

# SustainableLife 60-70% Equity Fund

## SUSTAINABILITY AND ENGAGEMENT REPORT

At Vanguard, we think about environmental, social and governance (ESG) risks and opportunities in the context of delivering long-term value to our investors and helping them to meet their investment objectives. We recognise that material<sup>1</sup> risks, including ESG risks, can erode shareholder value over time.

The portfolio managers of Vanguard's SustainableLife funds manage the fund in accordance with its Sustainability Policy, as outlined in the fund prospectus, which incorporates: a net-zero<sup>2</sup> commitment, ESG risk avoidance, engagement with portfolio companies and good governance.

### 1. Net zero commitment (based on science-based targets)

The portfolio managers aim to invest a proportion of the fund's shares and bonds in companies with net-zero science-based targets<sup>3</sup> to reduce greenhouse-gas emissions.

The path to net zero is a journey of transition to a low-carbon economy. This report shows the three metrics that we report on a quarterly basis: carbon analysis, science-based targets and the number of engagements with company management, to provide a view on how the fund is tracking against the sustainability<sup>4</sup> criteria.

### 2. ESG risk avoidance

The portfolio managers exclude companies involved in and/or deriving revenue (above certain thresholds, as determined by the portfolio managers) from tobacco, thermal coal, oil sands and nuclear/controversial weapons.

### 3. Engagement

The portfolio managers meet (engage) with company management teams to discuss ESG matters and promote net-zero targets.

### 4. Good governance

The companies in which the fund invests must follow good governance practices as a precondition for investment. The portfolio managers consider good governance to be running a company in a way that broadly reflects industry-established norms and practices. These could include management structure, decision making, compensation (pay) structures and company culture.

## Carbon analysis

Carbon accounting plays a key role in understanding the overall exposure of the fund's portfolio to climate change-related risk.

Two carbon metrics for the fund are provided below. For each metric, we offer comparison against a benchmark.

The metrics used and how they are measured are explained below. Tons of carbon dioxide equivalent, or tCO<sub>2</sub>e, is a standard unit for measuring carbon. It includes several different greenhouse gases (GHG) and is expressed as a single number.

	Portfolio	Benchmark
<b>Carbon footprint (tCO<sub>2</sub>e/\$M invested)</b>	40	47
<b>Weighted Average Carbon Intensity (tCO<sub>2</sub>e/\$M sales)</b>	121	128

Source: MSCI | Benchmark: Composite Index comprises: 65% FTSE Developed Net Tax Index; 28% Bloomberg Global Aggregate Credit Index; 3.5% Bloomberg Global Aggregate Treasury Index and 3.5% Bloomberg Global Aggregate Securitized Index. Data as at 31 March 2024.

Metric	Definition	Purpose
Carbon footprint	Total carbon emissions for a fund normalised by the market value of the fund, expressed in tons CO <sub>2</sub> e/\$M invested.	To understand how much carbon emission the fund is responsible for per USD 1 million invested. This metric allows investors to compare funds of different sizes. Example: To provide a sense of scale, carbon footprint of 100 tCO <sub>2</sub> e is equivalent to the emissions of approximately 22 passenger vehicles per year <sup>5</sup> .
Weighted Average Carbon Intensity (WACI)	Fund's exposure to carbon-intensive companies, expressed in tons CO <sub>2</sub> e/\$M revenue. This metric is calculated as a weighted average of each company holding's carbon intensity according to its market value in the fund.	To understand exposure to companies that are involved in carbon-intensive activities. Example: When comparing two funds, the fund with a higher WACI is more susceptible to climate change-related risk, e.g. increased regulation (companies that are big carbon emitters could see their costs raised by regulations either via taxation or the need to comply with stricter pollution control which results in capital expenditure).

<sup>1</sup>Risks that are recognised as having the potential to impact a company's share price.

<sup>2</sup>Net zero refers to the balance between the amount of greenhouse gas (GHG) produced and the amount removed from the atmosphere.

<sup>3</sup>In line with the Science Based Targets initiative - the world's first framework for corporate net-zero target setting in line with climate science.

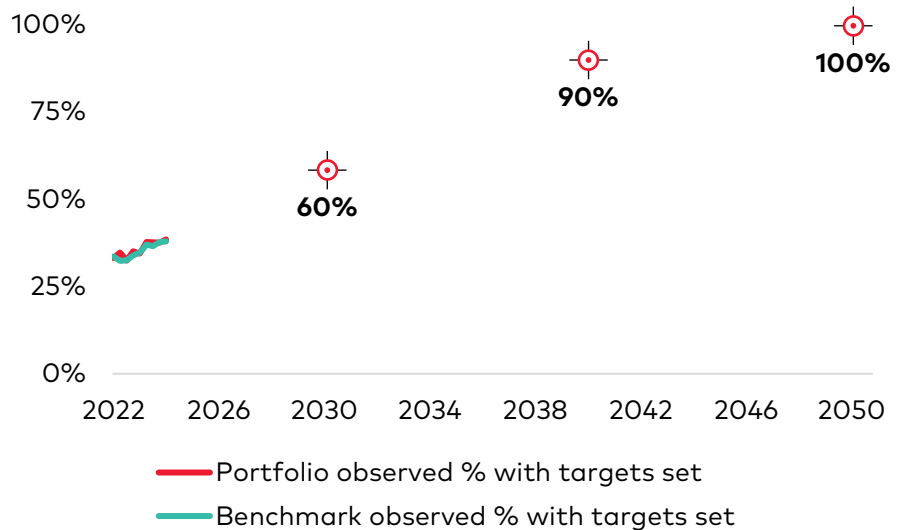
<sup>4</sup>The portfolio managers manage the fund in accordance with its named objectives and sustainability policies.

