

Executive compensation and shareholder proposal on lobbying disclosure at Charter Communications

June 2023

Company: Charter Communications Inc. (Charter Communications)

Meeting date: April 25, 2023

Proposal: Item 2—Advisory vote on executive compensation; Item 3—Advisory vote on the frequency of holding an advisory vote on executive compensation; Item 5—Stockholder proposal regarding lobbying activities

How the funds voted

At the annual meeting of Charter Communications, a U.S. telecommunications and mass media conglomerate, the Vanguard-advised funds¹ did not support the company's Say on Pay proposal and supported an annual cadence for the advisory vote on Say on Pay frequency. The Say on Pay vote passed with 71% support from shareholders; 51% of shareholders approved a three-year frequency for Say on Pay.

In addition, the funds supported a shareholder proposal requesting disclosure related to lobbying activities. The proposal failed to pass, with 32% support from shareholders.

Vanguard's principles and policies

We believe that performance-linked executive compensation policies and practices are fundamental drivers of sustainable, long-term value. On behalf of the Vanguard-advised funds, the Investment

Stewardship team employs a structured, case-by-case approach to evaluating executive compensation plans.

We look for pay plans that incentivize outperformance versus industry peers over the long term, aligning executive compensation outcomes with shareholder outcomes. Using a relative metric can help ensure that performance is measured appropriately relative to peers. If a company is performing poorly but doing better than a subset of its peers, its executives would be appropriately rewarded.

When absolute metrics are included in a plan, we seek disclosure to help us understand how this pay design maintains alignment between relative pay and performance. All metrics, whether relative or absolute, should be set at rigorous but achievable objectives, with total pay targets set at reasonable and competitive market levels. To emphasize the long-term focus of pay plans, compensation or remuneration committees should consider incorporating performance metrics that align with long-term corporate strategy and performance. In addition, the funds will generally support management proposals to put Say on Pay to an annual vote as opposed to a vote every two or three years.

Finally, we believe that boards are responsible for oversight of a company's long-term strategy and material risks. Vanguard's Investment Stewardship team regularly assesses how well a board of directors

¹ Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" and "the funds" are used to refer to Vanguard's Investment Stewardship program and Vanguard-advised funds, respectively.

understands its company's strategy and the board's own role in identifying, mitigating, and disclosing material risks. Investors benefit when the market has clear, decision-useful disclosure of material risks, including any environmental, social, or governance risks. Clear, consistent, and comparable disclosure can better enable pricing of material risks into securities, a key feature of a healthy and efficient stock market upon which investors depend.

If we identify gaps in company disclosure or potential disconnects between disclosure and a company's long-term strategy, the Vanguard-advised funds may vote in favor of proposals calling for greater disclosure or oversight of material risks.

Analysis and voting rationale

At its 2023 annual meeting, Charter Communications requested ratification of Say on Pay (an advisory vote on the company's executive compensation plan) and sought a vote on Say on Pay frequency. We engaged with company executives and an independent director ahead of the meeting to discuss the board's perspective on the executive compensation plan's structure, use of relative metrics, and frequency of Say on Pay advisory votes. In our engagement, we emphasized that when evaluating executive compensation, we focus on alignment between pay and performance, a structure that supports this outcome through long-term performance-conditioned pay, and reasonable magnitude of total compensation relative to peers. Through these discussions and our own analysis, we determined that the overall structure of the company's plan may be less likely to drive pay-for-performance alignment, given the total magnitude of compensation relative to Charter's peers. As such, the funds did not support the Say on Pay proposal.

In addition, the funds supported a one-year cadence for the advisory vote on Say on Pay frequency. We believe an annual vote maximizes the opportunity for shareholders to provide feedback on compensation structures and outcomes.

In our engagement with company leaders, we also discussed the additional corporate political activity disclosures released in response to corporate political activity shareholder proposals that the company

received at its 2022 and 2021 annual meetings. Based on our engagement with Charter Communications leaders and our review of the company's existing disclosures, we believe that the company's reporting did not sufficiently detail the board's oversight of corporate political activities. We observed that the company's existing disclosures lagged those of its peers in terms of transparency into governance processes, oversight policies, and trade association memberships. The lack of adequate disclosures of the company's approach to and oversight of political activities limits investors' ability to assess associated risks. We observe that there may be material risks to long-term shareholder value when a company's lobbying activities do not align with its publicly stated positions and/or business strategy.

In 2021 and 2022, the Vanguard-advised funds supported the shareholder proposal requesting a report on the company's oversight of lobbying activities. We believe that the board continues to have an opportunity to enhance disclosures surrounding its oversight of corporate political activities. We believe that it is in the best interests of shareholders for a company to provide disclosures that enable shareholders to understand risks that are material to a company and how the board oversees such risks.

What we look for from companies on this matter

The funds generally look for companies to give shareholders a voice by presenting executive pay proposals to shareholders at every annual meeting. In evaluating plans, we look for the compensation committee to consider pay-for-performance alignment, long-term focus, and a structure that promotes rigor and outperformance. Special awards or large short-term incentives may emphasize a short-term focus over long-term value creation.

We also look for companies and their boards to enhance disclosure related to oversight and management of a company's material risks, including corporate political activity when it is a material risk. Market norms, regulations, and investor expectations are evolving toward greater levels of disclosure, and Vanguard, through our engagements and proxy voting, will continue to seek relevant, decision-useful disclosures related to material risks.

Vanguard publishes Investment Stewardship Policy and Voting Insights to promote good corporate governance practices and to provide public companies and investors with our perspectives on important governance topics and key votes. This is part of our growing effort to enhance disclosure of Vanguard's investment stewardship voting and engagement activities. We aim to provide additional clarity on Vanguard's stance on governance matters beyond what a policy document or a single vote can do. Insights should be viewed in conjunction with the most recent region- and country-specific voting policies.

The funds for which Vanguard acts as investment advisor (Vanguard-advised funds) retain the authority to vote proxies that the funds receive. To facilitate the funds' proxy voting, the boards of the Vanguard-advised funds have adopted Proxy Voting Procedures and Policies that reflect the fund boards' instructions governing proxy voting. The boards of the funds that are advised by managers not affiliated with Vanguard (external managers) have delegated the authority to vote proxies related to the funds' portfolio securities to their respective investment advisor(s). Each external manager votes such proxies in accordance with its own proxy voting policies and procedures, which are reviewed and approved by the fund board annually. The Vanguard Group, Inc., has not been delegated proxy voting authority on behalf of the Vanguard-advised funds.

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