INVESTMENT MANAGER
ENVIRONMENTAL SOCIAL & GOVERNANCE (ESG)
QUESTIONNAIRE

ESG

1. Has Vanguard had any interactions with the UN PRI over the past twelve months?

   The interactions Vanguard has had with the UN PRI have been indirect via SAM and Regnan (see below), which are both signatories to the UN PRI.

2. Has Vanguard signed the UNPRI in the last twelve months?
   - If yes, what actions have been undertaken by Vanguard to implement the principles?
     Not applicable.

   - If no, is Vanguard actively considering signing the PRI in the near future? What is stopping Vanguard from signing the PRI?

     No, Vanguard is not actively considering signing in the near future, although we believe that we do comply with the principles.

     The requirement/strong preference for the head company of a group to be the signatory is relevant here in terms of our ability to sign. While this issue receives increasing attention here in Australia, it appears to have less relevance currently in the United States where the bulk of our Parent's funds under management are sourced. The take-up by US institutions is still low compared with the universe of potential signatories.

     Since our 2008 responses, there has been no change in our parent company's view regarding the PRI.

3. Over the past twelve months has Vanguard developed any specific policies and methodologies in relation to the assessment of the environmental, social and corporate governance performance and risks of companies?

   There have been no significant changes in terms of Vanguard's specific policies and methodologies over this period. The broad policies and methodologies adopted by Sustainable Asset Management (SAM) and Regnan in recent years have been maintained. These are summarised below, along with a description of Vanguard's role in these companies.

   Vanguard offers investment funds (for Australian and international equities) in conjunction with SAM (a Zurich-based organisation with an Australian subsidiary) that integrate ESG considerations. Clients such as VicSuper have invested in these funds since their launch in November 2001. The SAM approach is to score companies within industries and then select stocks that are "best in industry". There are criteria that can reject whole industries, but this rarely occurs. The objective is to encourage companies to improve ESG standards by directing investment dollars to the "Sustainability Leaders". More information about SAM's approach can be found on their website, www.sam-group.com. We are also pleased to confirm that the Sustainability Funds now have certification under the RIAA (Responsible Investment Association Australasia).

Vanguard is also a founding shareholder in Regnan, a company whose primary purpose is to engage with ASX listed companies with the aim of enhancing long term shareholder value by guiding and improving their governance practices. As a part owner, Vanguard has taken a significant step in committing to good ESG practices. More information about Regnan's approach can be found on their website, www.regnan.com.au.

By engaging with companies through Regnan, we continue to hope that the benchmark will be raised for good management in relation to ESG issues. Both through Regnan and direct engagement we believe that corporate behaviour is influenced in a positive manner. The Executive Remuneration example given in this questionnaire is evidence of this.

As our holdings have increased, meetings between our proxy voting committee members, portfolio managers and management and board members of investee companies have become more frequent. Recent emphasis has been on the Listed Property Trust sector. Generally, focus with companies has been on executive remuneration.

4. Does Vanguard utilize any external service providers to access information and research in relation to the identification and assessment of ESG?

Methodical research is undertaken by Regnan as its key business activity (see response to #3 above). Information regarding Regnan's research is available on their website, www.regnan.com.au.

5. Has Vanguard provided any in-house or external training to their analysts in relation to ESG in the past twelve months?

As an index manager, the constituents in the particular index we are asked to track is the primary determinant of the securities held in the portfolio and their weightings. We do not research or meet with companies. As such, our investment process does not require analysts in the "active management" sense.

6. Is Vanguard now incorporating ESG into their investment decision-making process?

As noted above, because we are an index manager, the stocks we hold are largely determined by the composition of the indexes we've been asked to track. Indeed, we have an overriding obligation which is to capture the index return. Both our Product Disclosure Statements (covering our pooled funds) and Investment Management Agreements (covering our separate accounts) oblige us to meet this objective.

The major exception to this is our Sustainability Leaders Funds (described above).

We continue to work with our clients to develop ways of efficiently delivering their preferred investment strategies. We currently manage a portfolio for a client which incorporates "carbon footprint" measurements into the security selection process.

Proxy Voting

7. Can Vanguard please provide the ACT with their proxy voting policy and procedures?

While we are agnostic regarding ESG considerations to drive stock selection (poorly applied screening and portfolio construction will deliver riskier portfolios), we do believe in exercising proxy votes and active engagement with the companies we invest in as a means of improving company performance. We vote proxies in Australian companies where our managed investment schemes (pooled funds) have a significant economic interest. This covers the vast majority of holdings by value. Votes are effective both at wholesale and retail levels. Our policy is to also vote for international shares held by our Funds, to the extent that it is practicable.

Please refer to our website, http://www.vanguard.com.au/institutional-investors/client-support/proxy-report/proxy-report home.cfm and our Parent's website, www.vanguard.com, for details regarding our proxy voting policies.

8. Does Vanguard utilise any external service providers in relation to the execution of proxy voting?

Exempt s43

Primarily we utilize the services of .... We have established a Proxy Oversight Group to administer voting policies and voting decisions for Australian equities held by our Funds. This group performs its responsibilities in accordance with proxy voting principles established and approved by our board of directors, to ensure that our voting decisions reflect a thorough analysis of the issues and their potential impact on unitholder value.

These principles frame our analysis of each proxy issue and provide a basis for decision-making. In evaluating issues, the Proxy Oversight Group may consider information from many sources, including the management of a company presenting a proposal, shareholder groups, and independent proxy research services.

For international equities held by our Funds, votes are cast in accordance with determinations made by the Proxy Oversight Committee of our Parent.

9. Please provide any specific examples if where Vanguard has made considered use of proxy votes for company meetings.

Executive remuneration issues are a specific example where corporate behaviour has changed as a result of feedback from companies through engagement and proxy voting. Boral received a "56% against" vote o their remuneration report in 2008. Since then they worked with Ernst and Young on a comprehensive review of their remuneration structure. Our Proxy Oversight Group met with them to provide feedback.

10. Do the analysts of Vanguard regularly attend company AGMs?

As noted earlier, in terms of stock selection we index. As such, our investment process does not require analysts in the "active management" sense. Our Proxy Oversight Group attends occasional AGMs but this is not a regular activity.

11. Has Vanguard proposed any shareholder resolutions, or voted in favour of any shareholder resolutions, in the past twelve months?

We have not proposed any shareholder resolutions and tend to abstain on these. A quarterly proxy voting report which summarises the voting undertaken by Vanguard is available on our website.

12. If not provided already, is Vanguard able to report to the ACT on their proxy voting actions undertaken on a quarterly basis?

This report is available on Vanguard's website.

Interaction and Engagement with Companies

13-16. Has Vanguard developed any specific policies in relation to company engagement objectives for analysts over the past twelve months? Has Vanguard developed a documented approach for their analysts when engaging with the management of companies, not just on future financial returns and risks, but ESG as well? Can Vanguard provide any specific examples of where their analysts have raised and discussed ESG with company management over the past twelve months in order to improve company performance and financial return outcomes? Does Vanguard encourage companies to improve their disclosures, including disclosures on ESG?

As noted earlier, we do not use research analysts in the traditional "active management" sense where the inclusion of securities in our Funds is influenced by other than their inclusion in the various indexes that we are asked to track. Our Proxy oversight group has engaged with companies on a variety of issues including ESG matters as they relate to long term shareholder value.

Stakeholder Engagement

17. Has Vanguard participated in any public debates, research initiatives, or external forums, in relation to the discussion and promotion of ESG and the incorporation of ESG into the investment decision-making process?

Vanguard's participation in these activities has been indirect through its shareholding and active participation in Regnan (see above).