



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

DANIEL CAMERON
ATTORNEY GENERAL

1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KY 40601

**SUBPOENA AND CIVIL INVESTIGATIVE DEMAND
IN RE INVESTIGATION OF:**

ESG Investment Practices

TO: The Vanguard Group, Inc.
Attn: Office of the General Counsel – M35
100 Vanguard Blvd.
Malvern, PA 19355

SERVE: Corporation Service Company
421 West Main Street
Frankfort, KY 40601

Pursuant to the authority granted in KRS 367.240 and 367.250, the Attorney General of Kentucky, having reason to believe that a person has engaged in, is engaging in, or is about to engage in any act or practice declared to be unlawful by KRS 367.110 to 367.300; or having reason to believe it is in the public interest that an investigation should be made to ascertain whether a person in fact has engaged in, is engaging in or is about to engage in, any act or practice declared to be unlawful by KRS 367.110 to 367.300; or both hereby executes this Subpoena and Civil Investigative Demand, as follows:

_____ That The Vanguard Group, Inc. furnish, under oath or affirmation, a report in writing setting forth the relevant facts and circumstances of which The Vanguard Group, Inc. has knowledge.

_____ That The Vanguard Group, Inc. personally appear and testify at the following location on the following date and time: _____

X That, under oath or affirmation, Vanguard Group, Inc. answer the following requests and produce the following documents at the time and place above or, if blank, then by emailing them together with a completed sworn statement of authenticity and completeness of documents, by no later than twenty-one (21) days following service of this Subpoena and Civil Investigative Demand to: zach.richards@ky.gov and donald.haas@ky.gov or

Office of the Attorney General of Kentucky
ATTN: Zachary Richards & Donald Haas
1024 Capital Center Drive
Suite 200

Frankfort, KY 40601

Failure to comply with this Subpoena and Civil Investigative Demand may result in legal action pursuant to KRS 367.290. Intentional concealment, falsification or destruction of documents may be punishable as a class A misdemeanor under KRS 367.990(3). It is a class D felony to intentionally destroy, mutilate, conceal, remove, alter, or fabricate physical evidence believing that an official proceeding may be pending or instituted, pursuant to KRS 524.100.

Date Issued: November 10, 2022

DANIEL CAMERON
ATTORNEY GENERAL

By: /s/ Zachary J Richards

Zachary J Richards
Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, KY 40601
502-696-5519
Email: zach.richards@ky.gov

/s/ Donald Haas

Donald Haas
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1024 Capital Office of the Attorney General
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**PROOF OF SERVICE OF SUBPOENA AND CIVIL INVESTIGATIVE DEMAND
(to be completed by server)**

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 3. Fax

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Name: _____

Title: _____

Description: _____

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Name: _____

Title: _____

Signature: _____

DEFINITIONS AND INSTRUCTIONS

DEFINITIONS

As used in this Demand, the following terms shall have the meanings set forth herein:

“Advertisement” or “Advertising” includes the attempt by publication, dissemination, solicitation or circulation, oral or written, to induce directly or indirectly any person to enter into any obligation or acquire any title or interest in any Merchandise.

“And” and “or” as used herein are terms of inclusion and not of exclusion and shall be construed either disjunctively or conjunctively as necessary to bring within the scope of this Civil Investigative Demand any Document or information that might otherwise be construed to be outside its scope.

“Communicate” and “Communication” means the transmittal of information (in the form of facts, ideas, inquiries or otherwise) including, but not limited to, any conversation, discussion, letter, email, text message, memorandum, meeting, note or other transmittal of information, home office letter or administrative message, whether transmitted directly, indirectly, in writing, orally, electronically or by any other means, and all notes pertaining to any of the aforesaid, and also includes any Document which abstracts, digests, transcribes, or records any Communication, and any Document attached to any Communication.

“Document” means any writing or any other tangible thing, whether printed, recorded, reproduced by any process, or written or produced by hand, including, but not limited to, letters, memoranda, notes, opinions, books, reports, studies, agreements, statements, communications (including inter-company and intra-company communications), correspondence, telegrams, logs, bookkeeping entries, summaries or records of personal conversations, diaries, calendars, telephone messages and logs, forecasts, photographs, tape recordings, computers, computer tapes or disks or other media upon which information may be recorded, computer bulletin board file or document, models, statistical statements, graphs, laboratory and engineering reports, notebooks, charts, plans, drawings, minutes, bylaws, resolutions, records of conferences, expressions or statements of policy, lists of persons attending meetings or conferences, lists of clients or customers or suppliers, reports or summaries of interviews, opinions or reports of negotiations, brochures, pamphlets, advertisements, circulars, trade letters, press releases, drafts of any document and revisions of drafts of any document, and any other similar paper or record. The term “document” also includes a copy of a document where the copy is not exactly the same as the original.

“ESG Integration Practices” means the practice of incorporating ESG Factors into investment decisions and/or engaging with companies on issues Relating to ESG Factors. “ESG Integration Practices” includes, but is not limited to, the practice of using one’s position as a shareholder or other equity or debt holder of an Entity to advocate for environmental, ecological, climatological, social, or corporate governance-related goals. “ESG Integration Practices” further includes, but is not limited to, the use of screens or filters based on environmental, ecological, climatological, social, or corporate governance criteria in the selection of Portfolio Companies. “ESG Integration Practices” shall be construed to include all similar activities whether or not the term “ESG” is used, including activities described as “socially responsible investing” and/or “sustainable investing.”

“ESG Integration Practices” shall be construed to include, but is not limited to, the meanings ascribed to the term in common usage in the financial industry. “ESG Integration Practices” shall be construed to include, but is not limited to, not only the practice but any specific act Relating to an ESG Integration Practice.

“ESG Factors” means factors Relating to a company’s or Fund’s environmental, social, and/or governance attributes, risks, opportunities, impacts, or effects, whether present or future, actual or perceived, and whether or not priced into the company’s securities. “ESG Factors” includes, but is not limited to, factors Relating to the environmental, ecological, climatological, or social impacts of an investment target company or Fund or the investment target company’s governance structure. “ESG Factors” includes, but is not limited to, disclosable factors under SASB and/or TCFD guidelines.

