shareholders typically do not have sufficient information pertaining to specific business strategies to propose specific targets or environmental or social policies for a company, a responsibility it believes resides with management and the board.

Vanguard has removed previous provisions regarding Targets/Policies/Practices and Corporate Political Activity Proposals, including the removal of specific references such as the Paris Agreement, Scope 1, 2, and 3 emissions data, scenario analysis, and social risk proposal considerations including disclosure of adopting diversity targets/goals, EEO-1 reporting, and the board's role in overseeing DEI or other social risks.

Vanguard did not support any environmental or social shareholder proposals during the 2024 proxy year (including 40 "counterproposals"). In its 2024 U.S. Regional Brief, Vanguard stated that the lack of support for environmental and/or social proposals did not reflect a change in its approach to voting and was attributable to the proposals not addressing financially material risks to shareholders at the companies in question; proposals being overly prescriptive in their

requests; or an absence of any gap in the receiving company's governance practices or disclosures that the proposal in question would address.

Vanguard acknowledges sustainability disclosure is an evolving and complex topic and is unlikely to support environmental and social proposals that are prescriptive. It is more likely to support proposals with a longer-term focus on fulsome disclosure of material risks, including a company's policies and practices to manage such risks over time.

[Vanguard's 2025 U.S. Proxy Voting Policy is available here.](#)

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