



**Walden Asset Management**

*Advancing sustainable business practices since 1975*

December 29, 2016

Ms. Anne E. Robinson  
Corporate Secretary of the  
Vanguard Funds  
455 Devon Park Drive  
Valley Forge, PA 19483-1101

Dear Ms. Robinson:

Walden Asset Management serves clients who are invested in a number of Vanguard funds. On behalf of these clients Walden integrates environmental, social and governance analysis (ESG) into investment decision-making. Walden is a division of Boston Trust & Investment Management Company managing approximately \$2.9 billion in assets under management. We have appreciated the correspondence with Vanguard and our dialogue with Mr. Glenn Booraem on the issue of proxy voting by Vanguard.

We are concerned about Vanguard's proxy voting record on environmental and social issues, specifically on climate change. But there are numerous other issues raised in shareholder resolutions from diversity, to abuses in the supply chain to water risk that also deserve careful review. Therefore we are filing the enclosed shareholder proposal for inclusion in the next proxy statement of the Vanguard 500 Index Fund and the Vanguard Total Stock Market Index in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. We are the beneficial owner, as defined in Rule 13d-3 of the Securities Exchange Act of 1934, of the above mentioned fund.

We have been a continuous shareholder for more than one year holding over \$2,000 of the Vanguard funds and will continue to hold over \$2,000 shares of Vanguard through the next annual meeting. Verification of our ownership position will be provided on request by a DTC participant. A representative of the filers will attend any upcoming fund holders' meeting to move the resolution as required by SEC rules.

Please send any correspondence related to this matter to [tsmith@bostontrust.com](mailto:tsmith@bostontrust.com) at Walden Asset Management.

Sincerely,

Timothy Smith  
Senior Vice President  
Director of ESG Shareholder Engagement

## PROXY VOTING REVIEW BY VANGUARD TOTAL STOCK MARKET INDEX

Vanguard is a respected global leader in the financial services industry with \$3.8 trillion assets under management.

In a Fortune article (Dec. 8, 2016) CEO Bill McNabb highlighted the importance of companies managing for the long term not for short term results. The proponents believe many environmental, social and governance issues have a distinct impact on long term financial results and should be addressed as part of Vanguard's fiduciary duty.

In 2015 Vanguard expanded its engagement outreach holding meetings and calls with 817 companies crediting engagement with over 100 direct commitments to change from companies. Clearly Vanguard understands the importance of engaging companies in order to change behavior.

In 2015 Vanguard's corporate governance team cast 160,000 votes on behalf of fund holders in 16,740 shareholder meetings in 73 countries, 97% of the time opposing shareholder resolutions, many significantly affecting shareholder value.

Vanguard's proxy voting focuses appropriately on fund holders economic interests and supports numerous governance reforms proposed by shareholders, believing they affect shareholder value.

Vanguard is a prestigious member of the Principles for Responsible Investment (PRI) a global network of investors and asset owners representing more than \$62 trillion in assets. One of the Principles encourages investors to vote conscientiously on ESG issues.

Yet Vanguard funds' publicly reported proxy voting records reveals consistent votes against all climate related resolutions (except the few supported by management), such as requests for enhanced disclosure or adoption of greenhouse gas reduction goals, even when independent experts advance a strong business and economic case for support.

In contrast funds managed by other investment firms such as, Alliance Bernstein, Morgan Stanley, Neuberger Berman supported the majority of these climate resolutions and Goldman Sachs, State Street Global Advisors and TIAA also voted for a significant percentage.

Vanguard's present voting record poses reputational risk for the company. Moreover, proxy voting on climate change should recognize significant company-specific and economy-wide risks associated with negative impacts of climate change. For example, companies effectively addressing climate changes that impact their business are protecting long-term shareholder value.

Larry Fink, BlackRock's CEO sent a letter in February 2016 to S&P 500 companies expressing concern at the lack of focus on environmental and social risks, stating "For too long, companies have not considered them core to their business."

"Over the long-term, environmental, social and governance (ESG) issues – ranging from climate change to diversity to board effectiveness – have real and quantifiable financial impacts" Fink concluded.

We believe it is Vanguard's fiduciary duty to review how climate change impacts our economy, portfolio companies and fund holdings and evaluate how shareholder resolutions on climate may impact shareholder value and vote proxies accordingly.

**Resolved:** Shareowners request that the Vanguard Board of Directors ask management of the Vanguard Total Stock Market Index Fund to initiate a review and issue a report on its proxy voting policies and practices related to climate change, prepared at reasonable cost and omitting proprietary information.