“Fund” or “Funds” means Your investment products, whether active, passive, retail, institutional, or otherwise, and whether structured as ETF’s, index funds, investment trusts, or otherwise.

“Identify” means, unless context indicates otherwise:

- a. Regarding an individual, provide the individual’s:
 - i. Name;
 - ii. Title;
 - iii. Present business affiliation;
 - iv. Current or last known email address;
 - v. Current or last known telephone numbers at business and home; and
 - vi. Current or last known business and home address.
- b. Regarding an entity, provide:
 - i. Its full name;
 - ii. The nature of its organization;
 - iii. The address and telephone number of its principal offices, and, if applicable, the state in which it is incorporated or organized; and
 - iv. Its principal line of business or activity.
- c. Regarding a Communication, provide:
 - i. Date of the Communication;
 - ii. Type of Communication (telephone conversation, meeting, etc.);
 - iii. Place where the Communication occurred;
 - iv. The person who made the Communication and the person’s employer and job title;
 - v. Identity of each person who received the Communication or was present when it was made, along with each person’s employer and job title; and
 - vi. Subject matter discussed.
- d. Regarding any other tangible or intangible thing, state:
 - i. What it is, giving a reasonably detailed description thereof;
 - ii. When, where, and how it was made, if applicable;
 - iii. Who made it, if applicable; and
 - iv. Its current custodian or the person that had last known possession, custody, or control thereof.

“Merchandise” means any objects, wares, goods, commodities, intangibles, real estate, or services.

“Person” means any natural person or such person’s legal representative, partnership, domestic or foreign corporation, any company, trust, business entity, or association, any agent, employee, salesman, partner, officer, director, member, stockholder, associate, or trustee.

“Portfolio Company” or “Portfolio Companies” means any entity in which You own an equity interest or to which you are a lender, either for Your own account or on behalf of any client, in which such equity or debt interests constitute assets in any of your Funds or assets you otherwise manage on behalf of Your clients.

“Relate,” “Related,” and “Relating” mean being in any way legally, logically, or factually connected with the subject matter of the request at issue. “Relating to” means in whole or in part constituting, concerning, discussing, describing, analyzing, identifying or stating.

“Relevant Time Period” means for the period from January 1, 2018 to the present.

“Research” means any and all research, analysis, assessment, study, report, audit, memorandum, or other investigation You conducted, drafted, created, commissioned, reviewed, received, or used.

“Respondent,” “Vanguard,” “You,” or “Your” means The Vanguard Group, Inc. and its present and former members, officers, directors, agents, representatives, or employees.

INSTRUCTIONS

1. This Civil Investigative Demand is directed as reflected on the first page and shall be deemed to include all corporations or other business entities in which The Vanguard Group, Inc. has a significant ownership interest or significant operational or management authority.
2. In responding to each question, please reproduce the question before the answer provided in response. In responding to requests for document production, please state which documents are responsive to which requests.
3. In answering each question, divulge all responsive information and produce all responsive documents of which you and your officers, directors, employees, consultants, attorneys, agents, or other representatives have knowledge, possession, custody, or control.
4. If any facts set forth in your answers are supplied upon information and belief rather than actual knowledge, specifically describe or identify the source of such facts. If, after exercising due diligence to secure the answer, you cannot answer a question in full, state your answer to the fullest extent possible, and state why you are unable to answer the question fully. If the question does not apply to you, indicate that it is not applicable and state why it is not applicable.
5. Whenever a question calls for the identification of a document, include the following information in your answer:
 - a. the date of the document, if one is set forth on the document;

- b. the exact title of the document;
 - c. the exact title of the file folder in which the document is located, if applicable;
 - d. the general subject matter of the document; and
 - e. the current location of the original document and the custodian thereof.
6. If there is a document which was once in your possession but now is not and is relevant to answering any question, identify the document by following the identification procedure set forth in Instruction 5 above.
 7. Whenever the answer to a question is specifically contained within an existing document, you may produce that document in lieu of answering the question, but indicate, where applicable, what portion of the document answers the question.
 8. If you produce documents in response to this Civil Investigative Demand, you must consecutively Bates label all documents.
 9. If any document responsive to this Civil Investigative Demand is withheld under any claim of privilege, you are required to furnish a list identifying each document or portion of a document for which the privilege is claimed, together with the basis on which the privilege is claimed, the author(s) and recipient(s) of each document, and the paragraph or subparagraph of this Civil Investigative Demand to which each withheld document would respond.
 10. If any document responsive to this Civil Investigative Demand has been lost, removed, destroyed, or altered prior to the service of this Civil Investigative Demand, you must:
 - a. describe each document, to the extent known, and the last time and location that the document is known or believed to have existed;
 - b. identify the date, sender(s), recipient(s), subject matter, present location, and location of any copies of each document; and
 - c. identify any person authorizing or participating in any removal, destruction or alteration of each document; the date of such removal, destruction, or alteration; and the method and circumstances of such removal, destruction, or alteration.
 11. Whenever a question calls for the identification of a natural person, state the person's name, telephone number, last known residential and business address, e-mail address, and the business affiliation and title of the person at the time referred to in the question. Whenever a question calls for the identification of a business or organization, identify the persons employed by or representing such business or organization that have knowledge of the matter referred to in the question.
 12. If you refuse to provide information in response to any of the attached demands because it tends to prove you committed a crime or may subject you to fine, penalty, or forfeiture,

you should affirmatively state that is the reason for your refusal to provide information for that demand.

