



Topic	Priority	Category	Engagement
Climate Change	High	Mandatory	Individual/Institutional
Climate Change	High	Collaborative	Individual/Institutional
Climate Change	High	Service Provider	Individual/Institutional

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CLIMATE TRANSPARENCY REPORT 2020

The Vanguard Group, Inc.

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-6B72EA55-F161-49BB-999F-F0E5A91BEBBA/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Private				
SG 13.5 CC	✓	Private				
SG 13.6 CC	✓	Private				
SG 13.7 CC	✓	Private				
SG 13.8 CC	✓	Private				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	-	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	The Vanguard Group, Inc.
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2014
Region	North America
Country	United States
Disclosure of Voluntary Indicators	79% from 38 Voluntary indicators

The Vanguard Group, Inc.

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01.6	Additional information [Optional].
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Vanguard supports responsible investment by:

- Voting in support of proxy proposals that, in our view, will improve our clients' long-term investing outcomes.
- Advocating for responsible corporate governance, particularly with the companies in which we invest, as a driver of long-term value creation.
- Acting on material ESG opportunities or risks in our investments through engagement with portfolio company executives and directors.

Voting

The most visible sign of Vanguard's active ownership is our funds' proxy voting at shareholder meetings. We have an experienced group of analysts on our Investment Stewardship team that evaluates proposals and casts our funds' votes in accordance with our voting guidelines. These guidelines are designed to promote long-term shareholder value by supporting good corporate governance practices.

Advocacy

We are tireless advocates for the sustainable, long-term value of our shareholders' investments. Vanguard promotes good corporate governance and responsible investment through thoughtful participation in industry events and discussions where we can expand our advocacy and enhance our understanding of investment issues. We also engage with index providers to understand the methodology, construction, and maintenance of various equity indexes. Finally, we actively contribute to the development of regulatory policy with other market stakeholders to raise standards and promote best practices around the globe.

Engagement

We engage with portfolio company executives and directors to share our long-term orientation and principled approach, and to learn about companies' corporate governance practices. We characterize our approach as deliberate, constructive, and results-oriented.

Significant analysis and energy are invested in discussions with the directors and managers of the companies in which we invest; the level and frequency of these discussions may be influenced by the material impact to our funds and the contentiousness of the issue. We believe these engagements, more so than voting, provide an opportunity to fully understand issues and target feedback and messaging to companies.

Our actively managed fixed income mandates are supported by a global team of credit analysts who develop independent risk assessments and investment opinions for each fixed income issuer. The team seeks to understand the material implications of ESG risk as part of an overall independent risk assessment and to determine whether or not market pricing adequately reflects those risks. Our global product range includes a number of funds designed to track indices that exclude companies that do not meet social responsibility criteria specified by the index provider. Our Portfolio Review team also engages with our external investment managers periodically concerning their practices to better understand how ESG factors inform the investment process.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

As stewards of long-term shareholder value for more than 30 million investors, Vanguard closely monitors how portfolio companies identify, manage, and mitigate both short- and long-term risks - including climate risk. In particular, the majority of Vanguard's equity assets under management are invested in index funds, which essentially hold stocks in perpetuity; as the quintessential "permanent owner", it is of utmost importance to the Vanguard funds that the companies in which they invest appropriately manage - and disclose - the physical, transition, and liability risks associated with climate change. Recognizing that industry, geography, and individual company characteristics may create unique opportunities or risks exposures, Vanguard expects each of its portfolio companies to identify, disclose, and oversee the climate-related risks and opportunities that are most material to it.

Vanguard funds benefit from the work of Vanguard's Investment Stewardship team in engaging with companies, voting proxies, and advocating for high standards of corporate governance. Our stewardship approach is grounded in long-term value creation and financial materiality, and we focus upon companies' oversight and disclosure practices surrounding the risks - and opportunities - arising from climate-related changes in regulation, energy consumption, and technology.

During the 2019 proxy year, Vanguard's Investment Stewardship team engaged with over 250 companies in carbon-intensive industries on these topics. In addition, we are active supporters of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), including service on SASB's Investor Advisory Group and the Standards Advisory Group for Infrastructure.

In addition, informed by market research and investor demand, our product line-up continually evolves to better serve client needs; today, that line-up includes negatively screened equity ESG products in Europe, Australia, and the United States.

