

Vanguard[®]

Vanguard is a signatory to the Principles for Responsible Investment

November 2014

Vanguard is now a signatory to the Principles for Responsible Investment (PRI). Founded in 2005, the PRI is a United Nations-supported network that encourages asset managers and other institutional investors to engage with corporations on environmental, social and governance (ESG) issues to create a more sustainable global financial system and support long-term investment value. The PRI sponsors six voluntary Principles that offer guidance to firms regarding how to incorporate ESG risks into investment practices and portfolio ownership (corporate engagement/proxy voting) practices.

What are the Principles for Responsible Investment?¹

1. Incorporate ESG issues into investment analysis and decision-making processes.²
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

What are ESG issues?

ESG (environmental, social and governance) refers to considerations that measure the sustainability and impact of investment in a particular company. ESG issues can be wide-ranging and could potentially represent significant operational risks and costs to business. Examples of ESG issues include, but are not limited to board structure, carbon emissions, work place health and safety, corruption and instability.

How will becoming a PRI signatory impact Vanguard's investment and portfolio ownership approach?

Becoming a signatory is consistent with Vanguard's values, and will modestly impact our current processes, but will not dictate how we invest or our investment philosophy. Vanguard has long considered ESG factors as an element of prudent analysis when evaluating the risks of investing in a security. Vanguard also uses proxy voting and direct engagement to influence portfolio companies regarding ESG issues.

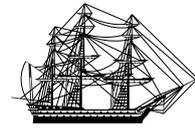
Therefore, as a signatory, we will simply be formalising and standardising our approach to integrating ESG issues into our existing investment analyses and portfolio ownership practices, along with communicating our progress to clients through disclosure with the PRI. We believe that these actions are consistent with our fiduciary responsibility to protect shareholders from undue risk and maximise the long-term value of our funds.

As a new signatory, we are fully committed to the adoption of the Principles and expect to increase transparency of use of ESG data over the next few years.

¹ Source: www.unpri.org

² Does not apply to passively managed funds

Commitment to the PRI is expected at the highest level of an organisation, and Vanguard will be reporting on its activities as well as the investment management activities of its subsidiaries in aggregate.



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