

December 14, 2021

Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

*Re: Enhanced Reporting of Proxy Votes by Registered Management Investment Companies;
Reporting of Executive Compensation Votes by Institutional Investment Managers; File
No. S7-11-21*

Dear Ms. Countryman:

The Vanguard Group, Inc. (“Vanguard”)¹ commends the Securities and Exchange Commission (“Commission”) for proposing to enhance proxy voting disclosure by mutual funds and other registered management investment companies (collectively, “funds”).² As a steward of lifetime savings for more than 30 million people around the world, Vanguard supports improving and modernizing disclosure requirements to empower investors to make informed investment decisions, including the Commission’s current Proposal to make funds’ proxy voting records more accessible to investors. In addition, because proxy voting is only one aspect of investment stewardship, we encourage the Commission to consider going even further by providing investors with more holistic disclosure around the investment stewardship process.

Vanguard believes investors deserve clear, concise, and meaningful disclosure of material information about their investments. Our fiduciary duty to manage investments in the best interest of clients compels us to advocate, engage, and vote for good corporate governance practices at the companies in which our funds invest to preserve and enhance the long-term investment returns of our funds’ shareholders. Though proxy voting plays a critical part in this effort, it is only one aspect of our broader investment stewardship process about which investors deserve meaningful information.³

¹ Vanguard is a leading global investment management organization that offers a large selection of low-cost mutual funds, exchange-traded funds, investment advice, and related services to individual investors, financial professionals, and institutional investors. As of September 30, 2021, we acted as investment adviser to more than 200 U.S. mutual funds registered under the Investment Company Act of 1940.

² Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers, 86 Fed. Reg. 57478 (October 15, 2021), *available at* <https://www.govinfo.gov/content/pkg/FR-2021-10-15/pdf/2021-21549.pdf> (“Proposal”).

³ The investment stewardship activities for our index funds and actively-managed in-house funds are provided by Vanguard’s investment stewardship team under the supervision of the funds’ Boards of Trustees. Investment stewardship activities for our externally-advised, actively-managed funds are provided by each fund’s external manager(s), creating a greater alignment of investment management and investment stewardship on a fund-by-fund basis.

I. Vanguard supports the Commission's Proposal to improve Form N-PX.

Vanguard supports the Commission's Proposal to enhance the information funds report about their proxy votes⁴ because we believe the Proposal will increase the utility of Form N-PX information for investors. Currently, investors can access a fund's Form N-PX filings online through the EDGAR website. Funds also must disclose that their proxy voting records are available either upon request or on their websites, with most funds disclosing that this information is available to investors upon request.⁵ This current reporting structure on Form N-PX does not make proxy voting information easily understandable or accessible to investors through the EDGAR website. As such, we agree with the Commission that Form N-PX reports should be formatted consistently so investors can more easily access and compare information across filings.

We also support the requirement that voting persons file Form N-PX using an XML format, which could make it easier to analyze filings electronically. And finally, we support the requirement that funds make their proxy voting available on their websites to enhance investors access to this information.⁶ Together, these proposed reforms would improve investors' ability to access, analyze, and compare fund voting information.

II. The Commission also should consider improving disclosure around investment stewardship generally.

Though proxy voting is critically important, it is only one aspect of the broader investment stewardship process about which investors deserve meaningful information. To further improve the efficacy of disclosure, we encourage the Commission to provide investors with comprehensive annual disclosure of material information about the full range of fund stewardship activities, not just their proxy voting records.

Effective stewardship programs preserve and create shareholder value by advocating for good governance at portfolio companies, engaging with company executives and boards, and voting at shareholder meetings. Given the importance of robust stewardship, we believe investors would benefit from receiving narrative disclosure about their funds' investment stewardship philosophy and approach. Narrative disclosure of stewardship activities would enable investors to better understand how a fund manager views and exercises its fiduciary responsibility to act in the best interest of its clients and to make informed investing decisions based on that information.

Our recommended approach focuses on providing supplemental materials through an annual stewardship report that would, together with Form N-PX, create a disclosure/data structure more like open-end fund registration statements. This new structure would provide a more holistic

⁴ See Proposal at 57480.

⁵ See Proposal at 57502.

⁶ We also support the letter submitted by the Investment Company Institute, specifically recommendations to improve the securities lending disclosure. Additionally, we agree with the Investment Company Institute's recommendation that the Commission should replace its proposed categories for proxy votes with a smaller number of higher-level categories and consider the feasibility of any categorization system before finalizing it. See Letter from Susan Olson, General Counsel, and Sarah A. Bessin, Associate General Counsel, Investment Company Institute, to Vanessa A. Countryman, Securities and Exchange Commission, dated December 14, 2021.

view of funds' investment stewardship advocacy, engagements, and proxy voting records.