13. A thumb drive or portable external hard drive is preferred for any responsive material that is capable of accurate reproduction in digital format. Secure electronic transfer can be performed either by encrypted email (if less than 25 MB) or via a secured file sharing website with a valid internet certificate. Otherwise, audio tapes are preferred in standard compact disc format; video tapes are preferred in standard DVD format; computer records are preferred on a CD or DVD usable in an IBM compatible personal computer running Windows, and using a standard program such as Excel or Word, or including the application software needed to examine or manipulate the records or information.
14. This is an ongoing Civil Investigative Demand. Respondent is required to supplement the initial response and provide the Attorney General with Documents that are responsive to the requests herein if responsive documents are newly discovered or created after the date of your response.
15. Each document submitted in compliance with this Civil Investigative Demand shall be produced in a manner that clearly identifies the paragraph of the request to which the document is responsive. Copies of original documents shall be legible to the same degree as the original.

DEMAND FOR INFORMATION AND DOCUMENTS

DEMANDS FOR INFORMATION

Topic #1: Vanguard's Advertisements as a "Fiduciary"

Vanguard advertises itself as a "fiduciary." For example, Vanguard publicly describes its approach to climate-related disclosures as follows: "Our approach to evaluating climate-related proposals is grounded in our fiduciary duty to safeguard and grow our clients' assets."¹

1. Produce all Documents in the Relevant Time Period in which:
 - a. Vanguard has described itself, publicly, as a "fiduciary"; and/or
 - b. Vanguard has described itself, to a client or potential client, as a "fiduciary."
2. Produce all Documents in the Relevant Time Period describing the scope or implementation of Vanguard's fiduciary duties, including guidelines, policies, and training materials.
3. Explain what Vanguard means when it says it has a "fiduciary duty to safeguard and grow [its] clients' assets." In particular, explain:

¹ https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/INSSAYC_052021.pdf.

- a. Is Vanguard a fiduciary to all its clients, or only some?
 - i. If only some, which ones, and why?
 - ii. Does Vanguard claim to be a fiduciary to indirect retail investors or employee investors, who invest through institutional investors that are Vanguard’s direct clients?
 - iii. Does Vanguard’s fiduciary duty differ based on whether its clients invest with Vanguard’s internally managed funds, externally managed funds, or Vanguard’s personal advisor services (and if so, how)?
- b. As a fiduciary, does Vanguard act in the *sole* interest of its clients?
 - i. If there are clients for whom Vanguard acts in their sole interest, which clients are these, and why does Vanguard act in their sole interest?
 - ii. If there are clients for whom Vanguard does *not* act in their sole interest, which clients are these, and why does Vanguard *not* act in their sole interest?
- c. How does Vanguard determine its clients’ interests?
 - i. Does Vanguard act in clients’ *financial* interests only?
 - ii. Does Vanguard act in clients’ *non-financial* interests? If so, how does Vanguard identify those interests?
 - iii. What timeframe does Vanguard use when determining clients’ interests? For example, does Vanguard act in clients’ *long-term* interests only, and if so, how long is that term?
- d. As a fiduciary, to what extent does Vanguard make reasonable efforts to verify facts relevant to investments and engagements on behalf of its clients?
 - i. In particular, to what extent does Vanguard verify financial and market data reported by portfolio companies and third-party ESG ratings providers?

Topic #2: Engagements with Companies on Climate Issues

Vanguard has publicly advertised its proxy votes and other engagements with companies relating to ESG Integration Practices or ESG Factors. For example, in investment stewardship reports, Vanguard has stated the number of “environmental/social” proxy votes in which it has participated, as well as the number of companies with which it has engaged regarding “oversight of strategy

and risk.”²

As further examples, Vanguard publicly stated that, in 2021, it engaged with 1,074 companies representing \$3.5 trillion of Vanguard fund equity investments.³ Vanguard also publicly stated that, in 2019, it engaged with 250 companies in “carbon-intensive industries” regarding “climate-related matters.”⁴ Vanguard has identified “climate-related risk” as relevant to its second principle, “oversight of strategy and risk.”⁵ Vanguard has stated that “[t]he oversight of strategy and risk is not an area that frequently manifests itself directly in voting; therefore, we expect companies and their boards to be prepared to engage on this topic.”⁶

In one specific instance, Vanguard described its engagement with Caterpillar, a U.S.-based construction machinery company. According to Vanguard, “During two engagements leading up to the 2022 annual meeting, our team spoke with Caterpillar executives and an independent director about the company’s GHG emissions targets and sought to understand its efforts to improve future disclosure. Notably, the board recommended voting in favor of this proposal, stating that such support would demonstrate its commitment to transparency in climate accountability.”⁷

4. State how many shareholder votes Relating to ESG Integration Practices or ESG Factors You have participated in during the Relevant Time Period.
5. For each vote referenced in Question #4 above:
 - a. Identify the company that was the subject of the vote.
 - b. Produce all Documents and Communications Relating to:
 - i. The vote, and
 - ii. Any applicable voting guidelines in place at the time of the vote.
 - c. State whether the proposal being voted on was a management or shareholder proposal (and, if a shareholder proposal, whether management recommended

² https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/investment_stewardship_semiannual_report_2022.pdf;
https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/inv_stew_2021_annual_report.pdf.

³ <https://corporate.vanguard.com/content/corporatesite/us/en/corp/how-we-advocate/investment-stewardship/stewardship-in-action.html>.

⁴ See https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/ISCLRG_062020.pdf at 1.

⁵ See https://corporate.vanguard.com/content/dam/corp/research/pdf/Global%20investment%20stewardship%20principles_final_112021.pdf at 6-7.

⁶ *Id.*

⁷ See https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/policies-and-reports/investment_stewardship_semiannual_report_2022.pdf at 28.

