


CASE STUDY FOR CONGRESS: VANGUARD & FTSE RUSSELL

HOW
WALL STREET
FUNDS
THE CCP & PLA

WITH U.S. INVESTOR CAPITAL


OCTOBER 2023

WHAT THEY'RE SAYING



"China continues to exploit America's capital markets, and firms like Vanguard help make that possible by funneling American dollars to Chinese companies. Put another way, retirees, union workers, military service members, and others are unknowingly funding companies using slave labor, stealing our jobs, and building weapons to destroy our military. Exposing these unpatriotic investment patterns is the first step to bringing some commonsense back to our laws."

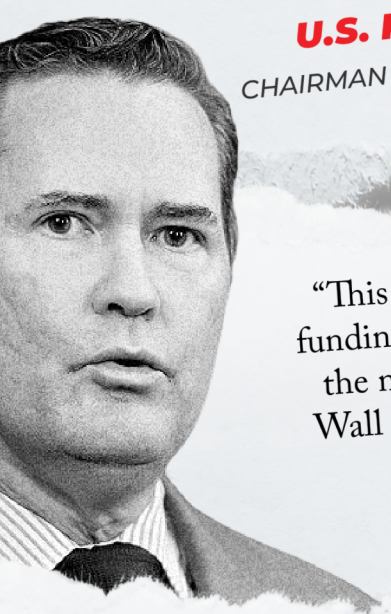
SENATOR MARCO RUBIO (R-FL)



"This report underscores Wall Street's addiction to funding malign Chinese companies that are enabling the CCP's military and economic threats to U.S. and our allies. It's clear that Wall Street will continue to use American investor dollars to underwrite the CCP's military aggression and human rights abuses unless Congress acts."

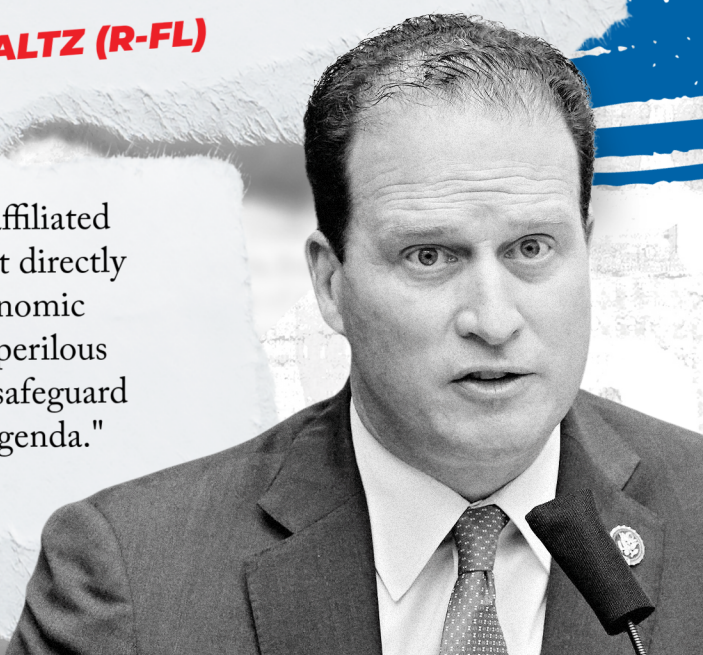
U.S. REP. MIKE GALLAGHER (R-WI)

CHAIRMAN OF THE HOUSE SELECT COMMITTEE ON THE CCP



"This report underscores the severity of the problem of Wall Street actively funding CCP companies that are directly aiding China's actions that threaten the national and economic security of the U.S. and our allies. It's clear that Wall Street will continue to use American investor dollars to fund the CCP, which is why Congress must act."

U.S. REP. MIKE WALTZ (R-FL)



"The urgency of addressing Wall Street's support for CCP-affiliated enterprises cannot be overstated. By financing companies that directly bolster China's actions and endanger the national and economic interests of the U.S. and its allies, Wall Street perpetuates a perilous cycle. It is imperative for Congress to take decisive action to safeguard American investments from further bolstering the CCP's agenda."

U.S. REP. AUGUST PFLUGER (R-TX)

EXECUTIVE SUMMARY

The Vanguard Group has become one of the People's Republic of China's (PRC) leading financial backers and business partners. The biggest three asset managers in the world are Vanguard, Blackrock and State Street. Blackrock and State Street have received public criticism for their China investment practices. Vanguard has largely escaped scrutiny, but our analysis causes the Coalition for a Prosperous America to believe that Vanguard is investing American capital in Chinese companies at a level and breadth that is unmatched in the United States. The extent of the company's involvement in China may surprise American investors who have placed their savings and trust in the company.

Vanguard has invested tens of billions of dollars across more than two thousand China "A-share" equities traded on mainland stock exchanges. Each of these stocks is non-compliant with American regulatory and accounting standards designed to protect investors. Some stocks are in military-controlled companies that are building advanced weapons systems ahead of a potential conflict with the United States and/or our allies. Others are in companies sanctioned by the federal government for human rights abuses against ethnic minorities. Engaged in malign activities, these Chinese corporate "bad actors" may call into question the fiduciary responsibility of U.S. fund managers who invest in their securities.

CPA has identified the following holdings in Vanguard's flagship emerging markets index fund:¹

- 60 subsidiaries of Chinese Military Industrial-Complex Companies (CMIC);
- 56 subsidiaries of Chinese Military Companies operating in the United States to obtain advanced technologies and expertise in support of the People's Liberation Army's (PLA) modernization goals;
- 20 companies denied access to U.S. technology because they are deemed a "Military End Users" (MEU) or other Chinese entity attempting to acquire items in support of the PLA's modernization program;²
- 8 Chinese companies excluded from U.S. commercial markets for violating the Uyghur Forced Labor Prevention Act (UFLPA); and
- Numerous Chinese companies specializing in **quantum information technologies, artificial intelligence, and microelectronics**, the enhanced capability of which a new Presidential Executive Order calls "an unusual and extraordinary threat to the national security of the United States."³

CPA provides specific examples of China's military-controlled companies held by Vanguard. Lists of Chinese companies denied access to U.S. technology and UFLPA offenders are likewise provided.

¹ Vanguard FTSE Emerging Markets ETF.

² Total includes MEUs and Chinese Entity List companies that are subject to specific license requirements for the export, reexport and/or transfer (in-country) of specified items on national security grounds.

³ The White House, "Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern," August 9, 2023.

CPA examines a Vanguard joint venture with Ant Financial Group that was approved by the Chinese government. The deal coincided with the asset manager's accelerated purchases of A-shares listed on mainland exchanges. The timing suggests that Vanguard's investment decisions may have been influenced by its broader business operations inside – and alongside – the PRC.

Vanguard index funds exclude a narrow set of Chinese companies that are expressly restricted by the federal government, but CPA found no evidence that the fund manager seeks to remove many other known national security threats and/or human rights abusers. Suggested questions for Vanguard are posed in the conclusion of this case study.

WHY CPA ISSUED THIS CASE STUDY FOR CONGRESS

The Coalition for a Prosperous America seeks to enrich and elevate the public policy debate over government restrictions on U.S. investor capital funding national and economic security threats to America and human rights violations in China. The findings of this report demonstrate how Vanguard and its index provider, FTSE Russell, are a large part of the problem. The report also presents a possible business rationale for Vanguard and FTSE Russell to place so many Chinese corporate bad actors into the investment funds of tens of millions of average Americans.

A weak public policy response by the U.S. government has allowed greed within the asset management industry to supersede urgent American investor protection, national security, and human rights concerns. CPA exposes this long-festering, structural problem and encourages urgent congressional actions.

THE VANGUARD GROUP

The Vanguard Group has roughly \$8 trillion in global assets under management (AUM), making it the world's second largest asset manager and single largest mutual fund provider. Since its founding nearly fifty years ago, the Pennsylvania-based investment advisor has promoted itself as a customer-owned company that helps American retail customers avoid high fees.

Vanguard claims to be “different” because it is “the investment company owned by people like you.”⁴ “People like you,” however, may be surprised by Vanguard's activities in China. The Vanguard of today might have even surprised Jack Bogle, the company's esteemed, late founder and a critic of unnecessary risk-taking overseas.⁵

Investing in foreign markets can be a force for good, but not when the companies included in investment products are engaged in activities misaligned with the welfare of the American people. CPA believes our country's national security, fundamental values, investor protection, and economic

⁴ Vanguard homepage.

⁵ See John Rekenhaller, “Bogle Had a Point on International Stocks,” Morningstar.com, April 10, 2020, available at <https://www.morningstar.com/stocks/bogle-had-point-international-stocks>.

well-being should always take precedence over short-term profits – and be a required exception to our national policy of encouraging the "free flow of capital".

This study illustrates how far parts of Wall Street have strayed from this prudent and necessary market standard, and why Congress must step in. For too long America's national security has been compromised by irresponsible greed and a calloused disregard for human rights. *In CPA's view, there is a lack of diligence and understanding on Wall Street of the risks illuminated by this case study.*

RESEARCH METHOD

The central findings of this report are based on publicly available information. CPA reviewed the Vanguard FTSE Emerging Markets ETF (ticker: VWO) stock holdings as of its last available reporting date.⁶ CPA then compared the underlying companies to the Treasury Department's Consolidated Sanctions List and the Commerce Department's Consolidated Screening List. The U.S. government regularly updates these databases with notices in the Federal Register.