In 2019, Vanguard launched its first actively managed environmental, social and governance (ESG) fund, Global ESG Select Stock Fund (VEIGX). The fund's advisor, Wellington Management Company LLP, will focus on enhancing long-term returns and controlling risks by focusing on ESG practices that can materially impact shareholder returns. The firm will employ an active portfolio integration strategy that will identify and select about 40 companies that demonstrate exemplary, long-standing ESG practices, strong business fundamentals and prudent capital allocation. To fully align the fund's corporate governance responsibilities with its investment mandate, Wellington Management will also be responsible for voting and engagement activities for the fund.

No

**SG 01.7
CC**

Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

To Vanguard, sustainability is synonymous with long-termism. We start with the premise that our equity index funds invest in just about every public company, and every industry, practically forever. With this indefinite horizon, our funds must focus on how companies are setting themselves up for success today, next year, and well into the future. We believe that many core governance functions-such as robust board oversight and meaningful company disclosure-are imperative for managing climate risk. This is why our stewardship efforts focus on promoting these practices.

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

Yes

Describe

As a mission-driven organization stewarding the assets of more than 30 million investors worldwide, Vanguard is deeply concerned about the long-term impact of climate change.

The ESG Investor Initiative, a cross-functional group of investment-oriented professionals within Vanguard is tasked with defining our enterprise-wide approach to ESG topics, including climate-related risks and opportunities. Leaders from key areas across the business drive our approach to ESG research, public policy, and products and services.

Investment Stewardship

Vanguard's Investment Stewardship team takes action to address climate change risk through our company engagements and industry advocacy efforts. Our program is executed by an experienced group of professionals who represent Vanguard fund shareholders' interests through industry advocacy, company engagement, and proxy voting.

Vanguard representatives serve on SASB's Investor Advisory Group and its Standards Advisory Group for Infrastructure. We became signatories to the TCFD in 2017, and then to CDP when it aligned its annual climate-oriented survey to the TCFD recommendations. Through increased transparency and disclosure, Vanguard aims to better understand how company boards oversee climate-related risks and opportunities.

As a global investment management company, we are particularly aware of climate change and its long term risk to shareholder value. Our global investment footprint and our fiduciary mandate mean we are responsible for developing a thorough, nuanced, and financially driven approach to the global challenge of climate change. We continually strive to responsibly manage and reduce our own carbon footprint. A subset of our executive management team sets the strategic vision for Vanguard climate strategy, reviews strategic plans, and set operational priorities always keeping clients' interests first and foremost.

In June 2019, Vanguard Chairman and CEO Tim Buckley joined a Vatican-convened climate summit attended by leaders from other major asset management firms and some of the world's largest energy companies, and we signed the Vatican's participant statement on climate risk disclosures, "The Energy Transition & Care for Our Common Home," calling on companies to be transparent about climate-related matters and disclose them to investors.

As strong advocates for the value of transparency, Vanguard has set aggressive goals to reduce our own environmental impact as a corporate entity and will begin regularly sharing our progress. As a firm, we have committed to achieving 100% renewable energy in 2021 and carbon neutrality in 2025. Our carbon neutrality commitment includes all Scope 1 and Scope 2 emissions as well as business travel, commuter travel, waste and upstream leased assets. Our firm-wide environmental impact is governed by a cross-departmental team of senior leaders, which includes a subset of our executive team.

Vanguard has offered ESG-focused funds for nearly 20 years, with 11 funds in the U.S., Australia, and Europe totaling more than \$8.4 billion in assets (as of January 31, 2019). Several products use negative screens and an active ESG fund prioritizes high return on capital and effective stewardship of ESG issues. We take a deliberate approach to developing new investment products and may launch new ESG offerings to meet the evolving needs of investors.

No

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 07.5 CC Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6 CC

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Boards of Trustees of the Vanguard Funds have ultimate oversight authority over the Vanguard funds' active ownership approach, including proxy voting and stewardship activities. The Board has tasked the Investment Stewardship Oversight Committee with oversight of the proxy voting and stewardship functions for the internally-managed funds. The Investment Stewardship Oversight Committee consists of Vanguard's chairman and chief executive officer, and select senior officers of Vanguard. In early 2019, the board approved the delegation of proxy voting responsibility to our externally-managed active funds' external advisors. The integration of ESG factors-including climate-related issues-in Vanguard's engaged ownership practices is overseen by the Investment Stewardship Oversight Committee.

SG 07.7 CC

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Vanguard's Investment Stewardship team, including the Vanguard Funds' Investment Stewardship Officer, leadership team, and over 30 governance professionals, are responsible for incorporating oversight of risk, strategy, and governance into the engagement and proxy voting process. This includes assessment of portfolio companies' oversight and disclosure of climate-related risks and opportunities. The Investment Stewardship leadership team also participates in climate- and sustainability-focused industry groups and attends relevant industry events.