- voting for or against it).
- d. Explain Your vote and Your basis for it.
 - e. Explain whether Your vote was on behalf of all Your clients, or only some (and if only some, which ones, and why).
 - f. Explain whether Your vote was different on behalf of different Vanguard Funds, or whether Your vote was the same across Vanguard Funds.
 - g. Explain whether and how You notified and sought input from Your clients on how to vote, before the vote.
 - h. Explain whether and how You analyzed, before the vote, whether the vote would be in Your clients' interests, including:
 - i. Whether the vote would be in the interests of all Your clients, or only some;
 - ii. Whether the vote would be in Your clients' *financial* interests, both short-term and long-term;
 - iii. Whether the vote would be in Your clients' *non-financial* interests; and
 - iv. Whether the vote would serve a goal other than Your clients' interests (and if so, which goal or goals).
6. Explain in detail Your engagements with companies (other than shareholder votes) Relating to ESG Integration Practices or ESG Factors, in the Relevant Time Period.
7. For the engagements referenced in Question #6 above:
- a. Identify the companies with which You had these engagements, and state how many engagements You had with each.
 - b. Produce all Documents and Communications Relating to:
 - i. Specific engagements, and
 - ii. Any applicable engagement guidelines in place at the time of the engagements.
 - c. Provide a summary of each engagement, including means of communication used, whether You suggested a course of action for the portfolio company, whether You identified a potential consequence for not taking that course of action, and how the portfolio company responded.
 - d. Explain whether the engagements were on behalf of all Your clients, or only some (and if only some, which ones, and why).

- e. Explain whether Your engagements with a company differed depending on which Vanguard Fund You were acting on behalf of, or whether Your engagements with a company were the same across Vanguard Funds.
 - f. Explain whether and how You notified and sought input from Your clients on whether to have these engagements, before doing so.
 - g. Explain whether and how You analyzed, before the engagements, whether the engagements would be in Your clients' interests, including:
 - i. Whether the engagements would be in the interests of all Your clients, or only some;
 - ii. Whether the engagements would be in Your clients' *financial* interests, both short-term and long-term;
 - iii. Whether the vote would be in Your clients' *non-financial* interests; and
 - iv. Whether the vote would serve a goal other than Your clients' interests (and if so, which goal or goals).
8. As for Your engagements with Caterpillar:
- a. Produce all Documents and Communications Relating to Your engagements with Caterpillar leading up to the 2022 annual meeting.
 - b. State whether You believe Your engagements with Caterpillar influenced the board's recommendation on the proposal at the 2022 annual meeting.
 - c. State whether You voted in favor of the proposal at the 2022 annual meeting.
 - d. Explain in detail Your basis for Your vote on the proposal at the 2022 annual meeting.
 - e. Explain whether Your voting action was on behalf of all Your clients, or only some (and if only some, which ones, and why).
 - f. Explain in detail whether and how You notified and sought input from Your clients on whether to vote for or against the proposal, before doing so.
 - g. Explain in detail whether and how You analyzed, before voting, whether doing so would be in Your clients' interests, including:
 - i. Whether doing so would be in the interests of all Your clients, or only some;
 - ii. Whether doing so would be in Your clients' *financial* interests, both short-term and long-term;
 - iii. Whether doing so would be in Your clients' *non-financial* interests; and

- iv. Whether doing so would serve a goal other than Your clients' interests (and if so, which goal or goals).

Topic #3: Net Zero Asset Managers (“NZAM”)

NZAM’s website lists Vanguard as a signatory and states that signatories “have committed to achieve net zero alignment by 2050 or sooner.”⁸ NZAM’s website shows details of this “Commitment,” including:

- “acknowledg[ing]” that “there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition”;
- “commit[ting]” to three general actions, including “[w]ork[ing] in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management”; and
- stating that “to fulfil these commitments my organization will” do ten specific actions, including “[i]mplement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner.”⁹

Likewise, Vanguard publicly advertises that “[a]s a signatory to the Net Zero Asset Managers initiative (NZAM), Vanguard has pledged to engage with companies, policymakers, and other investment industry participants about the transition to net zero, and to identify the proportion of assets to be managed in line with the attainment of net zero greenhouse gas emissions by 2050 or sooner.”¹⁰

9. As for Your decision to join NZAM:
 - a. State the date on which You became a signatory to NZAM.
 - b. State whether You pledged to fulfill the specific “Commitment” shown on NZAM’s website. If so, state whether Your pledge was subject to any limitations, and describe any such limitations.
 - c. Explain in detail Your reasons for joining NZAM.
 - d. Explain whether You joined NZAM on behalf of all Your clients, or only some.
 - i. If only some, which ones, and why?
 - e. Explain in detail whether and how You notified and sought input from Your clients

⁸ <https://www.netzeroassetmanagers.org/signatories/> (emphasis in original).

⁹ <https://www.netzeroassetmanagers.org/commitment/>;
<http://netzeroassetmanagers.org/media/2021/12/NZAM-Commitment.pdf>.

¹⁰ <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/vanguards-approach-to-net-zero-goals.html>.

on whether to join NZAM, before joining.

- f. For each of the three general actions and ten specific actions listed in the “Commitment” shown on NZAM’s website, explain whether and how You analyzed, before joining, whether the actions would be in Your clients’ interests, including:
 - i. Whether the actions would be in the interests of all Your clients, or only some;
 - ii. Whether the actions would be in Your clients’ *financial* interests, both short-term and long-term;
 - iii. Whether the actions would be in Your clients’ *non-financial* interests; and
 - iv. Whether the actions would serve a goal other than Your clients’ interests (and if so, which goal or goals).
 - g. Produce all Documents and Communications Relating to Your decision to join NZAM.
10. As for Your involvement in NZAM:
- a. Explain in detail Your involvement in NZAM since the date You became a NZAM signatory.
 - b. Explain in detail how You have implemented the three general actions and ten specific actions listed in the “Commitment” shown on NZAM’s website.
 - c. State the specific interim target(s) You set for the proportion of assets under management “to be managed in line with the attainment of net zero emissions by 2050 or sooner,” and Identify the specific Funds You manage that contain any assets being so managed.
 - d. Produce all Documents Relating to how You have implemented the three general actions and ten specific actions listed in the “Commitment” shown on NZAM’s website.
 - e. Produce all Communications between You and any other asset manager Relating to NZAM.