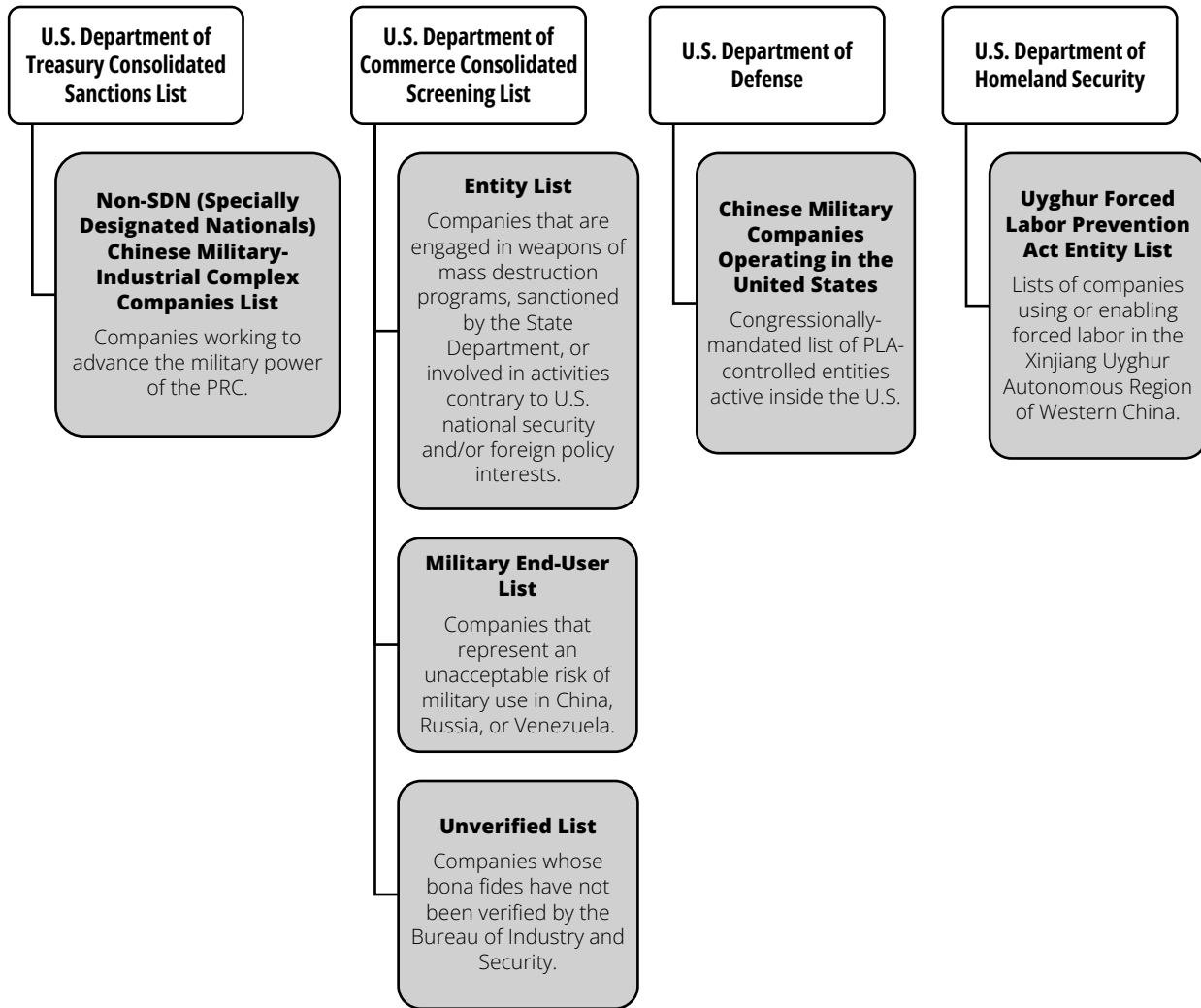
CPA similarly compared the Vanguard holdings with two Chinese bad actor lists mandated by Congress. Companies on the Uyghur Forced Labor Prevention Act Entity List are published on the Department of Homeland Security (DHS) website.⁷ The Defense Department posts its list of Chinese Military Companies operating in the United States online.⁸

⁶ The last available reporting date was July 31, 2023. Open-ended funds registered with the Securities Exchange Commission must disclose their holdings quarterly.

⁷ U.S. Department of Homeland Security, UFLPA Entity List," Updated August 1, 2023, <https://www.dhs.gov/uflpa-entity-list>.

⁸ See U.S. Department of Defense, "DOD Releases List of People's Republic of China (PRC) Military Companies in Accordance With Section 1260H of the National Defense Authorization Act for Fiscal Year 2021," October 5, 2022, <https://www.defense.gov/News/Releases/Release/Article/3180636/dod-releases-list-of-peoples-republic-of-china-prc-military-companies-in-accord/>.

CPA COMPARED VANGUARD HOLDINGS AGAINST U.S. SANCTIONS LISTS



CPA also screened for *subsidiaries* of Chinese Military Industrial-Complex Companies officially determined to “operate or have operated in the defense and related materiel sector or the surveillance technology sector of the economy of the PRC”⁹. This subgroup is significant because CMICs are the only Chinese entities restricted from U.S. investment funds in practice. The ban does not affect CMIC subsidiaries, a network of enterprises that can raise capital for sanctioned parent companies through Vanguard funds and other pooled investment vehicles.

⁹ E.O. 14032, amending E.O. 13959, established the Treasury Department’s NS-CMIC List on June 3, 2021. The E.O. text is accessible at: <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/03/executive-order-on-addressing-the-threat-from-securities-investments-that-finance-certain-companies-of-the-peoples-republic-of-china/>

Corporate relationships are visible using open-source intelligence tools and, when properly disclosed in company filings, industry-standard financial data platforms. The federal government has also documented the affiliates of current and former CMICs. The State Department, in the final days of the Trump Administration, published the names and stock tickers (when applicable) of more than 1,100 subsidiaries of Communist Chinese Military Companies (CCMCs) listed under Executive Order (E.O.) 13959.¹⁰ A subsequent E.O. by the Biden Administration (E.O. 14032) amended the order, creating a narrower list of proscribed companies.¹¹

CPA limited the scope of this report to corporate bad actors specifically named by the federal government. Emerging markets index funds also hold “sanctionable” companies – Chinese entities that are linked to the PLA but have so far avoided penalty. Far from exhaustive, the findings outlined below address the wider problem of hostile Chinese publicly traded enterprises funded by U.S. investment portfolios. They are but a starting point to shed light on this deeply troubling behavior of leading Western asset managers.

THE INDEX FUND OLIGOPOLY

The world’s largest index funds are dominated by an oligopoly with substantial influence over global capital markets and their regulators. The “Big Three” asset managers are Vanguard, BlackRock, and State Street.¹² They have more than \$20 trillion in combined assets under management – a sum greater than the gross domestic product of every single nation but the United States.¹³

Vanguard’s foreign stock funds use indexes by FTSE Russell of the London Stock Exchange Group. State Street’s main emerging markets fund follows an S&P Dow Jones index, while BlackRock tracks the MSCI Emerging Markets Index, an industry standard benchmark.

Vanguard manages the world’s largest emerging markets Exchange-Traded Fund (ETF). The Vanguard FTSE Emerging Markets ETF has more than \$70 billion in assets under management. A mutual fund version, the Vanguard Emerging Markets Stock Index Fund, has about \$100 billion in AUM.¹⁴

Vanguard also manages international funds with both developed and emerging markets equities. The Vanguard Total International Stock Index Fund, with nearly \$400 billion in AUM, provides global ex-U.S. exposure for the “Target Retirement” line of products found in 401(k)s and other defined

¹⁰ U.S. Department of State, “Communist Chinese Military Companies Listed Under E.O. 13959 Have More Than 1,100 Subsidiaries,” January 14, 2021, <https://2017-2021.state.gov/communist-chinese-military-companies-listed-under-e-o-13959-have-more-than-1100-subsidiaries/index.html>. The Treasury Department noted that E.O. 13959 prohibited U.S. persons, including index funds, from investing in CCMCs as well as their majority-owned subsidiaries and controlled entities. The prohibition on CCMC subsidiary investments is not enforced.

¹¹ E.O. 14032 amended E.O. 13959 and changed the name from CCMC to CMIC – a change in nomenclature and slight definitional scope to the tranche of companies listed on the Non-SDN list maintained by Treasury Department’s Office of Foreign Assets Control. This State Department fact sheet remains a credible resource for connecting former CCMC and current CMIC subsidiaries to their parent companies.

¹² Registered as The Vanguard Group, Inc.; BlackRock, Inc.; and State Street Corporation.

¹³ The World Bank, “GDP (current US\$) – United States,” August 2023.

