

Vanguard Ethically Conscious International Shares Fund and ETF

Costs

ETF : VESG	Management fee: 0.18% p.a. Indirect costs: 0.00% p.a.
Managed fund	Management fee: 0.20% p.a. Indirect costs: 0.00% p.a.

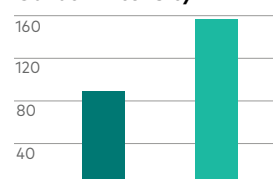
A healthy core

Build a healthy core for your client's portfolio based on what truly matters to them. Vanguard Ethically Conscious International Shared Index Fund and ETF track the FTSE Developed ex Australia Choice Index (with net dividends reinvested). This index combines exclusionary screens with broad exposure to the global share market holding around 1,600 securities. The fund allows your clients to invest in companies that avoid certain ESG risks, without having to compromise on performance potential and portfolio composition to do so.

Key benefits

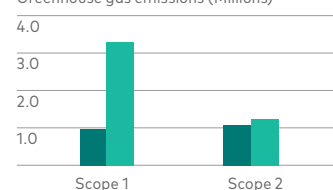
- Transparent ethical screens that remove fossil fuels, nuclear power, alcohol, tobacco, gambling, weapons, adult entertainment and severe controversies
- Powerful combination of ethically screened companies as well as diversified exposure to the global share market
- Access to Vanguard's consistent, transparent methodology and proven experience managing ESG funds for over 20 years
- A global stewardship team dedicated to creating long-term shareholder value through advocacy, company engagement, and proxy-voting on important ESG issues
- Investment strategy designed to minimise fund turnover and, in turn, minimise transaction costs and tax implications
- Low fees and execution costs

Major exclusions Carbon intensity²



Emissions³

Greenhouse gas emissions (Millions)



■ Vanguard Ethically Conscious International Shares Fund
■ MSCI World Ex-Australia AUD

Highlights

30%

Ranked in the top 30% of funds for Carbon Intensity in its category.

69%

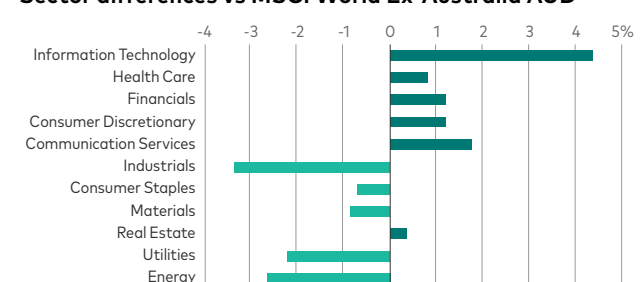
Less exposure to Scope 1 emissions versus the broader market.

14%

Less exposure to Scope 2 emissions versus the broader market.

Source: Morningstar Direct as at 31/12/2020

Sector differences vs MSCI World Ex-Australia AUD



Source: FactSet and Vanguard as at 31/12/2020

Largest 10 stocks removed

Security

Johnson & Johnson
Berkshire Hathaway Inc. Class B
Exxon Mobil Corporation
Walmart Inc.
Novartis AG
Chevron Corporation
NextEra Energy, Inc.
LVMH Moët Hennessy Louis Vuitton SE
Honeywell International Inc.
Philip Morris International Inc.

Screen applied

UNGC Controversies - Principle 1
Nuclear Weapons; Fossil Fuels
Fossil fuels
UNGC Controversies - Principle 1
UNGC Controversies - Principle 10
UNGC Controversies - Principle 7; Fossil Fuels
Nuclear Power
Alcohol
Nuclear Weapons; Military Weapons
Tobacco

Source: FTSE and Vanguard as at 30/9/2020

Reducing carbon footprint

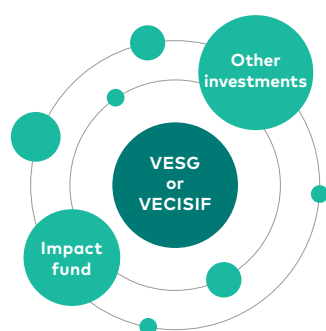
The carbon intensity of the portfolio is 43%¹ less than the broader category benchmark and the fund is ranked in the top 30% for its low carbon intensity.

A smart portfolio choice

For socially-focused clients, our ethically conscious funds work well as part of a core-satellite strategy. The Vanguard fund or ETF forms a diversified ethically conscious low-cost core while more concentrated ESG funds or other investments can act as satellites.

This enables you to apply an ethical lens holistically across the portfolio without adding unintended volatility and risk, or implementing significant active positions away from the market return.

A core-satellite approach



Your clients get to keep the risk return characteristics they want while fulfilling the desire to avoid certain ESG risks.

Portfolio applications

- Build the core of a portfolio and gain exposure to the broad global share market (ex-Australia) with an ethical screen. Ethical or other investments can be used as satellites around this core holding.

- Gain tactical exposure for investors who believe ethically conscious investments will outperform the broader market.
- As part of an ethically aware portfolio that may also include Vanguard's ethically conscious funds across Australian equities and global fixed interest.

Vanguard: Better investments by design

Ethical investing isn't just a trend for us at Vanguard. We've been managing ESG products for over 20 years. It's a philosophy that aligns with our long history, of always putting investors first while advocating on their behalf to create long-term value through improved corporate governance in the market.

As one of the largest investment managers in the world, all our managed funds and ETFs are built using investment strategies we've refined for over 45 years. They're designed to be robust over the long term and deliver strong competitive performance.

We never compromise on our investing principles which are implemented across all our products: clear goals, broad diversification, low costs, and a long-term view.

Vanguard Ethically Conscious International Shares Fund and ETF have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.⁴



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¹ Source: Morningstar Direct as at 31/12/2020

² Carbon Intensity: The asset-weighted average of holdings with actual emissions data from the Carbon Disclosure Project or estimated values from Sustainalytics in a portfolio. A lower score is better. Carbon Intensity is computed for each holding as follows: Total Emissions (metric tons of Co2) / Revenue (Mil USD), and aggregated at the fund level. Sustainalytics looks at the latest reported scope 1 (direct emissions from owned or controlled sources) and scope 2 (indirect emissions from the generation of purchased energy) Green House Gas intensity and emissions for over 10k companies. More than 100 different estimation models are used for non-reporting companies. Carbon Risk Score Percent Rank in Category: A fund's percent rank within its Morningstar Category, based on the most recent quarter's carbon risk.

³ Emissions Scope 1: The asset-weighted average of holdings with scope 1 emissions data from Sustainalytics in a fund. Scope 1 emissions include direct greenhouse gas emissions from sources that are owned or controlled by the companies held in the fund. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources.
Emissions Scope 2: The asset-weighted average of holdings with scope 2 emissions data from Sustainalytics in a fund. Scope 2 emissions include greenhouse gas emissions from the generation of purchased electricity consumed by the companies held in the fund. Scope 2 emissions physically occur at the facility where electricity is generated.

⁴ The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

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