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August 3, 2017

Mr. Timothy Smith
Director of ESG Shareowner Engagement
Walden Asset Management
One Beacon Street
33rd Floor
Boston, MA 02108

Dear Tim:

I appreciate the time you've devoted over the past few weeks to discussing the evolution of our Investment Stewardship program, in particular our voting and engagement on climate risk. I trust that it's clear from our recent discussions how focused we are on continuing the dialogue on ESG issues that have clear, long-term value implications. Just as we espouse the value of engagement between institutional investors and portfolio companies, so too do we recognize the value of dialogue among investors on issues of common concern. Your agreement to withdraw the proposal (on behalf of Walden and your co-filers) is evidence of the value of such engagement. We will continue to inform our perspective on these issues and others of significance that emerge over time through ongoing engagement with company management and directors, shareholder proponents, and other investors.

As I've shared in our discussions, we believe that climate change represents an evolving set of risks and opportunities for companies in many sectors. We've prioritized climate risk on our engagement agenda, and we have discussed the topic with more companies over the past year than ever before. Our discussions have centered on advocating for disclosure of material risks to companies' long-term business prospects and the value of their assets under a range of forward-looking scenarios. It is crucial to our fund investors that market participants have access to consistently comparable information to incorporate these risks and opportunities into market prices. (This perspective also informs our participation as members of SASB's Investor Advisory Group.) While some of these discussions with companies have yielded commitments to enhanced board oversight and improvements in disclosure, others have resulted in our support for shareholder proposals, albeit in limited instances. That said, as our engagement continues, we will evaluate proposals on a case-by-case basis, and we will consider support for those proposals with a logically demonstrable long-term shareholder value case, especially at those companies who demonstrate limited progress through engagement alone.

As we discussed, your proposal coincided with the outcome of a strategic assessment we conducted in the latter half of 2016 which identified an opportunity for us to more clearly articulate our Investment Stewardship efforts and better communicate our principles, approach, and voting record to our various constituents. The first iteration of that expanded reporting will be published later this month, coincident with our annual proxy voting disclosure. This report will feature deeper discussion of our thinking on climate risk and gender diversity (as two issues on which we expect continuing focus), as well as expanded anecdotal discussion of specific engagements, voting rationale, and vote decisions. In addition, as you know, our N-PX filings will include each fund's company-specific voting results. We

believe that enhancing our communications on these topics is an important step in addressing rising client interest in our advocacy on their behalf.

Thanks again for your time and engagement. Rest assured, your perspectives have been heard and understood. I look forward to our continued dialogue and the ongoing evolution of our thinking on these important matters.

Best regards,

Glenn Booraem
Investment Stewardship Officer

cc: Anne Robinson, Secretary, Vanguard Funds