¹⁴ Fund assets as of August 30, 2023. Source: FactSet.

contribution plans.¹⁵ These asset allocation funds offer plan participants a dynamic blend of stocks and bonds within a single investment vehicle.

THE TREASURY DEPARTMENT HAS SOUGHT TO PREVENT FINANCIAL INVESTMENTS IN 39 PUBLICLY TRADED COMPANIES, A SMALL FRACTION OF THE CHINESE DEFENSE FIRMS AND HUMAN RIGHTS ABUSERS IDENTIFIED BY THE FEDERAL GOVERNMENT.

There are no absolute restrictions on asset managers investing in Chinese equities. Special interests have lobbied to keep companies off the Office of Foreign Asset Control list, but the bigger problem may be poor policy guidance and enforcement. The Treasury Department lists 39 publicly traded Chinese companies as excluded from U.S. investment, a small fraction of the defense firms and human rights abusers named by the federal government.¹⁶

There is no coherent U.S. policy on investing in Chinese publicly traded securities or private companies. The legal status of A-shares and the appropriateness of holding these equities in American investment portfolios remains an open question. Potential conflicts of interest also are not fully addressed. U.S. asset managers, including Vanguard, are pursuing lucrative business opportunities in the PRC that require approval from the China Securities Regulatory Commission (CSRC) – the same government entity that routinely calls for more foreign investment in the developing A-shares market.¹⁷

WHAT ARE CHINA A-SHARES?

China A-shares are equities traded in renminbi on the Shanghai and Shenzhen stock exchanges. Most U.S. investments in Chinese companies are made through “H-shares” traded on the Hong Kong Exchange or securities listed in New York City. These pathways historically offered American investors more transparency, shareholder rights, and legal recourse than mainland-listed stocks.

A-shares are especially problematic because China refuses to accept normal accounting standards in its capital markets for any securities. Importantly, third-party auditors cannot know if a Chinese company is adhering to the Generally Accepted Accounting Principles guidelines required of securities traded on American stock exchanges. The Holding Foreign Companies Accountable Act of

¹⁵ Fund assets as of August 30, 2023. Source: FactSet.

¹⁶ Chinese Military Industrial-Complex Companies sanctioned under the CMIC-E013959 program, as amended by E.O. 14032, include an estimated thirty-nine publicly traded companies and twenty-seven private companies.

¹⁷ See “China to further attract foreign stock market capital,” Xinhua, April 20, 2021, available at https://english.www.gov.cn/statecouncil/ministries/202104/20/content_WS607e0b76c6d0df57f98d81db.html.

2020, intended to secure Public Company Accounting Oversight Board access to inspect and investigate Chinese audit firms, did not solve the underlying problem. A protocol outlining China's responsibilities merely covers audits of the auditors; it does not address the quality and reliability of the audits themselves.¹⁸ The text of the protocol was not even released to the public, likely on Beijing's request, further undermining confidence in the agreement's usefulness against securities fraud in the PRC. In practice, auditors have been blocked from entering mainland China, where A-share companies are domiciled. This situation is unlikely to improve anytime soon because many A-share companies are extensions of the Chinese Communist Party (CCP) and the PLA.

Beijing's control over A-share companies represents an asymmetrical material risk to American investors. In the event of a geopolitical crisis, securities tied to the CCP and PLA will almost certainly be more exposed to U.S. sanctions than stocks traded in Hong Kong and New York. Following the 2022 invasion of Ukraine, Russian-listed securities were suspended from trading in Western capital markets, leading to forced selling and losses. A similar scenario – but on a vastly larger scale – could be expected in the event of a conflict over Taiwan.

VANGUARD'S PLUNGE INTO A-SHARES

Vanguard is not the only asset manager invested in China A-shares, but it appears to be the largest and most aggressive. In September 2016, Vanguard announced that it had completed the transition of its emerging markets funds to the *FTSE Emerging Markets All Cap China A Inclusion Index*, a benchmark designed to gain exposure to stocks traded on mainland exchanges.¹⁹

Following the 2016 benchmark change, Vanguard continued building its A-shares position, facilitated by broader investment channels between mainland China and Hong Kong. The Stock Connect, a mutual market access program, was launched in 2014 to allow mainland Chinese investors to purchase select companies listed in Hong Kong and to help foreigners buy China A-shares with fewer restrictions.²⁰

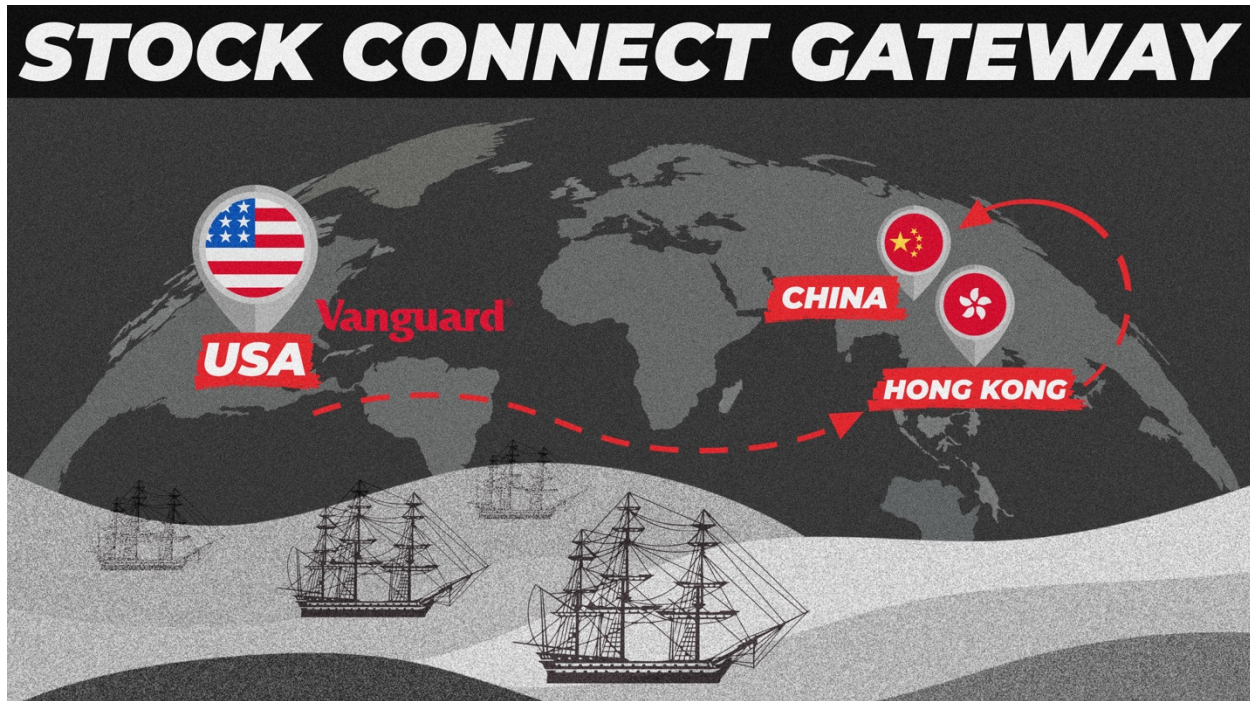
In less than a decade, the Stock Connect gateway has become a superhighway that shuttles more than 4,000 securities between U.S. investors and China. "Northbound" traffic occurs when investors buy A-shares on the Shanghai and Shenzhen stock exchanges via Hong Kong. The northbound monthly turnover (buying and selling) of A-share stocks and ETFs averages roughly \$350 billion.²¹

¹⁸ U.S. Securities and Exchange Commission, "Fact Sheet: Statement of Protocol – Questions & Answers," https://www.sec.gov/files/china-sop-qa_0.pdf.

¹⁹ Vanguard News Release, "Vanguard Emerging Markets Stock Index Fund Finalizes Transition To New FTSE Index," September 18, 2016, https://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/pressroom/Press_release_VG_Emerging_Mkts_Stock_Index_Transitions_FTSE_Index_091816.html

²⁰ Stock Connect has established two-way trading between the Shanghai and Shenzhen Stock Exchanges and the Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited.

²¹ Hong Kong Stock Connect, "Historical Monthly," August 30, 2023.