<sup>5</sup>Source: Greenhouse Gas Equivalencies Calculator | US EPA.

## Science-based targets

Science-based targets (SBTs) are considered best practice in providing companies with a defined pathway to reduce emissions in line with the Paris Agreement<sup>6</sup> goals. The pathway represents how companies within a given sector should reduce their emissions intensity and align with the global, annual emissions reduction rate that is required to meet a 1.5°C target.

This chart shows the percentage of holdings with net zero science-based targets versus the benchmark.

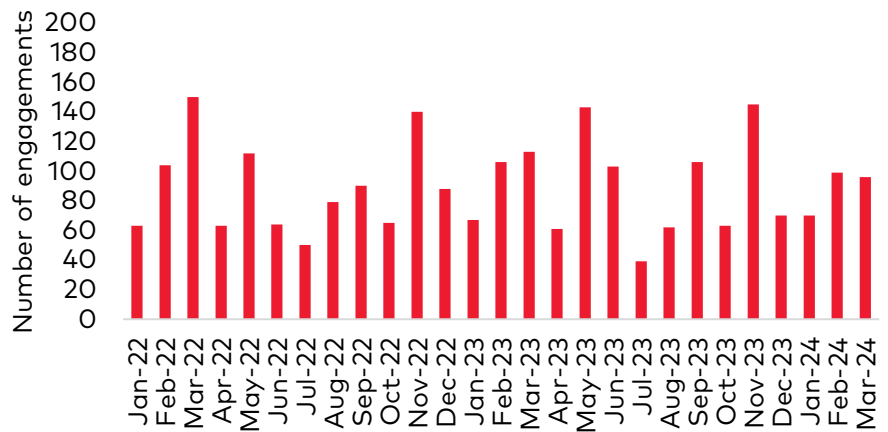


Source: Vanguard, from 1 January 2022 to 31 March 2024.

## Engagements

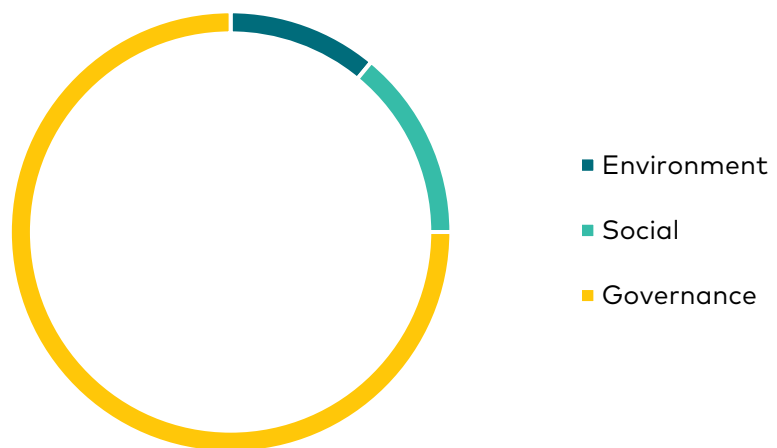
Regular conversations between portfolio managers and company management open the door for this to be a two-way dialogue. These exchanges help the portfolio managers to assess companies for their corporate culture, adaptability, responsiveness and an alignment of incentives with sustainable long-term targets.

From 1 January 2024 to 31 March 2024, 265 engagements with the fund's held names were conducted on a broad range of ESG topics.



Source: Vanguard, from 1 January 2022 to 31 March 2024.

## Number of quarterly ESG engagements



Source: Vanguard, from 1 January 2024 to 31 March 2024.

<sup>6</sup> The Paris Agreement is a legally binding international treaty created in 2015 that set long-term goals to reduce greenhouse gas emissions and limit global temperature increases; 192 nations and the European Union have joined the agreement.

## Investment risk information

**The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.**

Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

The Funds may use derivatives in order to reduce risk or cost and/or generate extra income or growth. The use of derivatives could increase or reduce exposure to underlying assets and result in greater fluctuations of the Fund's net asset value. A derivative is a financial contract whose value is based on the value of a financial asset (such as a share, bond, or currency) or a market index.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

For further information on risks please see the "Risk Factors" section of the prospectus on our website at <https://global.vanguard.com/>.

## Important information

**For further information on the fund's investment policies and risks, please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions. The KIID for this fund is available, alongside the prospectus via Vanguard's website <https://global.vanguard.com/>.**

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