Vanguard

Q4 2024

Global Capital Stewards Equity Fund

ESG AND ENGAGEMENT REPORT

The Vanguard Global Capital Stewards Equity Fund is actively managed[1] by Wellington Management Company, an external fund manager. It seeks to provide an increase in the value of investments over the long-term (more than 5 years), through a combination of capital growth and income. The fund aims to achieve this whilst selecting investments which meet certain sustainability criteria.

The fund seeks to achieve its investment objective by investing at least 90% of the fund's assets in shares issued by large companies worldwide which demonstrate good governance and act as good "stewards" of their capital. Such investments will be selected following a financial assessment, a governance assessment and in accordance with the sustainability approach below.

The product incorporates four main environmental, social and governance (ESG) considerations:

1. **Net zero commitment**

   The fund manager aims to invest a proportion of the fund's shares in companies with net-zero science-based targets to reduce greenhouse-gas emissions[2]. Net-zero science-based targets are targets that provide a way for companies to reduce their greenhouse-gas emissions.

2. **Carbon considerations**

   The fund manager looks to invest in companies that have at least one of the following three attributes:

   - A net-zero based target
   - A non-science-based target which is a public active emissions reduction target; or
   - A combined Scope 1 and Scope 2 carbon intensity (generally referred to as a company's annual emissions divided by its annual revenue, expressed in tons of carbon dioxide equivalent[3] (CO_2e) per million dollars of revenue, or tons CO_2e / $M revenue). That is at least 25% below the industry average.

3. **Exclusions policy**

   The fund manager excludes companies involved in and/or deriving revenue[4] from thermal coal extraction or thermal coal-based power generation, production and generation of oil sands, production of tobacco related products, nuclear weapons and controversial weapons.

4. **Engagement with companies**

   The fund manager will engage directly (meet) with a company if it is not aligned with the fund's ESG criteria. If initial engagements do not lead to material improvements, the fund manager may then engage further through, for example, board-level engagement and proxy voting actions.

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 takes into account ESG[5] considerations.

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 on the right. 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_2e, is a standard unit for measuring carbon. It includes several different greenhouse gases (GHG) and is expressed as a single number.

	Portfolio	Benchmark
Carbon footprint (tCO_2e/ $M invested)	11	45
Weighted Average Carbon Intensity (tCO_2e/$M sales)	60	121

Source: MSCI | Benchmark: FTSE All-World Index.
Data as at 31 December 2024.

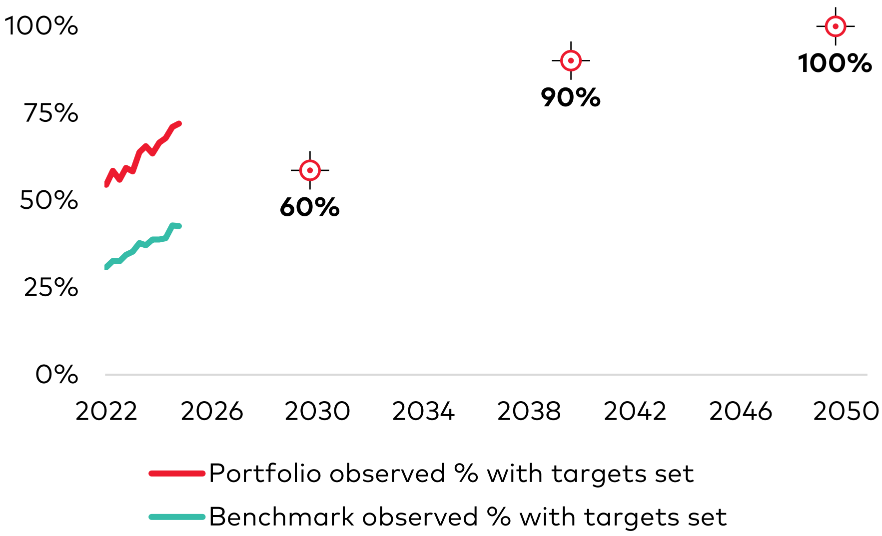
Metric	Definition	Purpose
Carbon footprint	Total carbon emissions for a fund normalised by the market value of the fund, expressed in tons CO_2e/$M invested.	To understand how much carbon emission the fund is responsible for per USD 1 million invested. This metric allows investors to compare funds of different sizes. Example: To provide a sense of scale, carbon footprint of 100 tCO_2e is equivalent to the emissions of approximately 22 passenger vehicles per year[6].
Weighted Average Carbon Intensity (WACI)	Fund's exposure to carbon-intensive companies, expressed in tons CO_2e/$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).