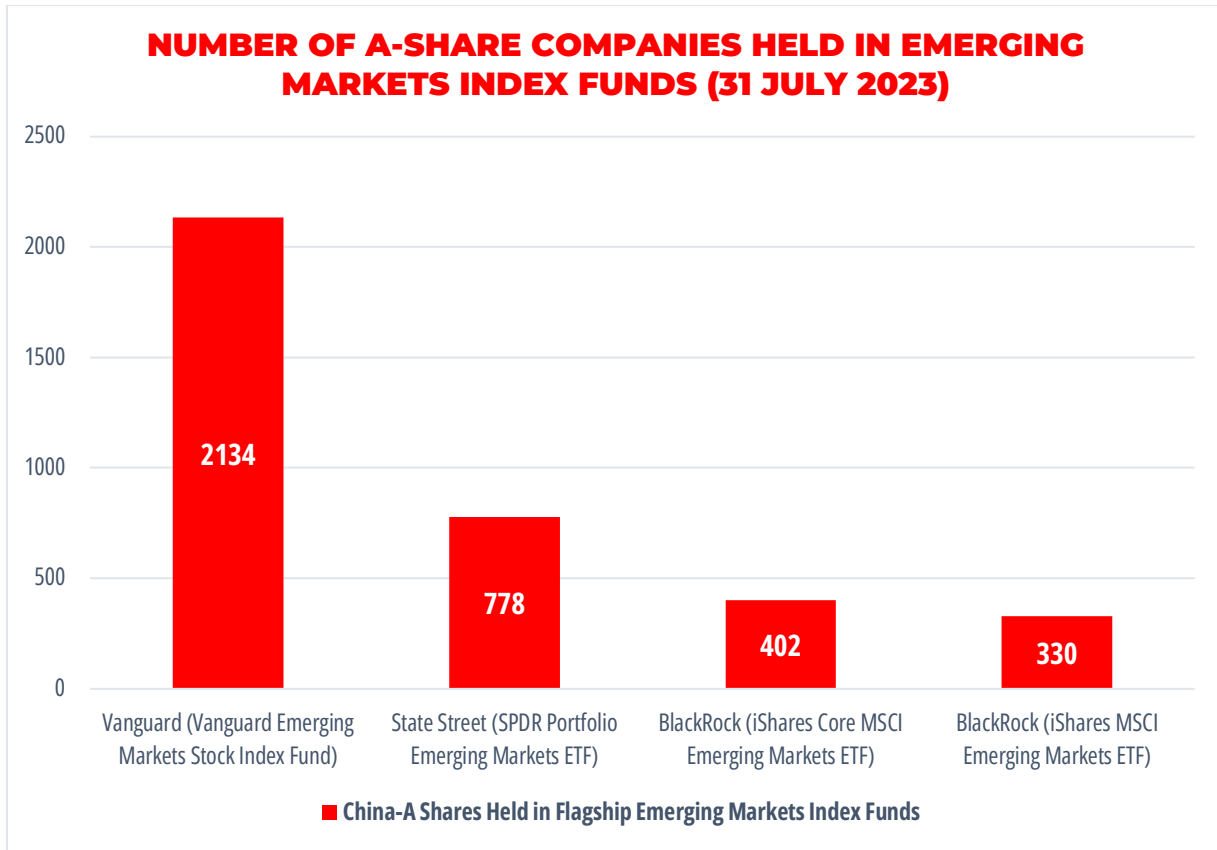


In 2021, Vanguard funds added A-shares from the Science and Technology Innovation Board (STAR Market) on the Shanghai Stock Exchange, pursuant to a FTSE Russell index change.²² The “STAR Market” is focused on smaller advanced technology companies, including many from the strategically important fields of semiconductors, 5G, biomedicine, artificial intelligence, and next-generation information technology. In essence, this setup enables hundreds of militarily-relevant companies to obtain U.S. investor capital but avoid unwanted oversight on Western exchanges. The U.S. dollars flow out of Vanguard funds, through the Hong Kong Stock Connect and into the STAR Market, where they purchase A-shares in the “rising stars” of China’s military-industrial complex.

Vanguard’s plunge into A-shares has, in our view, fundamentally transformed its relationship with the PRC, making it a *de facto* business partner of the CCP, the ultimate authority over publicly traded companies in China. Today, Vanguard’s emerging markets funds hold more than 2,100 China A-share stocks. By comparison, BlackRock has 402 A-share stocks in its largest emerging markets ETF. State Street holds 778 in its main EM fund.²³

²² FTSE Russell Press Release, “Shanghai STAR Market Stocks to FTSE China A Index Series and FTSE GEIS,” February 22, 2021, <https://www.ftserussell.com/press/ftse-russell-add-shanghai-star-market-stocks-ftse-china-index-series-and-ftse-geis>.

²³ Source: FactSet, August 2023.



VANGUARD'S INDEX PROVIDER: FTSE RUSSELL

Vanguard’s transformation into a CCP business partner occurred with the help of its index provider, FTSE Russell. An index provider sets the relative weightings of a benchmark that determines what stocks a fund buys and sells. The Big Three work closely with their index providers, relying on them to calculate portfolio holdings every trading day.

Despite its key role in the investment process, FTSE Russell is not solely to blame for Vanguard’s A-shares activity, as a Big Three index provider would not overhaul its product without the fund manager’s consent. When asked in 2018 if FTSE Russell would ramp up its allocation to China A-shares, Chief Executive Officer Mark Makepeace said, “we’ll only do it if we have the support of the big investors,” an obvious reference to Vanguard. The CEO added that FTSE Russell, given a greenlight to invest its flagship indexes in A-shares, could become the largest holder of A-shares.²⁴

²⁴ Jennifer Hughes, “Exclusive: FTSE Russell may give mainland China stocks more weighting than MSCI,” Reuters, August 10, 2018, <https://www.reuters.com/article/us-china-ftse-inclusion-idUSKBN1KV0PZ>.

In 2020, FTSE Russell announced that it had added over one thousand China A-shares to its FTSE Emerging All Cap Index as part of a “landmark inclusion” of mainland stocks.²⁵

Vanguard’s index provider has since positioned itself as “the first international provider of mainland Chinese benchmarks.”²⁶ Many Vanguard investors are unwitting participants in this A-shares experiment.

THE EFFECT OF A-SHARES ON U.S. NATIONAL INTERESTS

American investments in A-shares support China’s economic growth, its national security complex, and its human rights abuses. A relatively small number of companies in this expansive network are denied access to sensitive U.S. technology that could be diverted for military purposes. Even fewer face capital markets sanctions or restrictions by the U.S. government of any kind. The investments that Vanguard, BlackRock, and State Street make in these publicly traded companies are limited only by how much money the Chinese government is prepared to accept.

A CPA review found that Vanguard’s emerging markets funds hold at least sixty subsidiaries of companies identified as CMICs by the U.S. government²⁷ -per the Executive Order outlawing investment in companies that “directly support the PRC’s military, intelligence, and security apparatus”.²⁸ The State Department also has published a fact sheet naming over one thousand CCMC subsidiaries – *unsanctioned* companies that serve as a cash pipeline to sanctioned parent companies.

State noted that “CCMCs conduct business through a network of subsidiaries sometimes running into the dozens designed to conceal money flows to the PRC military, intelligence, and security services.”²⁹

1. Investing in China’s Military Industrial Complex

Vanguard investors are helping to fund a Chinese military build-up designed to challenge the United States. The Defense Department reports that the CCP is increasingly turning to the PLA to execute its global ambitions.³⁰ This development is supported by a strategy to merge China’s military and

²⁵ FTSE Russell Press Release, “FTSE Russell completes landmark inclusion of China A Shares,” June 22, 2020, https://content.ftserussell.com/sites/default/files/press-archive/FTSE%20Russell%20completes%20China%20A%20Share%20inclusion_22jun2020_0.pdf.

²⁶ FTSE Russell website, “Why choose FTSE Russell’s China Indexes?” <https://www.ftserussell.com/index/spotlight/china-indexes>

²⁷ The formal name is the Non-SDN Chinese Military-Industrial Complex Companies List, as established in E.O. 13959, as amended by E.O. 14032. The acronym “SDN” denotes the subject is a “Specially Designated National,” or part of the Office of Foreign Assets Control list of groups and entities that are not specific to a country. The assets of SDNs are blocked and U.S. persons are generally prohibited from dealing with them. As Non-SDNs, Chinese Military-Industrial Complex Companies are not blocked.

²⁸ The Department of Defense is required to produce the CCMC list pursuant to Section 1237 of the Fiscal Year 1999 National Defense Authorization Act. U.S. Department of Defense, “DOD Releases List of Additional Companies, In Accordance with Section 1237 of FY99 NDAA,” January 14, 2021, <https://www.defense.gov/News/Releases/release/article/2472464/dod-releases-list-of-additional-companies-in-accordance-with-section-1237-of-fy/> Since these initial DOD lists were produced, Congress has further updated the law with section 1260H of the Fiscal Year 2021 National Defense Authorization Act, clarifying the definition of the now-called “Chinese Military Companies” still required to be annually reported to Congress.

²⁹ Ibid, U.S. Department of State.

³⁰ Office of the Secretary of Defense, “Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China,” 2022, p. II.

civilian industrial bases. Beijing's "military-civil fusion" program counts on obtaining foreign technology and capital from American companies by any means possible.