Topic #4: Glasgow Financial Alliance for Net Zero (“GFANZ”)

GFANZ lists Vanguard as a member.¹¹ GFANZ’s website further states that it is “[b]ringing together the financial sector to accelerate the transition to a net-zero economy.”¹² GFANZ’s Task

¹¹ See <https://assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf> at 99.

¹² <https://www.gfanzero.com/>.

Force on Sectoral Pathways, for example, aims “to catalyse successful agreement on net-zero pathways with several major global industries,” prioritizing “hard-to-abate sectors and fossil fuels” and developing “a set of solutions to provide owners of carbon-intensive assets with tools to incentivise and facilitate asset retirement and decarbonisation in line with a science-based net-zero pathway.”¹³ Similarly, GFANZ’s Principals Group and Steering Group recently helped craft a proposed “Managed Phaseout” for “the early retirement of high-emitting assets.”¹⁴

11. As for Your decision to join GFANZ:

- a. State the date on which You joined.
- b. State whether You provided a signature or other formal approval when joining. If so, state whether Your signature or formal approval was subject to any limitations, and describe any such limitations.
- c. Explain in detail Your reasons for joining.
- d. Explain whether You joined on behalf of all Your clients, or only some.
 - i. If only some, which ones, and why?
- e. Explain in detail whether and how You notified and sought input from Your clients on whether to join, before joining.
- f. Explain in detail whether and how You analyzed, before joining, whether doing so would be in Your clients’ interests, including:
 - i. Whether joining would be in the interests of all Your clients, or only some;
 - ii. Whether joining would be in Your clients’ *financial* interests, both short-term and long-term;
 - iii. Whether joining would be in Your clients’ *non-financial* interests; and
 - iv. Whether joining would serve a goal other than Your clients’ interests (and if so, which goal or goals).
- g. Produce all Documents and Communications Relating to Your decision to join.

12. As for Your involvement in GFANZ:

- a. Explain in detail Your involvement.
- b. Explain in detail how You have implemented GFANZ’s goal of “accelerat[ing] the

¹³ See <https://assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf> at 16, 44, 52.

¹⁴ See https://assets.bbhub.io/company/sites/63/2022/06/GFANZ-Managed-Phaseout-of-High-emitting-Assets_June2022.pdf at 3.

transition to a net-zero economy.”

- c. Produce all Documents Relating to how You have implemented GFANZ’s goal of “accelerat[ing] the transition to a net-zero economy.”
- d. Produce all Communications between You and any other asset manager Relating to GFANZ.

Topic #5: *Climate Action 100+*

Climate Action 100+’s website does not list Vanguard as an “investor participant.”¹⁵ Climate Action 100+’s website states that investor participants are “signatories to the initiative and are responsible for direct engagements with focus companies, individually and/or collaboratively.”¹⁶

13. State whether You have considered joining Climate Action 100+. If so:
 - a. Explain in detail Your reasons for not joining Climate Action 100+.
 - b. Explain in detail whether and how You notified and sought input from Your clients on whether to join Climate Action 100+, before deciding not to join.
 - c. Produce all Documents and Communications Relating to Your decision not to join Climate Action 100+.

Topic #6: *Ceres Investor Network on Climate Risk and Sustainability (“Ceres”)*

Ceres lists Vanguard as a network member and states: “We work with our members to advance sustainable investment practices, engage with corporate leaders, and advocate for key policy and regulatory solutions to accelerate the transition to a just, sustainable, net zero emissions economy.”¹⁷ Ceres’ website further states that its “key strategies” include “[c]oordinat[ing] deep stakeholder engagements and dialogue with Ceres network members and our global partners.”¹⁸

As a founding partner of The Investor Agenda, for example, Ceres “has forged a proactive collaboration to pull together and elevate the best investor guidance on tackling the climate crisis and advocate collectively for public policy to accelerate the net-zero transition.”¹⁹ Similarly, Ceres Roadmap 2030 “provides a practical 10-year action plan to help companies strategically navigate this new and ever-changing business reality and thrive in the accelerated transition to a more equitable, just and sustainable economy.”²⁰

¹⁵ <https://www.climateaction100.org/whos-involved/investors/page/18/>.

¹⁶ *Id.*

¹⁷ See <https://www.ceres.org/networks/ceres-investor-network>.

¹⁸ <https://www.ceres.org/about-us>.

¹⁹ See <https://www.ceres.org/climate/investor-agenda>.

²⁰ See <https://roadmap2030.ceres.org/roadmap-glance>.

14. As for Your decision to join Ceres:
- a. State the date on which You joined.
 - b. State whether You provided a signature or other formal approval when joining. If so, state whether Your signature or formal approval was subject to any limitations, and describe any such limitations.
 - c. Explain in detail Your reasons for joining.
 - d. Explain whether You joined on behalf of all Your clients, or only some.
 - i. If only some, which ones, and why?
 - e. Explain in detail whether and how You notified and sought input from Your clients on whether to join, before joining.
 - f. Explain in detail whether and how You analyzed, before joining, whether doing so would be in Your clients' interests, including:
 - i. Whether joining would be in the interests of all Your clients, or only some;
 - ii. Whether joining would be in Your clients' *financial* interests, both short-term and long-term;
 - iii. Whether joining would be in Your clients' *non-financial* interests; and
 - iv. Whether joining would serve a goal other than Your clients' interests (and if so, which goal or goals).
 - g. Produce all Documents and Communications Relating to Your decision to join.
15. As for Your involvement in Ceres:
- a. Explain in detail Your involvement.
 - b. Explain in detail how You have “work[ed] with [Ceres] members to”:
 - i. “advance sustainable investment practices,”
 - ii. “engage with corporate leaders,” and
 - iii. “advocate for key policy and regulatory solutions to accelerate the transition to a just, sustainable, net zero emissions economy.”
 - c. Explain in detail how You have implemented Ceres' key strategy of “deep stakeholder engagements and dialogue.”
 - d. Produce all Documents Relating to Your involvement in the Ceres Investment

Network.