At Vanguard, ESG integration is supported by a cross-functional team that collectively seeks to deepen our understanding of ESG risks in our investments. This team has representation from the various groups and departments at Vanguard that regularly assess and address ESG risks in our investments, including climate-related risks. Within our investment processes, and in accordance with our investment mandates and guidelines, we document and take action on the ESG issues that we believe have a material impact to the investment case for particular issuers/securities as part of the due diligence process. Our team of credit research analysts consider ESG risks as an important aspect of the due diligence process used to determine where we invest. Sector-focused analysts have an understanding of the different types of ESG risk specific to their sectors as well as more idiosyncratic ones that can meaningfully influence the performance of a particular security. We believe incorporating these risk factors provides a more holistic analysis that ensures due consideration is given to the various risks that can impact investment performance.

SG 07.8 CC

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other

Specify

For example, Wellington Management Company collaborates with a climate research institute to develop actionable climate projections to understand how climate change may impact global markets.

- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

The Vanguard Fixed Income Group undertook an assessment of the exposure of its US municipal, corporate, and sovereign (ex-US) bond holdings to climate change risk. This assessment identified each asset class's climate risk profile by identifying key drivers of risk, mitigants, high-risk areas, and Vanguard's absolute exposure by asset class.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

Regulatory changes

- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Vanguard asks public companies for climate-related financial disclosure in line with TCFD recommendations to drive governance analysis and proxy voting decisions.

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

We utilise information and data sourced by ESG research providers including carbon footprinting, scenario testing, and target setting for emissions risk reduction.

- None of the above

To inform our investment stewardship process, we use information and data relating to companies in which we invest, including information disclosed by such companies as well as that sourced by ESG research providers. This information includes both companies' approach to governance of climate risks and technical information such as carbon foot printing, carbon intensity, scenario analysis, and target setting for emissions risk reduction. For relevant companies, Vanguard Investment Stewardship Team explicitly asks for climate-related disclosure that aligns with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also evaluate material risks and look for disclosure in line with SASB.

SG 14 CC	Voluntary	Public	General
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SG 14.8
CC

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management

Please describe

For companies in which climate risk poses a material risk to their bottom line, we view climate risk as one in a range of risks that a board should evaluate in its holistic risk assessment. Our investment stewardship process actively engages with these companies to assess whether boards have a thorough, integrated, and thoughtful approach to identifying, overseeing, and - where appropriate - disclosing these risks. In particular:

Oversight of strategy and risk - We look for competent boards that are educating themselves on climate issues, even if these issues weren't historically part of their focus. We also encourage boards to seek out third-party perspectives and information instead of relying solely on the opinions of management. Most important, we expect boards to be actively evaluating these issues and integrating climate risks-and the related business opportunities-into their strategic decision-making.

Disclosure - It is equally important that companies be transparent about climate-related matters and disclose them to investors. This includes both historical data and forward-looking information so that the market has context for what companies have done, what they plan to do, and how their governance structures enable the right decisions. As a practically permanent owner on our fund investors' behalf, Vanguard needs the market to efficiently value stocks based on all material risks.

During proxy year 2019, Vanguard's Investment Stewardship team engaged with over 250 companies in carbon-intensive industries on these topics. In addition, we are active supporters of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), including service on SASB's Investor Advisory Group.

- Processes for climate-related risks are not integrated into overall risk management

SG 14.9
CC

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

Vanguard sees an opportunity for companies to provide disclosure in accordance with sector-specific, comparable metrics to enable investors to make informed investment decisions based on ESG data. Vanguard is a signatory of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), which is one way that we demonstrate our support for their efforts. We also advocate for enhanced, comparable sustainability disclosure as part of our engagements with individual portfolio companies. Consistent with the efforts of the SASB and TCFD, we promote disclosure that is relevant, specific, clear, and timely. In 2019, we explicitly asked companies in high impact sectors for climate-related disclosure in line with TCFD.

Vanguard's external investment managers integrate climate related issues into their investment in various ways. For example, Wellington Management Company, our longest standing external manager,

collaborates with Woods Hole Research Center, a leading independent climate research institute in an effort to integrate climate science and asset management. Through this work, WMC seeks to develop actionable climate projections in order to better understand how and where climate change may impact global markets.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes
- No

SG 15.4	Please attach any supporting information you wish to include. [OPTIONAL]
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