Vanguard invests in the subsidiaries of aerospace firms driving Beijing's production of fighters, bombers, transports, and multi-mission aircraft. Aviation Industry Corporation of China (AVIC) is one of the world's largest defense conglomerates, with total revenue comparable to America's largest aerospace companies. DOD reports that AVIC designs and produces the J-20 "Mighty Dragon," an advanced fighter based on stolen U.S. technology, as well as the H-20 "Xian" long-range stealth bomber.³¹ A second conglomerate, Aero Engine Corporation of China (AECC), powers some of Beijing's most advanced aircraft, including the J-20.³²

AECC and AVIC are legally prohibited from importing militarily-useful technology from the United States without a special license, but U.S. asset managers are allowed to invest in them.³³ **As of the Vanguard Group's last reporting date, the asset manager had a total of \$46 million of U.S. client money invested in three AECC subsidiaries and another \$44 million invested across ten AVIC subsidiaries.**³⁴

U.S. investor capital from Vanguard also funds affiliates of China State Shipbuilding Corporation (CSSC), a PLA-controlled conglomerate that calls itself the "main force" in advancing Chinese naval power. Subsidiary China CSSC Holdings owns and operates the Jiangnan Shipyard, where the PLA Navy's latest aircraft carriers are built.

CSSC Science and Technology is another subsidiary helping the PLA Navy transform itself into a modern force capable of challenging U.S. forces above and below the surface. CSSC is building Type 093 attack submarines capable of firing anti-ship cruise missiles as well as Type 094 "boomers" that can launch ballistic missiles armed with nuclear warheads. **The Vanguard Group had \$47 million of U.S. client money invested in the two CSSC subsidiaries as of the last reporting date.**³⁵

The Vanguard Group is sometimes the largest non-PRC holder of stock in CMIC subsidiaries. Most outstanding shares are typically held by China's State-owned Assets Supervision and Administration Commission of the State Council (SASAC) or another government-controlled entity. For instance, 51% of AECC Aviation Power equity is held by SASAC, a special commission of the PRC under Beijing's direct control. In other words, Vanguard investors are minority investors in Chinese defense firms that are majority-owned by the Chinese government.

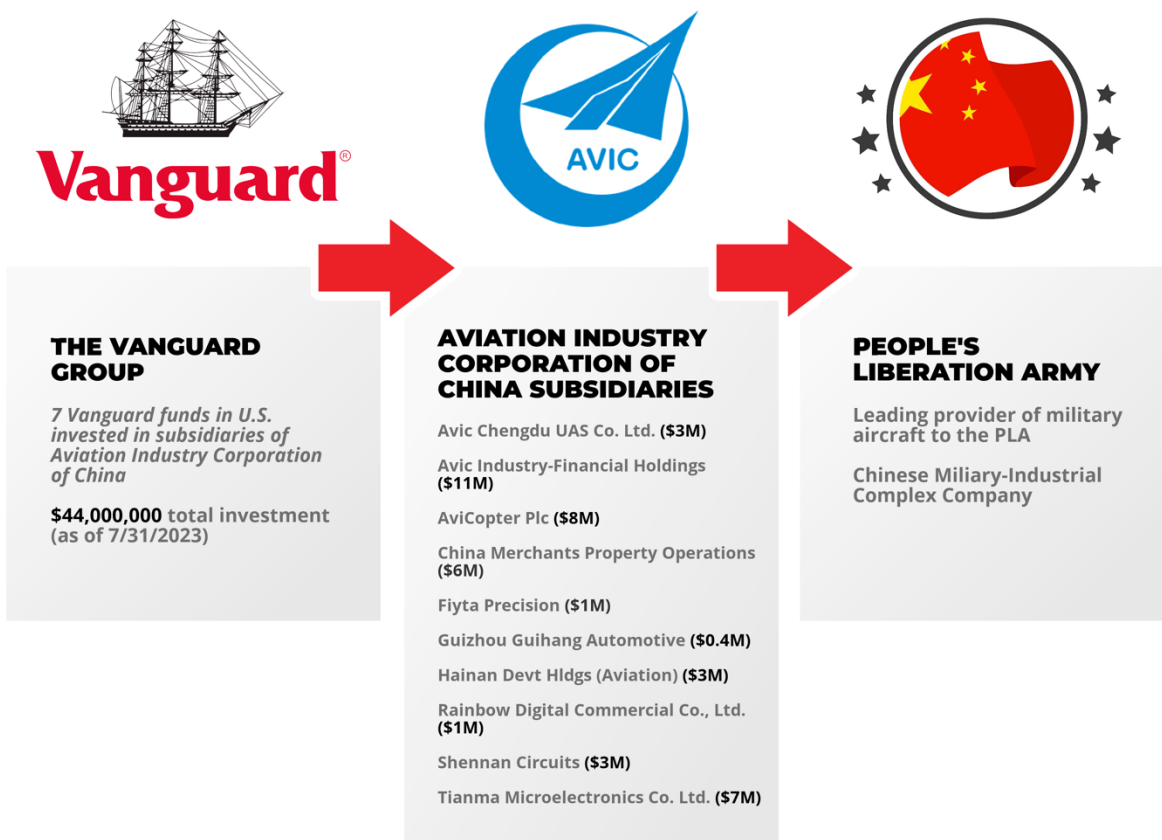
³¹ Ibid, Office of the Secretary of Defense, p. 150.

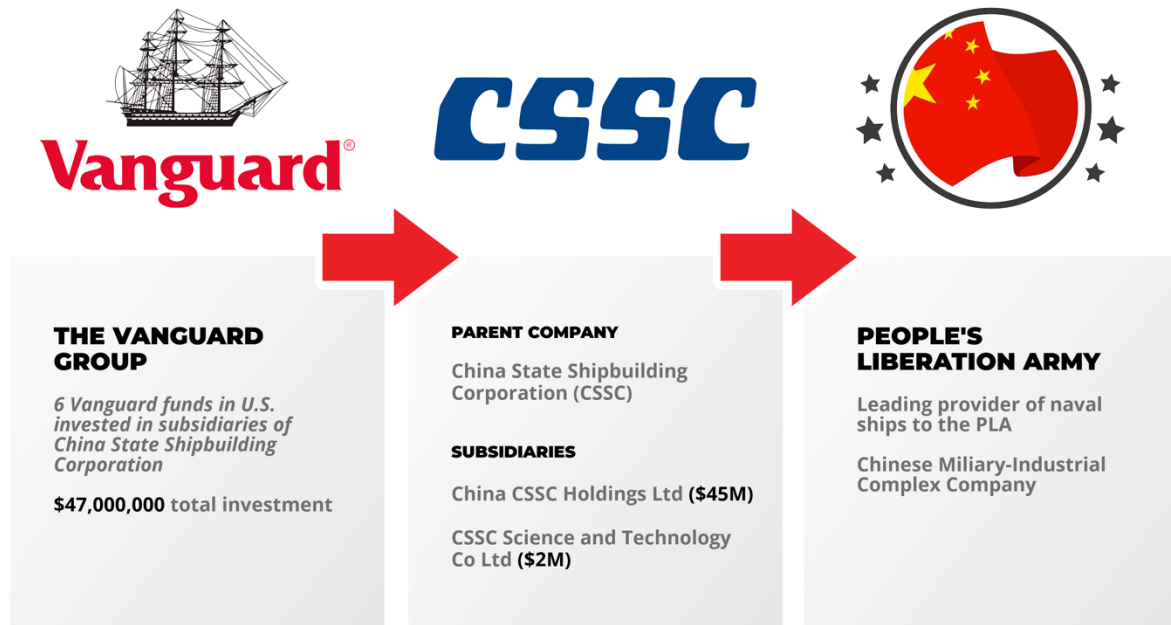
³² Brad Lendon, "China has upgraded its best stealth fighter jet with domestic-made engines," CNN, 28 September 2021, <https://www.cnn.com/2021/09/28/china/j-20-fighter-jet-engines-airshow-intl-hnk-ml/index.html>.

³³ Bureau of Industry and Security, "Supplement No. 7 to Part 744 – 'Military End-User' (MEU) List," Updated February 24, 2022.

³⁴ The Vanguard Group, Inc., has approximately \$35 million in AECC Aviation Power Co., Ltd. (600893-CN); \$10 million in AECC Aero-engine Control Co., Ltd. (000738-CN); and \$1 million in AECC Aero Science and Technology Co., Ltd. (600391-CN) across six U.S. funds as of July 31, 2023. The Vanguard Group, Inc., has approximately \$3 million in Avic (Chengdu) UAS Co., Ltd. (688297-CN); \$11 million in AVIC Industry-Finance Holdings Co., Ltd. (600705-CN); \$8 million in AviCopter Plc (600038-CN); \$6 million in China Merchants Property (AVIC) (001914-CN); \$1 million in FIYTA Precision Technology Co., Ltd. (000026-CN); \$0.4 million in Guizhou Guihang Automotive Components Co., Ltd. (600523-CN); \$3 million in Hainan Development Holdings (Aviation) Nanhai Co., Ltd. (002163-CN); \$1 million in Rainbow Digital Commercial Co., Ltd. (002419-CN); \$3 million in Shennan Circuit Co., Ltd. (002916-CN); and \$7 million in Tianma Microelectronics Co., Ltd. (000050-CN) across 7 U.S. funds as of July 31, 2023. Source: FactSet, August 2023.

³⁵ The Vanguard Group, Inc., has approximately \$45 million invested in China CSSC Holdings Ltd. (600150-CN) and \$2 million invested in CSSC Science & Technology Co. Ltd. (600072-CN) across six U.S. funds as of July 31, 2023. Source: FactSet, August 2023.