- e. Produce all Communications between You and any other asset manager Relating to the Ceres Investment Network.

Topic #7: *Principles for Responsible Investment (PRI)*

PRI's website lists Vanguard as an investment manager signatory.²¹ According to PRI, signatories "publicly commit to adopt and implement" six "Principles" where "consistent with fiduciary responsibilities":

- (1) "incorporate ESG issues into investment analysis and decision-making processes,"
- (2) "be active owners and incorporate ESG issues into our ownership policies and practices,"
- (3) "seek appropriate disclosure on ESG issues by the entities in which we invest,"
- (4) "promote acceptance and implementation of the Principles within the investment industry,"
- (5) "work together to enhance our effectiveness in implementing the Principles," and
- (6) "report on our activities and progress towards implementing the Principles."²²

16. As for Your decision to sign on to PRI:

- a. State the date on which You signed.
- b. State whether Your signing was subject to any limitations, and describe any such limitations.
- c. Explain in detail Your reasons for signing.
- d. Explain whether You signed on behalf of all Your clients, or only some.
 - i. If only some, which ones, and why?
- e. Explain in detail whether and how You notified and sought input from Your clients on whether to sign, before signing.
- f. Explain in detail whether and how You analyzed, before signing, whether doing so would be in Your clients' interests, including:
 - i. Whether doing so would be in the interests of all Your clients, or only some;

²¹ <https://www.unpri.org/signatory-directory/the-vanguard-group-inc/1865.article>.

²² <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>.

- ii. Whether doing so would be in Your clients' *financial* interests, both short-term and long-term;
 - iii. Whether doing so would be in Your clients' *non-financial* interests; and
 - iv. Whether doing so would serve a goal other than Your clients' interests (and if so, which goal or goals).
- g. Produce all Documents and Communications Relating to Your decision to sign.

17. As for Your involvement in PRI:

- a. Explain in detail Your involvement.
- b. Explain in detail how You have “adopt[ed]” each of the six Principles.
- c. Explain in detail how You have “implement[ed]” each of the six Principles.
- d. In particular, explain in detail how You have “work[ed] together” with other PRI signatories “to enhance [Y]our effectiveness in implementing the Principles.”
- e. Produce all Documents Relating to Your involvement in PRI.
- f. Produce all Communications between You and any other asset manager Relating to PRI.

Topic #8: *Sustainability Accounting Standards Board (“SASB”), Task Force on Climate-related Financial Disclosures (“TCFD”), and the International Sustainability Standards Board (“ISSB”)*

The Sustainability Accounting Standards Board (“SASB”) listed Vanguard as an investor advisory group member.²³ SASB stated that “sustainability issues are global business issues that impact the financial condition, operating performance, and enterprise value of companies” and “[e]ffectively managing these issues over the long-term is likely to improve business performance in the form of reduced operating costs, enhanced reputation, greater resilience to risks, the potential for competitive advantage, and increased long-term enterprise value.”²⁴ SASB described its investor advisory group as being “comprised of leading global asset owners, asset managers, and investment intermediaries who recognized the need for consistent, comparable, and reliable disclosure of financially-material, decision-useful environmental, social, and governance information to investors.”²⁵ Vanguard itself has stated, “The Sustainability Accounting Standards Board produces useful industry-specific, materiality-oriented sustainability disclosure

²³ See <https://www.sasb.org/investor-use/supporters/>.

²⁴ <https://www.sasb.org/about/>.

²⁵ <https://www.sasb.org/investor-use/supporters/>.

standards.”²⁶

Vanguard also has publicly stated, “We support the framework created by the Task Force on Climate-related Financial Disclosures for disclosing strategy, risk management, governance, metrics, and targets.”²⁷

Vanguard also provided comments to the International Sustainability Standards Board (“ISSB”) on its draft proposals for company financial reporting.²⁸ Vanguard recommended that the ISSB’s anticipated sustainability standards should incorporate only a financial materiality (a/k/a single materiality) standard, which would only require companies to disclose risks and opportunities that materially affect those companies’ financial performance. Other entities submitted comments advocating for a double materiality standard that requires companies to disclose other risks and opportunities that materially affect interests other than financial performance. Still other entities submitted comments advocating for a hybrid materiality standard.

18. As for Your decision to join the SASB investor advisory group:

- a. State the date on which You joined.
- b. State whether You provided a signature or other formal approval when joining. If so, state whether Your signature or formal approval was subject to any limitations, and describe any such limitations.
- c. Explain in detail Your reasons for joining.
- d. Explain whether You joined on behalf of all Your clients, or only some.
 - i. If only some, which ones, and why?
- e. Explain in detail whether and how You notified and sought input from Your clients on whether to join, before joining.
- f. Explain in detail whether and how You analyzed, before joining, whether doing so would be in Your clients’ interests, including:
 - i. Whether joining would be in the interests of all Your clients, or only some;
 - ii. Whether joining would be in Your clients’ *financial* interests, both short-term and long-term;

²⁶ https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/ISCLRG_062020.pdf.

²⁷ https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/perspectives-and-commentary/ISCLRG_062020.pdf at 3.

²⁸ See <https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/exposure-draft-comment-letters/t/the-vanguard-group--inc--c88c90dd-5fe4-4d6e-840e-43df74326f3a/issb-vanguardresponse.pdf>.

