



Sustainability-related disclosures:

Vanguard ESG Global Corporate Bond Index Fund

V. JAN 2023

LEGAL ENTITY IDENTIFIER: 549300PF53NS4QZ3OH06

(a) Summary

Environmental or social characteristics and investment strategy

The Fund employs a “passive management”—or indexing—investment strategy designed to track the performance of the Bloomberg MSCI Global Corporate Float Adjusted Bond Screened Index

The Fund promotes environmental and social characteristics by excluding fixed income securities from its portfolio based on the impact of the issuer's conduct or products on society and / or the environment but does not have as its objective sustainable investment.

The Index excludes the bonds of issuers that MSCI determines engage in activities in, and/or derive revenue (above a threshold specified by the Index Provider) from, certain business segments of the following:

- (a) Vice Products (i.e., adult entertainment, alcohol, gambling, tobacco)
- (b) Weapons (i.e., nuclear weapons, controversial weapons, conventional weapons, civilian firearms)
- (c) Non-Renewable Energy (i.e., nuclear power, or thermal coal, oil, or gas)

The Index methodology also excludes the bonds of issuers that, as determined by MSCI, have no controversy score or a controversy score of less than one as defined by MSCI's ESG controversies assessment framework.

While the Fund promotes environmental and social characteristics, it does not commit to making sustainable investments (including environmentally sustainable investments within the meaning of the Taxonomy Regulation). As such, the Fund makes a minimum commitment of 0% in environmentally sustainable investments. 0% of the assets, after the screening is applied, are aligned with environmental and / or social characteristics, or qualify as sustainable investments.

Monitoring and methodologies

The Investment Manager will measure the attainment of the environmental and social characteristics by assessing the extent to which the exclusion criteria described above have been applied and measuring the proportion of the portfolio excluded from the Parent Index (being the Bloomberg Global Aggregate Float Adjusted Corporate Index).

Regarding methodologies, the Index rebalances on a monthly basis, at which time the Parent Index (Bloomberg Global Aggregate Float Adjusted Corporate Index) is screened for the ESG exclusions criteria. Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Index in order, for example, to correct an error in the selection of Index constituents.

In addition, the Index Provider has its own set of internal processes, which are independent of the Investment Manager.

Data sources and limitations

The Index Provider is responsible for sourcing, processing and validating ESG data through the use of a third-party data provider; this is independent of the Investment Manager.

However, there is a lack of availability of self-reported data of the issuers of the fixed income securities included within the Index. Data may therefore be based on assumptions, forecasts, projections, estimations and opinions of the Index Provider and their third-party providers. The Index Provider, as part of their methodology, applies the necessary screens which ensures that the E/S characteristics are met for the Fund.

Due diligence

The Investment Manager conducts due diligence in respect of the Index Provider prior to appointment and on an ongoing basis. The Index Provider is responsible for implementing the index methodology and conducting all necessary screens to ensure constituents adhere to this methodology.

Engagement policies

Not applicable.

Designated reference benchmark

This Fund is passively managed. Its objective is to track the performance of the Bloomberg MSCI Global Corporate Float Adjusted Bond Screened Index. For this reason, the Index also serves as the designated Reference Benchmark for the purpose of attaining the environmental and / or social characteristics promoted by the Fund.

(b) No sustainable investment objective

Does the Fund have sustainable investment as its objective?

The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

What environmental and / or social (E/S) characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics by excluding fixed income securities from its portfolio based on the impact of the issuer's conduct or products on society and / or the environment.

For information on the screening criteria, please refer to the summary section above. Further details of the screening criteria including the revenue thresholds for inclusion can be found under 'Environment, Social and Governance (ESG) Rules' in the Index fact sheet at

<https://www.bloomberg.com/professional/product/indices/bloomberg-msci-climate-esg-indices-fact-sheets-and-publications/>

(d) Investment strategy

What is the investment strategy used to meet the E/S characteristics promoted by the financial product?

The Fund employs a "passive management"—or indexing—investment strategy designed to track the performance of the Bloomberg MSCI Global Corporate Float Adjusted Bond Screened Index. In seeking to achieve its investment objective, the Fund will invest in a multi-currency portfolio of investment grade corporate fixed-rate bonds from both developed and emerging markets issuers that so far as possible and practicable

consists of a representative sample of the component securities of the Index.

The binding element of the investment strategy is the exclusionary screening methodology, which is detailed in the summary section above.

What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?