Vanguard is also invested, alongside Beijing, in known Military End Users – companies flagged for representing an unacceptable risk of diverting technology to the PLA. The Commerce Department operates under a presumption of denial of militarily useful goods and services to these companies, yet no law prevents U.S. asset managers from directing American investor money their way.

Some companies held in Vanguard funds specialize in advanced technologies with perilous national security implications. The Biden Administration recently declared a national emergency concerning the flow of such technologies to the PRC. It declared that China’s “rapid advancement in semiconductors and microelectronics, quantum information technologies, and artificial intelligence capabilities” significantly enhances its ability to “conduct activities that threaten the national security of the United States.”³⁶ The Executive Order contemplates restricting U.S. private equity investments in these militarily-relevant sectors at some time in the future but is silent on the publicly traded companies in our capital markets operating in these same sectors.

Companies tied to China’s PLA-administered space programs are also owned by Vanguard funds. These publicly traded entities provide navigation technology and other services integral to China’s strategic forces, including its nuclear deterrent. Much of the technology used to launch and operate satellites is transferrable for long-range ballistic missiles capable of delivering payloads to the continental United States.

³⁶ Ibid, The White House.

VANGUARD HOLDS A-SHARES IN COMPANIES DENIED ACCESS TO SENSITIVE U.S. TECHNOLOGIES³⁷

Company	Stock Exchange	Products and Services ³⁸	Sanctions	Start Date
Cambricon Technologies Corp. Ltd.	Shanghai	Artificial intelligence, core processor chips for intelligent cloud servers, intelligent terminals, intelligent robots, terminal intelligent processor IP, cloud intelligent chips and accelerator cards.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Dec. 2022
Zhuhai Aerospace Microchips Science & Technology Co., Ltd. (a.k.a. Zhuhai Orbita Control Systems)	Shenzhen	Engages in the operation of aerospace electronics, satellite constellation, satellite big data, and artificial intelligence businesses.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Aug. 2022
Hengtong Optic-Electric Co. Ltd.	Shanghai	Fiber optic cables, power, energy, marine, aerospace, and global communication energy.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Dec. 2021
Hunan Goke Microelectronics Co. Ltd.	Shenzhen	Chips, large-scale integrated circuits, video decoding and encoding, solid-state storage, Internet of Things, satellite positioning chip solutions.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Nov. 2021
Quantumctek Co. Ltd.	Shanghai	Research, development, production, and sale of quantum communication products.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Nov. 2021
Wuhan Raycus Fiber Laser Technologies Co. Ltd.	Shenzhen	Fiber delivered direct diode lasers, quasi-continuous fiber lasers, single module continuous wave fiber lasers, short-pulse fiber lasers, q-switched pulse fiber lasers and high-power multimode continuous fiber lasers.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	July 2021

³⁷ Sanctions information from U.S. Department of Commerce, International Trade Administration, Consolidating Screening List, August 2023, <https://www.trade.gov/data-visualization/csl-search>

³⁸ Source: FactSet, August 2023.

Guangzhou Haige Communications Group Co. Ltd.	Shenzhen	Communication and navigation equipment, wireless communication products, beidou navigation satellite system products, aerospace, and software and information services.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	Aug. 2020
Fiberhome Telecommunication Technologies Co. Ltd.	Shanghai	Communication system equipment, network solutions, optical fibers, cables, and data network products.	<i>Entity List: Case-by-case review for some items subject to EAR and presumption of denial for others.</i>	June 2020
Iflytek Co. Ltd.	Shenzhen	Research of artificial intelligence technology, development of software and chip products, and intelligence services.	<i>Entity List: Case-by-case review for some items subject to EAR and presumption of denial for others.</i>	Oct. 2019
Hygon Information Technology Co. Ltd. (a.k.a. Higon)	Shanghai	Research and development of high-end central processing units, accelerator, and computer chips.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	June 2019
HWA Create Corporation	Shenzhen	National defense informationization, satellite application industrialization fields, satellite application, simulation test, radar signal processing, rail transit and unmanned system.	<i>Entity List: Presumption of denial for all items subject to EAR.</i>	June 2014

2. Investing in China's Nuclear Weapons Complex

Vanguard holds stock in companies at the core of China's nuclear weapons complex, a system of government-controlled entities that develops, produces, and maintains the PLA's strategic forces. Beijing has accelerated its expansion of these capabilities, the Defense Department reports, pursuing a "nuclear triad" of land, sea, and air-based delivery platforms designed to hold United States territory and forces at risk.³⁹

China has also ramped up its production of nuclear weapon warheads. The Pentagon estimates that the PLA has already stockpiled 400 warheads on its way to 1,500 by the year 2035.⁴⁰

³⁹ Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China," 2022, p. IX.

⁴⁰ Ibid, Office of the Secretary of Defense, IX.

“WE’RE NOT SEEING ANY INDICATION THAT THEY’RE SLOWING DOWN.” – U.S. COMMANDER OF U.S. STRATEGIC COMMAND ON CHINA’S NUCLEAR FORCES BUILDUP, AUGUST 16, 2023⁴¹

China’s nuclear weapons buildup requires new reactors and processing facilities. This responsibility goes to China National Nuclear Corporation (CNNC), a state-owned enterprise that has overseen all areas of Beijing’s civilian and military nuclear programs since the 1950s. CNNC is reportedly building two breeder reactors, so named because they yield more fissile material than they consume for power.⁴² The excess plutonium can then be used to produce nuclear warheads. **The Treasury Department has formally sanctioned CNNC as a Chinese Military-Industrial Complex company, yet Vanguard holds \$47 million of stock in two of its subsidiaries.**⁴³

The second key player in Beijing’s strategic forces build-up is China General Nuclear Power Corporation (CGNPC), a leading producer of reactors and uranium. The Commerce Department sanctioned CGNPC in 2019 for attempting to steal nuclear technology and materials from the United States.⁴⁴ Two years later, the U.S. Nuclear Regulatory Commission specifically blocked subsidiary CGN Power from accessing all radioactive materials and deuterium, a hydrogen isotope used to boost nuclear weapons.⁴⁵ **Although CGNPC and its affiliates are prohibited from receiving any nuclear-related items from the U.S. on national security grounds, Vanguard has invested \$28 million across three of its subsidiaries, including \$12 million in CGN Power alone.**⁴⁶

⁴¹ Bill Gertz, “No let-up in China nuclear weapons expansion, Starcom general says,” The Washington Times, August 16, 2023.

⁴² Prachi Patel, “China’s New Breeder Reactors May Produce More Than Just Watts,” IEE Spectrum, December 28, 2022, <https://spectrum.ieee.org/china-breeder-reactor>.