- iii. Whether joining would be in Your clients' *non-financial* interests; and
 - iv. Whether joining would serve a goal other than Your clients' interests (and if so, which goal or goals).
- g. Produce all Documents and Communications Relating to Your decision to join.
19. As for Your involvement in SASB:
- a. Explain in detail Your involvement.
 - b. Explain in detail how You implemented the SASB Standards.
 - c. Produce all Documents Relating to how You implemented the SASB Standards.
 - d. Produce all Communications between You and any other asset manager Relating to SASB.
20. As for Your support of the TCFD framework:
- a. Explain in detail Your reasons for “support[ing] the framework created by” the TCFD.
 - b. Explain in detail whether and how You notified and sought input from Your clients on whether to support the TCFD framework.
 - c. Explain in detail how You have implemented the TCFD framework.
 - d. Produce all Documents Relating to how You have implemented the TCFD framework.
 - e. Produce all Communications between You and any other asset manager Relating to the TCFD framework.
21. As for Your interactions with the ISSB or other similar bodies:
- a. Produce all letters, comments, and testimony You provided to any governmental regulator or other financial reporting standards promulgating body Related to whether companies should be required to abide by a financial materiality, double materiality, or hybrid materiality standard.
 - b. Explain why Vanguard advocated for the ISSB to adopt a single materiality reporting standard, rather than a double materiality or hybrid materiality reporting standard.
 - c. To the extent You believe any specific industry or sector must report on climate change effects, greenhouse gas emissions, or other environmental and/or social issues as part of its financial materiality reporting obligations, identify those specific industries or sectors and why You believe those issues rise to the financial

materiality standard.

Topic #9: Verification of Facts Relevant to Investments and Engagements

Vanguard has publicly stated that it “has pledged to engage with companies, policymakers, and other investment industry participants about the transition to net zero, and to identify the proportion of assets to be managed in line with the attainment of net zero greenhouse gas emissions by 2050 or sooner.”²⁹ Vanguard has further stated that, as of April 2022, \$290 billion, or 17% of Vanguard’s \$1.7 trillion in actively managed assets under management, are invested in a manner that aligns with achieving net-zero emissions by 2050 or sooner.”³⁰

22. Explain whether You believe governmental regulators across the world will impose requirements on businesses which are intended to achieve “net zero” no later than 2050. In addition:
 - a. Explain in detail the basis for Your belief.
 - b. Explain in detail whether and how You have considered indications that some governmental regulators may *not* impose requirements on businesses which are intended to achieve “net zero” by 2050, such as:
 - i. Gaps between what governments have pledged to do and what further pledges would be needed to achieve “net zero”;³¹
 - ii. Gaps between what governments have pledged to do and what they actually have done;³²
 - iii. Possible changes in political administrations in the United States and elsewhere; and
 - iv. Possible geopolitical considerations, such as energy security, that may conflict with policymakers’ “net zero” goals.
23. Produce all Documents and Communications Relating to Your views on whether governmental regulators across the world will impose requirements on businesses which are intended to achieve “net zero” by 2050.
24. Explain whether You believe that, even if governmental regulators do not impose

²⁹ <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/vanguards-approach-to-net-zero-goals.html>.

³⁰ *Id.*

³¹ The International Energy Agency has noted this problem. See <https://iea.blob.core.windows.net/assets/aa17bd09-2ad0-4d0a-b5aa-ee418900c4af/Theimpactsofnewemissionspledgesonlongtermtemperatures.pdf> at 7–8.

³² The International Energy Agency has noted this problem too. See <https://iea.blob.core.windows.net/assets/aa17bd09-2ad0-4d0a-b5aa-ee418900c4af/Theimpactsofnewemissionspledgesonlongtermtemperatures.pdf> at 7.

requirements on businesses which are intended to achieve “net zero” by 2050, it is still in Your clients’ interests for You to push companies toward this goal. In addition:

- a. Explain in detail the basis for this belief.
 - b. Explain in detail whether and how You have analyzed whether, assuming governmental regulators do not impose requirements on businesses which are intended to achieve “net zero” by 2050, Vanguard’s pushing companies toward this goal is still in Your clients’ interests, including:
 - i. Whether Vanguard’s pushing companies toward this goal is in the interests of all Your clients, or only some;
 - ii. Whether Vanguard’s pushing companies toward this goal is in Your clients’ *financial* interests, both short-term and long-term;
 - iii. Whether Vanguard’s pushing companies toward this goal is in Your clients’ *non-financial* interests; and
 - iv. Whether Vanguard’s pushing companies toward this goal serves a purpose other than Your clients’ interests (and if so, which purpose or purposes).
25. Produce all Documents and Communications Relating to Your views on whether, assuming governmental regulators do not impose requirements on businesses which are intended to achieve “net zero” by 2050, it is still in Your clients’ interests for Vanguard to push companies toward this goal.

Topic #10: Funds Specifically Advertised as Using ESG Factors

Vanguard specifically advertises certain Funds as using ESG Factors. For example, Vanguard advertises “ESG funds” that offer “a way for you to invest in funds that consider environmental, social, and governing issues.”³³ Vanguard summarizes six such ESG funds as follows: “Most of our funds are indexed and follow an exclusionary strategy that omits companies that don’t meet certain ESG criteria. We currently have one active fund with an inclusionary strategy that includes companies making strides towards ESG practices, and one fund that’s designed to support investors seeking actively managed global equity refunds along with measurable impact on environmental and social challenges.”³⁴

26. Explain in detail the financial performance, during the Relevant Time Period, of Funds that Vanguard has specifically advertised as using ESG Factors. In addition, explain in detail how that performance has compared with the financial performance of other Funds offered by Vanguard during the Relevant Time Period.
27. Produce all Documents and Communications supporting or otherwise Relating to Your

³³ <https://investor.vanguard.com/investment-products/esg>.

³⁴ <https://investor.vanguard.com/investment-products/esg>.

answer to Question #26 above.

28. Explain in detail the fees charged by Vanguard, during the Relevant Time Period, for Funds that Vanguard has specifically advertised as using ESG Factors. In addition, explain in detail how those fees have compared with the fees charged by Vanguard for other Funds offered by Vanguard during the Relevant Time Period.
29. Produce all Documents and Communications supporting or otherwise Relating to Your answer to Question #28 above.