[1] The managers of active funds research and make decisions about which shares or other assets to buy and sell.
[2] Net-zero targets are considered to be 'science-based' if they are in line with what scientists deem is necessary to meet the goals of the Paris Agreement. This is an international treaty to limit global warming to well below 2 degrees C above pre-industrial levels and to pursue efforts to limit global warming to 1.5 degrees C above pre-industrial levels. The fund managers aim to invest at least 65% of the Fund's assets in companies with net zero science-based targets by 2030, and all companies that the Fund invests in will have net zero science-based targets by 2040.
[3] Carbon dioxide equivalent is a metric measure used to standardise the emissions from various greenhouse gases.
[4] Revenue above certain thresholds, as determined by the external manager of the fund according to the manager's exclusions policy.
[5] The portfolio managers manage the fund in accordance with its named objectives and policies.
[6] 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[7] 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.

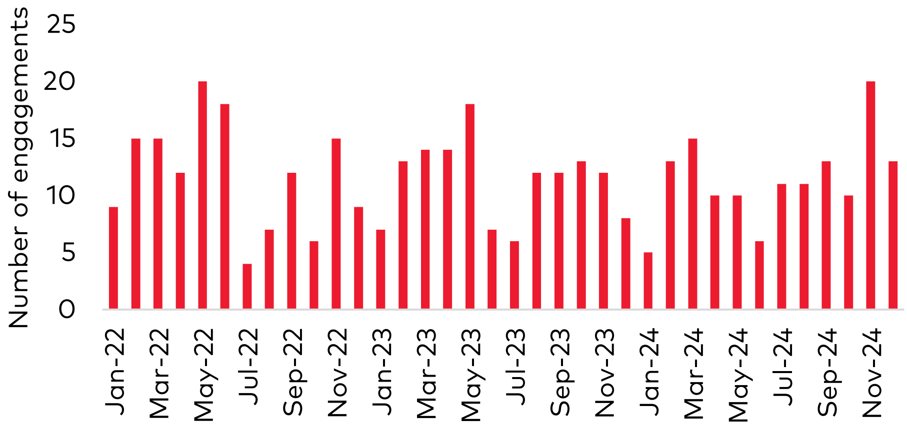


Source: Vanguard, from 1 January 2022 to 31 December 2024.

Engagements

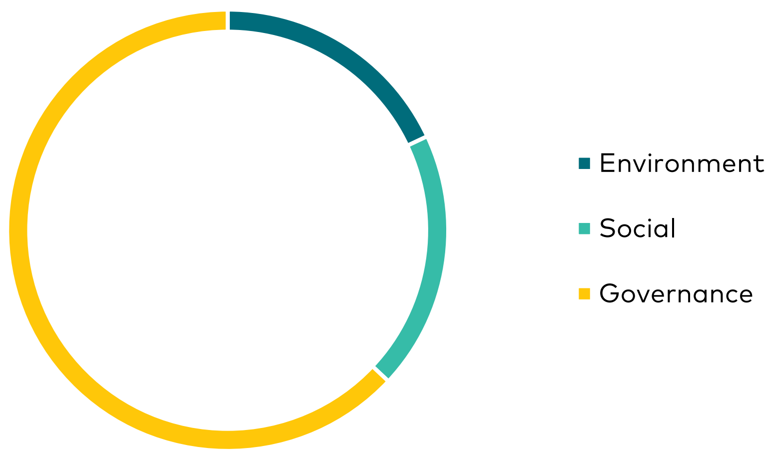
Regular conversations between portfolio managers and company management open the door for this to be a two-way dialogue. These exchanges help the portfolio managers to assess companies for their corporate culture, adaptability, responsiveness and an alignment of incentives with sustainable long-term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

From 1 October 2024 to 31 December 2024, 43 engagements with the fund's held names were conducted on a broad range of ESG topics.



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

Number of quarterly ESG engagements



Source: Vanguard, from 1 October 2024 to 31 December 2024.

[7] 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; 194 nations and the European Union have now 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.

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

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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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