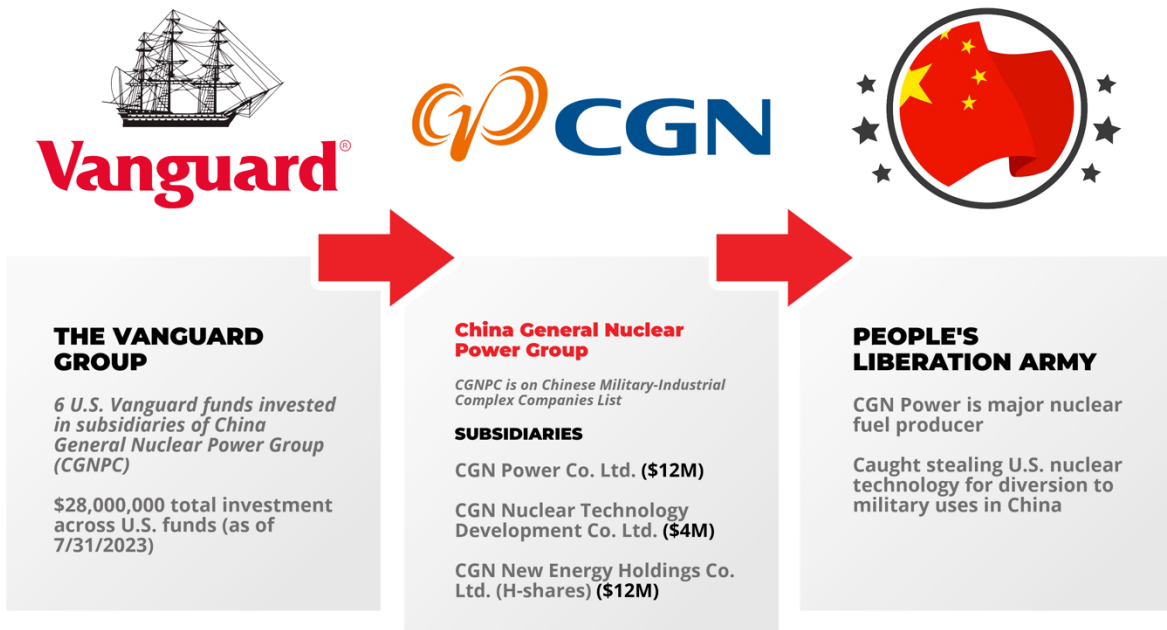
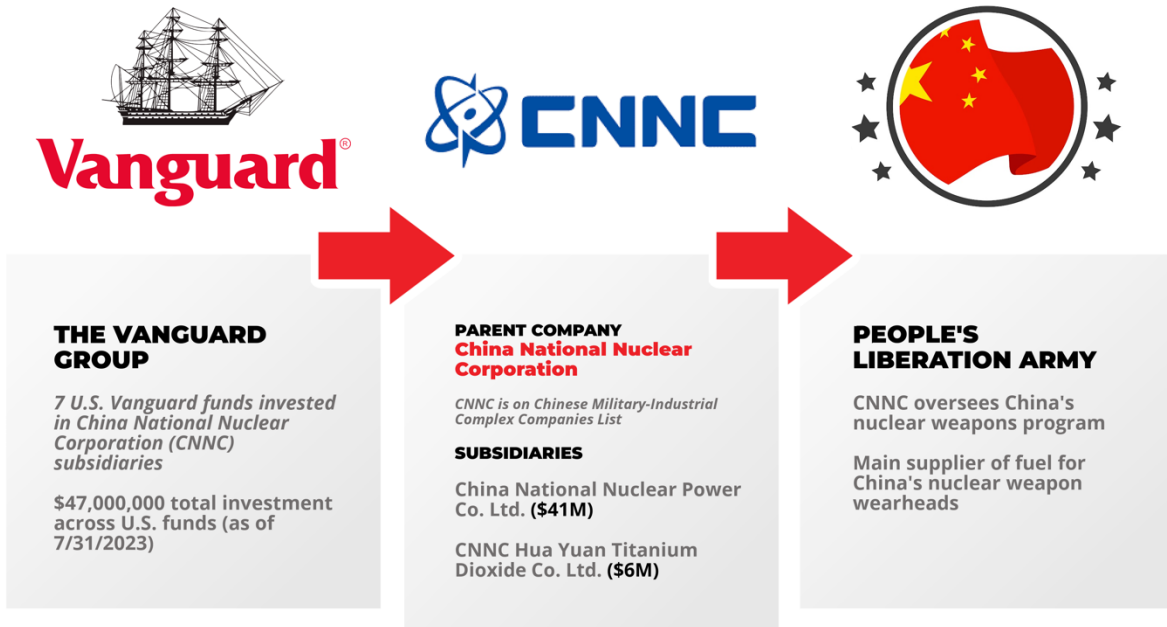
⁴³ The Vanguard Group, Inc., has approximately \$41 million invested in China National Nuclear Power Co., Ltd. (601985-CN) and \$6 million in CNNC Hua Yuan Titanium Dioxide Co., Ltd. (002145-CN) across seven U.S. funds as of July 31, 2023. Source: FactSet, August 2023.

⁴⁴ Federal Register, “Addition of Certain Entities to the Entity List, Revision of Entries on the Entity List, and Removal of Entities From the Entity List,” Document No. 2019-17409, August 14, 2019.

⁴⁵ Federal Register, “Order Suspending General License Authority To Export Radioactive Material and Deuterium to China General Nuclear (CGN), CGN Subsidiaries, or Related Entities,” Document Number 2021-21342, October 1, 2021.

⁴⁶ The Vanguard Group, Inc., has approximately \$12 million invested in CGN Power Co., Ltd. (003816-CN); \$4 million in CGN Nuclear Technology Development Co., Ltd. (000881-CN); and \$12 million of H-shares in CGN New Energy Holdings Co., Ltd. (1811-HK) across six U.S. funds as of July 31, 2023. Source: FactSet, August 2023.

VANGUARD INVESTMENTS IN CHINA NUCLEAR COMPLEX COMPANIES



3: Investing in China's Forced Labor Companies

Vanguard invests in Chinese companies sanctioned for human rights abuses. Eight different Vanguard funds own A-shares in entities that, according to DHS, are actively engaged in the state-sponsored oppression of ethnic and religious minorities in the Xinjiang Uyghur Autonomous Region (XUAR) of Western China. The U.S. State Department has characterized the campaign against the

Uyghurs as one of genocide, involving industrial-scale levels of rape, compulsory sterilization, organ harvesting, and forced labor.⁴⁷

VANGUARD FUNDS HOLD A-SHARES IN COMPANIES ACTIVELY ENGAGED IN THE STATE-SPONSORED OPPRESSION OF ETHNIC AND RELIGIOUS MINORITIES IN THE XINJIANG UYGHUR AUTONOMOUS REGION.

Congress passed the Uyghur Forced Labor Prevention Act in 2021 by a nearly unanimous vote. The purpose of the bipartisan legislation is to help end the systematic use of forced labor in Xinjiang. Its primary strategy is to block goods made with forced labor from entering the U.S.

An interagency Forced Labor Enforcement Task Force, led by the Department of Homeland Security, determines which companies are guilty of forced labor abuses in Xinjiang. U.S. Customs and Border Protection then exercises its authority to detain, exclude, or seize shipments that violate the UFLPA. The UFLPA Entity List of about two-dozen companies could not be any easier to find; it is posted in large font on the DHS website at <https://www.dhs.gov/uflpa-entity-list>.

VANGUARD IS THE TOP U.S. FUND HOLDER OF MOST OF THE PUBLICLY TRADED COMPANIES ON THE UYGHUR FORCED LABOR PREVENTION ACT ENTITY LIST.

Like many multinational corporations operating in China, Vanguard has been silent on the Uyghur genocide atrocities. There is no evidence that the asset manager considers the UFLPA Entity List in its investment decisions. To the contrary, Vanguard is the top U.S. fund holder of most of the publicly traded companies on the Uyghur Forced Labor Prevention Act Entity List. Vanguard funds domiciled outside the U.S. also hold these A-shares.

Ironically, three companies on the UFLPA Entity List can be found in Vanguard's international "ESG" fund, an investment vehicle that is supposed to screen for select environmental, social, and corporate governance attributes. According to its fact sheet, the Vanguard ESG International Stock

⁴⁷ Both the Biden and Trump Administrations have assessed the treatment of Uyghurs in China to be genocide, as outlined by findings of the 2021 Human Rights Reports on Countries, March 31, 2021: <https://www.state.gov/reports/2021-country-reports-on-human-rights-practices/china/>

ETF excludes “stocks of companies that do not meet certain labor, human rights, environmental, and anti-corruption standards” as defined by the United Nations Global Compact Principles.⁴⁸ It is difficult to understand why Vanguard does not apply a similar standard to the treatment of Uyghurs and other minorities in Xinjiang.

VANGUARD HOLDS A-SHARES IN CHINA FORCED LABOR COMPANIES

(*Largest U.S. Fund holder)

UFLPA ENTITY LIST COMPANY ⁴⁹	VANGUARD FUND HOLDERS ⁵⁰	REPORT DATE
CAMEL GROUP CO. LTD.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023
CHANGHONG MEILING CO. LTD.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
GCL ENERGY TECHNOLOGY CO. LTD.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Small Cap	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023
	- Vanguard ESG International Stock ETF	6/30/2023
HOSHINE SILICON INDUSTRY CO. LTD.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Total World Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
NINESTAR CORP.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023

⁴⁸ Vanguard website, <https://investor.vanguard.com/investment-products/etfs/profile/vsgx>.

⁴⁹ Department of Homeland Security, “UFLPA Entity List,” <https://www.dhs.gov/uflpa-entity-list>

⁵⁰ FactSet, August 2023.

	- Vanguard ESG International Stock ETF	6/30/2023
XINJIANG DAQO NEW ENERGY CO. LTD.	- Vanguard Emerging Markets Stock Index Fund	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023
	- Vanguard ESG International Stock ETF	6/30/2023
XINJIANG ZHONGTAI CHEMICAL CO. LTD.	- Vanguard Emerging Markets Stock Index Fund*	7/31/2023
	- Vanguard Total International Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023
ZHEJIANG DAHUA TECHNOLOGY CO. LTD.	- Vanguard Total International Stock Index Fund*	7/31/2023
	- Vanguard Emerging Markets Stock Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Tr. II	6/30/2023
	- Vanguard FTSE All World (ex-US) Index Fund	7/31/2023
	- Vanguard Institutional Total Intl. Stock Market Index Trust	6/30/2023
	- Vanguard Total World Stock Index Fund	7/31/2023

VANGUARD OR “ANTGUARD”?

Vanguard has become a pipeline for flowing American investment dollars to thousands of companies on mainland China. Some of these companies clearly threaten U.S. national security and human rights interests, and CPA has asked itself why Vanguard is so committed to China A-shares.

The answer is not a lack of information. Vanguard boasts twenty thousand employees, including seasoned analysts and managers who know exactly what kind of companies populate their investment products and portfolios. One possible explanation for Vanguard’s investing behavior is its broader business interests in China.

The investment company for “people like you” has big plans for itself in the People’s Republic of China. The asset manager is part of a modern-day gold rush for a large market share of China’s growing investor class. The stakes are billions of dollars in advisory fees. The only problem is that the CCP tightly controls who may do business inside the PRC.