Topic #11: Other Requests

30. Identify all of Your divisions, groups, offices, and/or business segments whose responsibilities, at any time during the Relevant Time Period, Related to ESG Integration Practices and/or ESG Factors.
 - a. Identify all leader(s) of each division, group, office, and/or business segment listed in Your answer.
 - b. In addition, Identify all individuals who, at any time during the Relevant Time Period, have held leadership roles in Your organization with responsibilities Related to ESG Integration Practices and/or ESG Factors.
31. Vanguard released an internal analysis report, “The Economics of Climate Change.”³⁵
 - a. Identify all Vanguard analysts who helped draft this report.
 - b. Produce copies of all materials identified in the references on pages 18-19 of this report.
32. Produce all Documents, including organizational charts or corporate directories, sufficient to show Your corporate organizational structure and the lines of reporting during the Relevant Time Period.
33. Produce all antitrust-related guidelines, policies, and training materials that You had in place or used during the Relevant Time Period.
34. Explain in detail whether and how You changed or altered Your ESG Integration Practices as a result of the United States’ November 4, 2019 notice of intention to withdraw from the Paris Agreement on climate change.
 - a. Explain in detail Your reasons for any change or alteration, or if there was no change or alteration, for the absence thereof.
35. State whether You have used an investment analysis platform (or other investment analysis

³⁵https://corporate.vanguard.com/content/dam/corp/research/pdf/the_economics_of_climate_change.pdf.

software or data) provided by a third-party asset manager (such as BlackRock's Aladdin). If so, Identify:

- a. Each third-party asset manager involved;
 - b. The Portfolio Companies You evaluated in any manner using the platform (or software or data); and
 - c. The compensation or other consideration You provided in exchange for the use of such platform (or software or data).
36. Produce all Documents Relating to Your internal ESG analysis criteria and all ESG analyses, whether complete or incomplete, conducted by Vanguard of any Portfolio Company during the Relevant Time Period.
37. Produce all Documents, Communications, and Research Relating to the effects of reduced investment in oil, gas, fossil fuel, or other energy sources, including, without limitation, effects on supply, production, energy prices, profits, and investment returns. This Request includes, but is not limited to, all Documents and Communications Relating to:
- a. the effects of NZAM's activities on oil, gas, fossil fuel, or other energy sources, including effects on supply, production, energy prices, profits, and investment returns;
 - b. the effects of GFANZ's activities on oil, gas, fossil fuel, or other energy sources, including effects on supply, production, energy prices, profits, and investment returns;
 - c. the effects of Climate Action 100+'s activities on oil, gas, fossil fuel, or other energy sources, including effects on supply, production, energy prices, profits, and investment returns;
 - d. the effects of Ceres' activities on oil, gas, fossil fuel, or other energy sources, including effects on supply, production, energy prices, profits, and investment returns; and
 - e. the effects of PRI's activities on oil, gas, fossil fuel, or other energy sources, including effects on supply, production, energy prices, profits, and investment returns.
38. Identify all third-party Persons with whom You have Communicated during the Relevant Time Period Relating to ESG Integration Practices and/or ESG Factors, including without limitation:
- a. Competitors (including other asset managers or investment firms);
 - b. Portfolio Companies;

- c. Other shareholders of Your Portfolio Companies;
 - d. Governmental agencies or officials;
 - e. Nongovernmental organizations, public interest organizations, or charitable organizations;
 - f. Political action committees, political parties, advocacy groups, or trade associations;
 - g. ESG ratings organizations or companies that provide ESG-related data to asset managers;
 - h. Consultants, lobbyists, agents, or contractors;
 - i. Financial institutions;
 - j. Your clients and investors; and
 - k. The general public.
39. Produce all Communications during the Relevant Time Period between You and any third-party Person Relating to ESG Integration Practices and/or ESG Factors. Such Persons include, without limitation:
- a. Competitors (including other asset managers or investment firms);
 - b. Portfolio Companies;
 - c. Other shareholders of Your Portfolio Companies;
 - d. Governmental agencies or officials;
 - e. Nongovernmental organizations, public interest organizations, or charitable organizations;
 - f. Political action committees, political parties, advocacy groups, or trade associations;
 - g. ESG ratings organizations or companies that provide ESG-related data to asset managers;
 - h. Consultants, lobbyists, agents, or contractors;
 - i. Financial institutions;
 - j. Your clients and investors; and
 - k. The general public.

40. Produce all Communications during the Relevant Time Period between or among Your employees (or officers, directors, or other representatives) Relating to ESG Integration Practices and/or ESG Factors.
41. Produce all Documents and Communications during the Relevant Time Period Relating to ESG Integration Practices and/or ESG Factors, to the extent You believe such Documents or Communications are not encompassed in the above Requests.
42. State whether Vanguard has been a defendant in any civil action during the Relevant Time Period in which a material issue was Vanguard's adoption, promotion, or use of ESG Integration Practices or ESG Factors in its asset management operations. If so, for each such action, describe the subject matter, the venue in which it was commenced, the status and, if applicable, the outcome.
43. Describe in detail Your policies and procedures Relating to the retention and destruction of documents, and describe any action undertaken upon receipt of this Civil Investigative Demand to ensure that all responsive documents will be retained and not destroyed.
 - a. In addition, produce Your retention policies in effect during the Relevant Time Period Relating to Documents and Communications.

There is a continuing obligation to disclose pursuant to this CID.

VERIFICATION

I, _____, am employed by The Vanguard Group, Inc. as a _____, and I am authorized to give this Verification on its behalf. I execute this verification and state the following under penalty of perjury under the laws of the Commonwealth of Kentucky.

I have read The Vanguard Group, Inc.'s objections and responses to the Civil Investigative Demand and Subpoena issued on _____, 2022, and state that the factual matters set forth in the responses are true, correct, and complete to the best of my knowledge, information and belief.

Further, I certify that records and documents produced herein were made at or near the time of the occurrence of the matters set forth by, or from information transmitted by, a person with knowledge those matters, and were made and maintained as a regular practice in the course of the regularly conducted business activities.

Signature: _____

STATE OF _____

COUNTY OF _____

Subscribed, sworn to and acknowledged before me by _____ (name), _____ (title), on behalf of _____ on _____, _____.

My commission expires: _____

Signature: _____

Print Name: _____

Title: _____