The investee companies, in which the Fund invests, follow good governance practices since the Investment Manager replicates an index that excludes companies that are involved in poor governance practices. This excludes the bonds of issuers that, as determined by MSCI, have no controversy score or a controversy score of less than one as defined by MSCI's ESG controversies assessment framework.

The Investment Manager relies on the Index Provider to assess good governance practices of the investee companies based on the controversy assessment.

(e) Proportion of investments

What is the asset allocation planned for this product?

While the Fund promotes environmental and social characteristics, it does not commit to making sustainable investments (including environmentally sustainable investments within the meaning of the Taxonomy Regulation). As such, the Fund makes a minimum commitment of 0% in environmentally sustainable investments.

The binding element of the investment strategy is the exclusionary screening methodology. This excludes companies from the Fund's portfolio based on the impact of their conduct or products on society and / or the environment (as further described above). As the Fund is passively managed, the investments held by the Fund are determined by the Index methodology and no further environmental or social criteria are applied to such investments by the Investment Manager. Accordingly, while the Fund promotes environmental and social characteristics by applying the screening methodology and excluding certain companies from the portfolio of the Fund, the investments made by the Fund are not aligned with any particular environmental or social characteristics. The Fund makes such investments to achieve the financial investment objective of the Fund and does not apply any minimum environmental or social safeguards to such investments. 0% of the assets, after the screening is applied, are aligned with environmental and / or social characteristics, or qualify as sustainable investments.

Does this product have planned indirect exposures to entities?

The Fund does not plan to use indirect exposures (including derivatives) to attain the environmental or social characteristics promoted by the Fund.

(f) Monitoring of environmental or social characteristics

How are the E/S characteristics promoted by the financial product and the Sustainability Indicators used to measure the attainment of each of those E/S characteristics promoted by the financial product monitored throughout the lifecycle of the financial product?

The Investment Manager will measure the attainment of the environmental and social characteristics by

- measuring the proportion of the portfolio excluded from the Parent Index (being the Bloomberg Global Aggregate Float Adjusted Corporate Index) and
- assessing the extent to which the exclusion criteria described above have been applied

The first sustainability indicator, the proportion of the portfolio excluded from the Parent index, is monitored by the Investment Manager on an annual basis to include in the annual reports.

The second sustainability indicator, the extent to which the exclusion criteria have been applied, is monitored by the Investment Manager on a regular basis through internal and external controls, as discussed below.

What are the related internal control mechanisms?

Rebalancing activity in ESG index funds is reviewed and overseen by several 'lines of defense', including our portfolio management, risk management, investment data and product teams. Inputs from third-party data providers, consistent with the Index Provider's own ESG data, are used to analyse index constituents as part of this review process. This helps mitigate the risk of the Fund holding index constituents that are inconsistent with the specified ESG screening criteria. Further monitoring is in place surrounding new issues which may be eligible for inclusion in the Fund between rebalances.

There are additional internal trade compliance controls, that will check whether new instruments bought are benchmark constituents as well as checking for any fund holdings that may no longer be part of the benchmark. These checks aim to confirm that out of benchmark holdings are not added and are removed in a timely fashion. The Investment Manager will monitor tracking error (difference between portfolio and benchmark) on a daily basis and follow up on any significant deviations.

What are the related external control mechanisms?

The Index rebalances on a monthly basis, at which time the Parent Index (Bloomberg Global Aggregate Float Adjusted Corporate Index) is screened for the ESG exclusions criteria. Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Index in order, for example, to correct an error in the selection of Index constituents.

The Index Provider has implemented controls, which are independent of the Investment Manager.

(g) Methodologies

What are the methodologies to measure how the E/S characteristics promoted by the financial product are met?

The Fund promotes environmental and social characteristics by excluding fixed income securities from its portfolio based on the impact of the issuer's conduct or products on society and / or the environment. For information on the screening criteria, please refer to the summary section above.

The Index rebalances on a monthly basis, at which time the Parent Index (Bloomberg Global Aggregate Float Adjusted Corporate Index) is screened for the ESG exclusions criteria. Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Index in order, for example, to correct an error in the selection of Index constituents.

The Index Provider has its own set of internal processes which are independent of the Investment Manager. There are two elements of the Index Provider's screening methodology. Further details of this can be found under 'MSCI ESG Business Involvement Screening Research (BISR)' and 'MSCI ESG Controversies' in the Bloomberg MSCI Fixed Income Indices Primer at:

<https://www.bloomberg.com/professional/product/indices/bloomberg-msci-climate-esg-indices-fact-sheets-and-publications/>

(h) Data sources and processing

What are the data sources used to attain each of the E/S characteristics promoted by the financial product?