Vanguard opened its China office in May 2017 and quickly got to work. By the end of 2019, Vanguard executives were ready to announce a new partnership with Shanghai-based Ant Financial Services

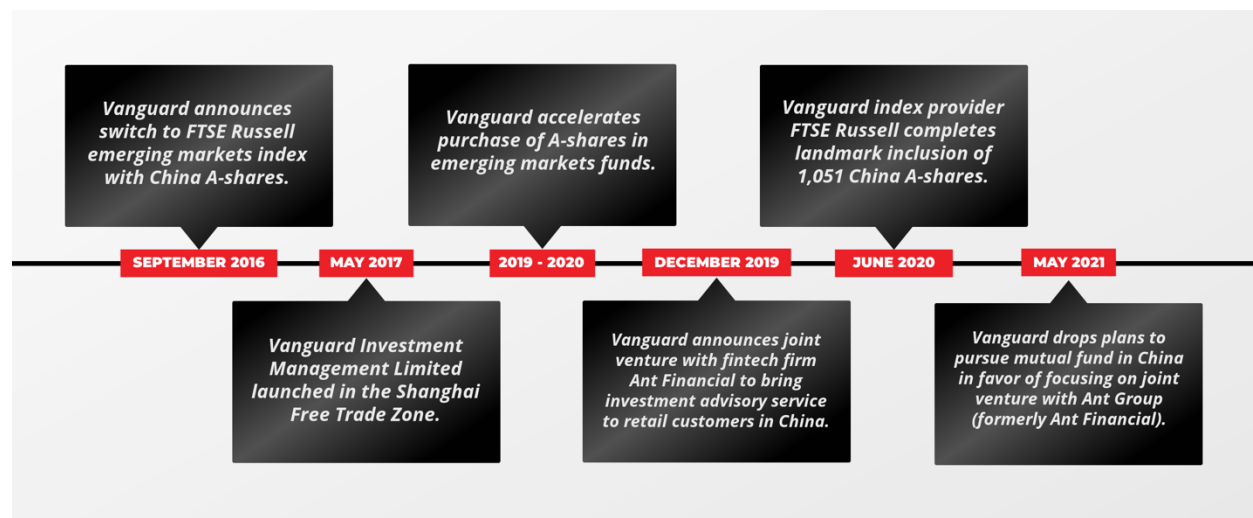
Group to offer wealth management to retail clients in China.⁵¹ For its minority stake of 49%, Vanguard would provide investment management services on Ant's Alipay, the largest mobile payment platform in the world.

Around the same time, Vanguard reportedly prepared to apply for a fund management company license in China.⁵² Any Vanguard activities would require approval from the China Securities Regulatory Commission, the main regulator of the securities industry in the PRC. The CSRC has long said that attracting capital inflows to Chinese stock exchanges is a top priority.

Is it possible that Vanguard dramatically upped its purchase of A-shares to gain CSRC approval of this and other business forays in China? We know that Vanguard accelerated its purchase of A-shares shortly after forming a joint venture with Ant to offer investment services to retail customers in China. This Beijing-blessed partnership could ultimately mean trillions of dollars in assets under management for Vanguard and index provider FTSE Russell.

The exact state of the joint venture remains unclear, but it is reportedly serving millions of Chinese clients. Vanguard dropped its application for a mutual fund business in 2021, sparking rumors of a pullout from China, but its corporate office maintains that the Ant Group partnership remains in force.⁵³

VANGUARD'S A-SHARE TIMELINE



⁵¹ Vanguard News Release, "Ant Financial and Vanguard Announce Partnership to Bring Inclusive Wealth Management Services to More Consumers in China," December 13, 2023, <https://corporate.vanguard.com/content/corporatesite/us/en/corp/who-we-are/pressroom/Press-Release-Ant-Financial-Vanguard-Announce-Partnership-Bringing-Wealth-Management-Svcs-China-121319.html>

⁵² Nancy Qu, "Vanguard prepares for China retail fund license," Fund Selector Asia, September 23, 2020, <https://fundselectorasia.com/vanguard-prepares-for-china-retail-fund-licence/>

⁵³ Joseph N. DiStefano, "Vanguard hasn't said it is pulling out of China, despite reports," Philadelphia Inquirer, March 23, 2023; Jack Pitcher and Rebecca Feng, "Wall Street's China Dreams Slip Away," The Wall Street Journal, August 23, 2023.

CONCLUSIONS

This case study by the Coalition for a Prosperous America demonstrates how Vanguard's and FTSE Russell's A-shares business model gets a failing grade on fundamental issues for the American people: investor protection, national security, and human rights.

Investor Protection. Vanguard is the most prolific U.S. holder of China A-shares, but it is unclear if retail clients have been adequately warned about the possible risks involved. A-share companies are not subject to international accounting standards, including audits designed to protect investors from fraud, a systemic problem with Chinese equities.



Allowed to operate as “black boxes,” with little, if any, in the way of financials and material risks disclosures that can be independently verified, we believe they fail fiduciary standards that would ordinarily make these equities uninvestible. Some A-shares represent companies dominated by the Chinese Communist Party or the People's Liberation Army. These securities are among the most likely to be expelled from Western markets in the event of an international crisis between the United States and China, such as a conflict in the Taiwan Strait, potentially leading to total losses of capital.

National Security. Vanguard bolsters CCP companies identified by the federal government as national security threats. The Vanguard FTSE Emerging Markets ETF is financing China's military build-up by purchasing A-shares in:

- 60 Chinese Military Industrial-Complex Company subsidiaries;
- 20 Military End Users and other Chinese entities denied access to U.S. technology because they are acting in support of the PLA's modernization goals;
- Multiple Chinese companies specializing in advanced technologies that represent “an unusual and extraordinary threat to the national security of the United States”;
- Companies managing China's nuclear weapons program;
- Companies building the PLA Air Force's next-generation fighters and bombers; and
- Companies central to China's naval buildup of aircraft carriers, surface ships, and submarines.



Human Rights. Vanguard financially strengthens Chinese companies sanctioned for human rights abuses. Congress passed the Uyghur Forced Labor Prevention Act in 2021 to help ethnic groups facing genocidal conditions in Western China. A multiagency team led by DHS publishes the UFLPA Entity List of human rights abusers. Chinese companies were put on the UFLPA Entity List effective June 21, 2022, yet Vanguard has still not divested from them. Vanguard funds are invested in eight Chinese companies on the UFLPA Entity List. In seven of the eight, Vanguard is the top U.S. fund holder.



On its face, Vanguard's attitude toward Chinese equities appears to be: "If it is legal, we're doing it." Its fund holdings and documents are silent on whether the fund manager has an effective system for excluding Chinese corporate bad actors. In this respect, Vanguard may not be a careless asset manager, but it might be the most hypocritical. Vanguard holds itself out to the public as an investor-owned company with interests uniquely aligned to its customer base. CPA would ask Vanguard's management team to explain how financing Chinese defense firms, human rights violators, and PLA-controlled companies focused on advanced weapons technology aligns with the interests of American investors, especially those with spouses or children serving in the U.S. Armed Forces.

FTSE Russell also bears responsibility for the A-shares problem. The index provider markets itself as the global leader in A-shares, but our analysis found no ethical framework for excluding Chinese corporate bad actors. Only when forced by the government, as in 2021, has FTSE Russell dropped Chinese defense firms from its indexes over national security concerns. The company has the equity analysts and risk managers to assume this task on its own, but it apparently chooses to do only the bare minimum required by the law.

Vanguard's minority stake in a joint venture with Ant Financial, a deal blessed by the Chinese government, coincided with its dramatic increase in purchases of A-shares. This development should be probed by Congress to a greater extent.

Potential Questions for Vanguard and FTSE Russell

CPA suggests the following questions for members of Congress as well as U.S. policymakers and institutional investors (including endowments, pension funds, charities, and family offices). Retail investors may also wish to consider the merits of these questions their own in light of these research findings.

1. Does Vanguard believe that it has a fiduciary or ethical duty to perform rigorous diligence on those Chinese companies served up by FTSE-Russell prior to their inclusion in its investment products, beyond simply determining which Chinese companies can be legally held?
2. Did FTSE Russell perform due diligence on more than 2,100 A-share companies in the index underlying the Vanguard FTSE Emerging Markets ETF and comparable mutual funds, to include a review of regulatory compliance, material risk disclosure, sanctions, and human rights violations?
3. Has Vanguard's Board and senior management taken note of the investigation underway by the House Select Committee on the CCP of its counterpart BlackRock and that asset manager's index provider, MSCI?
4. Did Vanguard reach agreement with Chinese authorities to try to build a U.S. market in Chinese "A Share" companies to improve its approval prospects for its ambitious joint venture with Ant Financial?
5. Does Vanguard's Board recognize the potential asymmetric damage to Vanguard's corporate reputation and brand from inclusion of a significant number of U.S.-sanctioned corporate national security and human rights abusers in the company's investment products, even if legal?
6. What specific understandings existed between Vanguard and its index provider, FTSE-Russell, with respect to its China-related investments and the building of its index funds?
7. What was – and is – Vanguard's rationale for trafficking in these heavily unregulated Chinese "A share" companies, drawn from mainland exchanges known to be bastions of Chinese military-industrial enterprises?

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