

## Section 172 Statement

ANNUAL STATEMENT - YEAR ENDING 31 DECEMBER 2020

Under the Companies Act 2006, the directors of Vanguard Asset Services Limited, Vanguard Asset Management Limited and Vanguard Investments UK Limited (each a "Company") are required to give an annual statement which describes how they have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

### Vanguard Asset Services Limited

The Board of Directors of the Company both individually and together, consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company (having regard to the matters set out in section 172(1) of the Companies Act 2006) during the year ended 31 December 2020, and in doing so have had regard to a range of matters including:

- the likely consequences of any decision in the long- term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the Company's members.

In particular:

- Vanguard's core purpose is: *"To take a stand for all investors, to treat them fairly and to give them the best chance for investment success"*. The Board's long term strategy planning and decision making is directly aligned to this purpose and designed to have a long-term beneficial impact for the Company and to deliver success for investors. In furtherance of this, despite the challenges presented by the COVID-19 pandemic, the Board ensured that key strategic initiatives were delivered across the year,

the Company operated in line with its financial control tolerances and took account of its applicable legal and regulatory requirements and obligations. As noted in the 'Business strategy' section, in 2021, the Board will continue to focus on growing the existing business, expanding services capabilities, launching additional products and focusing on risk management.

- The Board understands that Vanguard's Crew are fundamental to its success and looks to take into account crew interests proactively and in a meaningful way – please refer to the section below entitled *'How we engage with our employees'* for further detail on this.
- Fostering relationships with service providers, investors and other stakeholders (such as industry bodies and regulators) is integral to the success of the Company, which is recognised by the Board – please refer to the section below entitled *'How we engage with our stakeholders'* for further detail in this regard.
- The Board recognises the important role which Vanguard plays in the community. Vanguard, through its Community Stewardship programme, has consistently looked to give back to its communities over the course of the year, supporting nonprofit organisations, and encouraging employees to support charitable activities with their personal time, talent and funds. The Board also recognises the role Vanguard has with respect to the environment and ensures that this is a consideration in decision-making and strategy, where relevant.
- Conduct and culture is integral to Vanguard's business and is a key consideration in the actions and planning undertaken by the Board. Key cultural values are embedded within the business and

reinforced at both management and Board level. In addition, Vanguard employees must adhere to a Code of Ethics which sets out the expectation and framework around Vanguard's strong conduct/culture ethos. Vanguard's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary so as to ensure continued compliance with legal and regulatory requirements and good industry practice.

- The Board at all times, in alignment with Vanguard's core purpose, acts fairly and responsibly with respect to its investors. As referred to above, Board strategy and planning is aimed at ensuring long-term success for the Company and investors.
- The Board will continue to keep engagement methods under review to ensure they remain effective.

### How we engage with our employees

Vanguard is committed to creating a workplace where crew can thrive and do their best work for our investors.

Crew engagement is one of the ways the Company, both at Board and management level, ensures that this is the case by taking account of employee interests. In light of the COVID-19 pandemic, Crew engagement has been essential in ensuring that employee wellbeing and experience is monitored. In this regard, engagement (and ensuring crew are kept up-to-date) is conducted via a number of channels (for example, via weekly business updates, quarterly town halls and an annual crew survey) and across every aspect of the crew experience at Vanguard, including onboarding, day-to-day work, career development opportunities and annual assessments.

In response to the Crew engagement outlined above, meaningful action planning is formalised and implemented, so that Crew experience positive and tangible improvements within the workplace.

### How we engage with our stakeholders

Vanguard relies on service providers and suppliers in the delivery and operation of its services. Establishing and maintaining good relationships ensures that services are delivered effectively and at efficient cost. Relationship Teams manage and interact with key service providers across the business: providing service providers with confidence, trust and transparency in respect of the way Vanguard operates. The Board also maintains direct relationships with key service providers and works collaboratively with them to drive the highest standards possible and drive its strategic planning, where appropriate (for example, such as in the development of Vanguard's U.K. Personal Investor offering).

Vanguard also ensures that it fosters and maintains its key relationships with regulators, other authorities and industry bodies. The Company looks to be proactive in this regard, seeking engagement with these stakeholders, as appropriate, and implementing change projects, as and when required. The Board ultimately oversees these relationships, ensuring that the Company meets all expectations and requirements in this regard.

## Vanguard Asset Management Limited

The Board of Directors of the Company both individually and together, consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company (having regard to the matters set out in section 172(1) of the Companies Act 2006) during the year ended 31 December 2020, and in doing so have had regard to a range of matters including:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the Company's members.

In particular:

- Vanguard's core purpose is: "To take a stand for all investors, to treat them fairly and to give them the best chance for investment success". The Board's long term strategy planning and decision making is directly aligned to this purpose and designed to have a long-term beneficial impact for the Company and to deliver success for investors. In furtherance of this, despite the challenges presented by the COVID-19 pandemic, the Board ensured that key strategic initiatives were delivered across the year, the Company operated in line with its financial control tolerances and took account of its applicable legal and regulatory requirements and obligations. As noted in the 'Business strategy' section, in 2021, the Board will continue to focus on growing the existing business, expanding services capabilities, launching additional products and focusing on risk management.