The Index Provider is responsible for sourcing, processing and validating ESG data through the use of a third-party data provider; this is independent of the Investment Manager.

What measures are taken to ensure data quality?

The Index Provider has implemented processes to ensure data quality; these are independent of the Investment Manager.

From an internal perspective, rebalancing activity in ESG index funds is reviewed and overseen by several 'lines of defense', including our portfolio management, risk management, investment data and product teams. Inputs from third-party data providers, consistent with the Index Provider's own ESG data, are used to analyse index constituents as part of this review process. This helps mitigate the risk of our funds holding index constituents that are inconsistent with the specified ESG screening criteria.

How are the data processed?

The Investment Manager does not perform any data processing with regards to the screening criteria, which is carried out by the Index Provider.

The Index Provider has implemented data processing frameworks; these are independent of the Investment Manager.

What is the proportion of data that are estimated?

It is currently complex to report sufficiently accurate numbers on the proportion of data that is estimated. The Index Provider uses estimated data under specific circumstances; this is independent of the Investment Manager.

(i) Limitations to methodologies and data

What are the limitations to the methodologies referred to in section (g) and the data sources referred to in section (h)?

The main limitation is the availability of self-reported data of the issuers of the fixed income securities included within the Index. Data may therefore be based on assumptions, forecasts, projections, estimations and opinions of the Index Provider and their third-party providers.

Where the Index Provider has insufficient or no data available to adequately assess a particular issuer relative to the ESG criteria of the Index, such bonds of the issuer may not be excluded and shall remain constituents of the Index.

How do such limitations not affect how the E/S characteristics promoted by the financial product are met?

The Index Provider, as part of their methodology, applies the necessary screens which ensures that the E/S characteristics are met for the Fund. Furthermore, data availability will improve over time due to increasing regulatory disclosure requirements, such as the anticipated introduction of CSRD (The Corporate Sustainability Reporting Directive) in 2025. As more data becomes available, bonds of issuers will be assessed against the ESG criteria of the index and removed from the index if they are determined to be ineligible by the Index Provider.

(j) Due diligence

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?

The Investment Manager conducts due diligence in respect of the Index Provider prior to appointment and on an ongoing basis. The Index Provider is responsible for implementing the index methodology and conducting all necessary screens to ensure constituents adhere to this methodology. The Investment Manager focuses on the processes and procedures that the relevant Index Provider has in place on an ongoing basis. Please refer to section (f) for further details of the Investment Manager's processes and procedures.

(k) Engagement policies

What is the engagement policy implemented where engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

Not applicable.

(l) Designated reference benchmark

Has an index been designated as a reference benchmark to meet the E/S characteristics promoted by the financial product?

This Fund is passively managed. Its objective is to track the performance of the Bloomberg MSCI Global Corporate Float Adjusted Bond Screened Index. For this reason, the Index also serves as the designated Reference Benchmark for the purpose of attaining the environmental and / or social characteristics promoted by the Fund.

How is this index aligned with the E/S characteristics promoted by the financial product?

The Index is constructed from the Bloomberg Global Aggregate Float Adjusted Corporate Index which represents a multi-currency universe of investment grade corporate fixed-rate bonds from both developed and emerging markets issuers, screened for certain environmental, social, and corporate governance criteria, as described below, by the sponsor of the Index, which is independent of Vanguard.

The Index rebalances on a monthly basis, at which time the Parent Index (Bloomberg Global Aggregate Float Adjusted Corporate Index) is screened for the ESG exclusions criteria.

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Index in order, for example, to correct an error in the selection of Index constituents.

The Investment Manager monitors the Index and its exclusions on a regular basis to ensure the alignment of the investment strategy with the methodology of the index.

Where can one find information with regards to input data, the methodologies used to select those data, the rebalancing methodologies and index calculations?

Further information in relation to the Index, including current details as to its exact composition, methodology, exclusions and any revenue thresholds, can be obtained at

<https://www.bloomberg.com/professional/product/indices/bloomberg-fixed-income-indices/#/ucits>.

Further Information

Please refer to the link below to access the sustainable finance disclosures of the Fund set out within the prospectus of Vanguard Investment Series plc.

<https://fund-docs.vanguard.com/prospectus-en.pdf>

Please refer to the link below to access the sustainable finance disclosures of the Fund set out within the Annual Report of Vanguard Investment Series plc. This will only become available after the Annual Report for 2022 has been published.

<https://fund-docs.vanguard.com/ARreportEN.pdf>

Important information

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