A. We encourage the Commission to provide investors with comprehensive information about investment stewardship activities of registered management investment companies.

Vanguard believes that stewardship matters to investment returns. Our Investment Stewardship team aims to preserve and enhance the long-term investment returns of our funds' shareholders by promoting good governance and sound risk management practices at the portfolio companies of the funds we advise. Specifically, our in-house Investment Stewardship program:

- Advocates for strong corporate governance standards that protect the long-term value of our shareholders' investments in public forums and published materials;
- Engages with portfolio company executives and directors to share our long-term and principled approach and to learn about companies' corporate governance and risk management practices; and
- Votes proxies at public company shareholder meetings on behalf of each of our internally managed global equity funds.

Our Investment Stewardship program is integral to our core purpose to take a stand for all investors, to treat them fairly, and to give them the best chance for investment success. In 2020 our Investment Stewardship team met with executives and board members from hundreds of companies globally to represent the interests of our funds' shareholders.⁷ Fund shareholders and prospective shareholders also frequently express interest in our investment stewardship activities above and beyond the program's proxy voting record.

Form N-PX requires a fund to disclose whether it voted on each proposal on a company proxy, how it voted (e.g., for, against, or abstained), and whether it voted with or against management recommendations. Beyond these specifications, Form N-PX does not provide the information needed to help investors understand funds' philosophy on voting, engaging, or advocating on their behalf. And although the Commission's Proposal would improve Form N-PX, we do not believe it will give investors a full picture of firms' investment stewardship activities and believe investors would benefit from additional consistent and comparable disclosures about more aspects of funds' stewardship programs.

More specifically, we believe the Commission should consider providing investors more holistic, narrative disclosure about fund stewardship activities via an investment stewardship annual report (a new Form N-ISAR). The Form N-ISAR could include user-friendly and transparent disclosure of a firm's advocacy and engagement activities to complement the more granular voting information that investors already receive through Form N-PX. Specifically, we recommend disclosure of the following key information:

⁷ See "Investment Stewardship: 2020 Annual Report" (December 31, 2020), available at https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/2021_investment_stewardship_annual_report.pdf.

- Summary and highlights of advocacy, engagement, and voting for the prior 12-month period;
- Overview of team structure and articulation of stewardship philosophy and how the team applied it for the prior 12-month period;
- Global summary of proxy votes cast for the prior 12-month period displayed in table format; and
- List of company engagements for the prior 12-month period.

The information contained on Form N-ISAR would complement the proxy voting data on Form N-PX and provide investors with clear, concise, user-friendly disclosure of all aspects of a fund's stewardship activities. This approach to stewardship disclosures—proxy voting data on Form N-PX *and* narrative disclosures on Form N-ISAR—resembles the Commission's successful approach to required open-end fund registration statement annual filings on Form N-1A, which requires disclosure of narrative disclosures on Parts A and B and supplemental data on Part C. Similar to Parts A and B of Form N-1A, the required disclosures on Form N-ISAR could be supplemented with additional disclosures, such as engagement case studies, that would help investors understand the investment stewardship program and inform investment decisions.

Form N-ISAR disclosures would benefit investors while imposing minimal additional costs because many firms already produce stewardship reports that contain much, if not all, of the information that we believe should be disclosed but in an inconsistent manner.⁸ The Commission could further reduce costs by requiring Form N-ISAR to be filed concurrently with Form N-PX and by harmonizing the time periods covered by these forms. The Commission should consider revising the filing requirements for Form N-PX to facilitate coordinated annual filings of Form N-PX and Form N-ISAR. Filing both forms concurrently would provide investors with a holistic view and aligns with the concurrent filing approach for Parts A, B, and C on Form N-1A.

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⁸ *See supra*, note 7. Even though many firms share information about their stewardship programs, we believe a Commission requirement would ensure that all investors have access to a common baseline of information to facilitate comparison across firms and inform investment decisions.

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Vanguard appreciates the opportunity to comment on the Commission's Proposal and encourages the Commission to increase transparency around the entire stewardship process. If you have any questions or would like to discuss our views further, please contact Tara R. Buckley, Principal, at [REDACTED] or [REDACTED]; or George Gilbert, Senior Policy Advisor, at [REDACTED] or [REDACTED].

Sincerely,

/s/ John Galloway

John Galloway
Principal and Investment Stewardship Officer
The Vanguard Group, Inc.

cc: The Honorable Gary Gensler, Chair
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
The Honorable Allison Herren Lee
The Honorable Caroline A. Crenshaw

Sarah G. ten Siethoff, Acting Director, Division of Investment Management