- Fostering relationships with service providers, investors and other stakeholders (such as industry bodies and regulators) is integral to the success of the Company, which is recognised by the Board – please refer to the section below entitled 'How we engage with our stakeholders' for further detail in this regard.
- The Board recognises the important role which Vanguard plays in the community. Vanguard, through its Community Stewardship programme, has consistently looked to give back to its communities over the course of the year, supporting nonprofit organisations, and encouraging employees to support charitable activities with their personal time, talent and funds. The Board also recognises the role Vanguard has with respect to the environment and ensures that this is a consideration in decision-making and strategy, where relevant.
- Conduct and culture is integral to Vanguard's business and is a key consideration in the actions and planning undertaken by the Board. Key cultural values are embedded within the business and reinforced at both management and Board level. In addition, Vanguard employees must adhere to a Code of Ethics which sets out the expectation and framework around Vanguard's strong conduct/culture ethos. Vanguard's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary so as to ensure continued compliance with legal and regulatory requirements and good industry practice.
- The Board at all times, in alignment with Vanguard's core purpose, acts fairly and responsibly with respect to its investors. As referred to above, Board strategy and planning is aimed at ensuring long-term success for the Company and investors.
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Investors are at the heart of Vanguard's core purpose (as referred to above). Vanguard has established dedicated teams, processes and procedures allowing it to be as efficient and effective as possible in meeting investor expectations and understanding their needs. Being aware of investor needs allows Vanguard to make informed decisions about what products and services to offer. The Board is at the forefront of this: the Company has further built out Vanguard's U.K. Personal Investor offering across the year and intends to develop this further in 2021, driving scale with digital and technology.

Vanguard also ensures that it fosters and maintains its key relationships with regulators, other authorities and industry bodies. The Company looks to be proactive in this regard, seeking engagement with these stakeholders, as appropriate, and implementing change projects, as and when required. The Board ultimately oversees these relationships, ensuring that the Company meets all expectations and requirements in this regard.

### Vanguard Investments UK Limited

The Board of Directors of the Company both individually and together, consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company (having regard to the matters set out in section 172(1) of the Companies Act 2006) during the year ended 31 December 2020, and in doing so have had regard to a range of matters including:

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- the need to act fairly as between the Company's members. In particular:

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the challenges presented by the COVID-19 pandemic, the Board ensured that key strategic initiatives were delivered across the year, the Company operated in line with its financial control tolerances and took account of its applicable legal and regulatory requirements and obligations. As noted in the 'Business strategy' section, in 2021, the Board will continue to focus on growing the existing business, expanding services capabilities, launching additional products and focusing on risk management.

Fostering relationships with service providers, investors and other stakeholders (such as industry bodies and regulators) is integral to the success of the Company, which is recognised by the Board – please refer to the section below entitled 'How we engage with our stakeholders' for further detail in this regard.

The Board recognises the important role which Vanguard plays in the community. Vanguard, through its Community Stewardship programme, has consistently looked to give back to its communities over the course of the year, supporting nonprofit organisations, and encouraging employees to support charitable activities with their personal time, talent and funds. The Board also recognises the role Vanguard has with respect to the environment and ensures that this is a consideration in decision-making and strategy, where relevant.

Conduct and culture is integral to Vanguard's business and is a key consideration in the actions and planning undertaken by the Board. Key cultural values are embedded within the business and reinforced at both management and Board level. In addition, Vanguard employees must adhere to a Code of Ethics which sets out the expectation and framework around Vanguard's strong conduct/culture ethos. Vanguard's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary so as to ensure continued compliance with legal and regulatory requirements and good industry practice.

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Investors are at the heart of Vanguard's core purpose (as referred to above). Vanguard has established dedicated teams, processes and procedures allowing it to be as efficient and effective as possible in meeting investor expectations and understanding their needs. Being aware of investor needs allows Vanguard to make informed decisions about what products and services to offer. The Board is at the forefront of this: the Company conducted an 'Assessment of Value' exercise throughout the year, looking at the value provided to investors across Vanguard's UK-domiciled fund range. Engagement with investors is a key component of Vanguard's value proposition and this was reflected in the report accordingly (which looked specifically at quality of service). The Board approved the subsequent 'Assessment of Value' report (with the ultimate conclusion that Vanguard was offering investors good value), which was published in January 2021.

Vanguard also ensures that it fosters and maintains its key relationships with regulators, other authorities and industry bodies. The Company looks to be proactive in this regard, seeking engagement with these stakeholders, as appropriate, and implementing change projects, as and when required. The Board ultimately oversees these relationships, ensuring that the Company meets all expectations and requirements in this regard.

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