Vanguard

Sustainability-related disclosures: Vanguard Selected Screened FTSE Developed Europe II Common Contractual Fund ("the Sub-Fund")

v. Mar 2025

Legal entity identifier: 549300BVPEW6TEGZJB19

(a) Summary

Environmental or social characteristics and investment strategy

The Sub-Fund employs a "passive management"—or indexing—investment strategy designed to achieve the performance of the FTSE Developed Europe Index.

Through the screening out of stocks of companies from its portfolio based on the potentially detrimental impact of their conduct or products on society, the Sub-Fund promotes the following characteristics in respect of its investment universe, unless otherwise disclosed:

The Sub-Fund promotes the following social characteristics relating to social norms and standard:

- Human rights, labour rights and anti-corruption as set out in the principles of the UN Global Compact; and
- Avoiding the financing of controversial weapons.

The Sub-Fund promotes and attains the above-mentioned social characteristics through the screening process applied, as described below, to the FTSE Developed Europe Index (the "Index"). The Index provider has developed a screening process designed to analyse companies issuing securities in the Index. The screening process seeks to exclude Index constituents that are issued by companies which (as determined by the Index provider) are involved in certain business activities related to (1) chemical and biological weapons, (2) cluster munitions, (3) anti-personnel land mines, (4) nuclear weapons and/or the manufacture and distribution of tobacco products.

The screening process also seeks to exclude Index constituents that are issued by companies based on certain controversial conduct, which is achieved by excluding companies that have been deemed 'Non-Compliant' (determined to be causing or contributing (or directly linked) to severe or systemic and/or systematic violations of international norms) in relation to the United Nations Global Compact Principles regarding labour, human rights, environmental, and anti-corruption standards (by reference to third party data which is utilised by the Index provider).

A Reference Benchmark has not been designated for the purpose of attaining the environmental and / or social characteristics promoted by the financial product.

While the Sub-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 Sub-Fund makes a minimum commitment of 0% in environmentally sustainable investments. 90% of the assets are aligned with environmental and / or social characteristics.

Monitoring and methodologies

The Investment Manager will measure the attainment of the environmental and social characteristics by assessing that the exclusion criteria above have been applied and measuring the proportion of the portfolio excluded from the Index.

Regarding methodologies, the Index rebalances on a quarterly basis. The Investment Manager will apply the exclusions to the index funds based on an exclusion list provided by the Index Provider.

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 companies 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, maintains the exclusion list which ensures that the E/S characteristics are met for the Sub-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 creating the index methodology and maintaining the exclusion list 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.

Engagement policies

Not applicable.

Designated reference benchmark

The Index does not determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes. This is because the exclusionary screening methodology (that promotes the relevant environmental and social characteristics) is applied outside of the Index that this financial product tracks.

(b) No sustainable investment objective

Does the Fund have sustainable investment as its objective?

The Sub-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 Sub-Fund promotes environmental and social characteristics by excluding companies from its portfolio based on the impact of their conduct or products on society and / or the environment. This is met by not holding stocks of companies in the FTSE Developed Europe Index that do not meet specific criteria.

For information on the screening criteria, please refer to the summary section above.

(d) Investment strategy

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

The Sub-Fund employs a "passive management"- or indexing - investment strategy designed to achieve the performance of the FTSE Developed Europe Index by investing in a portfolio of securities that, insofar as possible and practicable, consists of a representative sample of the component securities of the Index that satisfy the application of the screening process.

The binding element of the investment strategy is the exclusionary screening methodology applied to the constituents of the Index, 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 assessment of good governance is incorporated into the screening process. The screening process excludes stocks of companies based on certain controversial conduct, which is achieved by excluding companies that have been deemed 'Non-Compliant' (determined to be causing or contributing (or directly linked) to severe or systemic and/or systematic violations of international norms) in relation to the United Nations Global Compact Principles regarding labour, human rights, environmental, and anti-corruption standards (by reference to third party data which is utilised by the Index provider).

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

(e) Proportion of investments

What is the asset allocation planned for this product?

The binding element of the investment strategy is solely 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). This is met by not holding stocks of companies in the Index that do not meet specific criteria, as further outlined above.

Following the application of the exclusionary screen, it is expected that at least 90% of the Fund's assets will be invested in constituents of the Index and accordingly, such investments are determined to be aligned with the environmental and social characteristics promoted by the Fund.

Up to 10% of assets fall into the sub-category "#2 Other". These represent indirect exposures (including derivatives) which are used for efficient portfolio management purposes only. The Fund does not apply any minimum environmental or social safeguards to such investments.

The Fund does not commit to make any sustainable investments.

Does this product have planned indirect exposures to entities?

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

The Investment Manager undertakes independent oversight of the investment management processes and systems. As part of this oversight, the investment and operational risks are considered. The Investment Manager oversees ESG risk as part of our general investment risk and operational risk monitoring activities.

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 quarterly basis. 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 Sub-Fund promotes environmental and social characteristics by excluding companies from its portfolio based on the impact of their conduct or products on society and / or the environment. This is met by not holding stocks of companies in the FTSE Developed Europe Index that do not meet specific criteria. For information on the screening criteria, please refer to the summary section above.

The Index rebalances on a quarterly basis. The Investment Manager will apply the exclusions to the index funds based on an exclusion list provided by the Index Provider.

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

(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.

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 to maintain the exclusion list.

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 companies 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.

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, maintains the exclusion list which ensures that the E/S characteristics are met for the Sub-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 2028.

(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 creating the index methodology and maintaining the exclusion list 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 has been designated as a reference benchmark to meet the E/S characteristics promoted by the financial product?

No, the Index does not determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes. This is because the exclusionary screening methodology (that promotes the relevant environmental and social characteristics) is applied outside of the Index that this financial product tracks.

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

Not applicable.

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

Not applicable.

Further Information

Please refer to the link below to access the sustainable finance disclosures of the Sub-Fund set out within the prospectus of Vanguard Investments II Common Contractual Fund.

https://fund-docs.vanguard.com/VICCFII-prospectus.pdf

Please refer to the link below to access the sustainable finance disclosures of the Sub-Fund set out within the Annual Report of Vanguard Investments II Common Contractual Fund.

https://fund-docs.vanguard.com/vg-ccf-II-annual-report.pdf

Version Control

March 2025:

- Updates to the Section (a), (c), (d), (e), (g) and (j) to reflect updates to the prospectus and pre-contractual disclosure wording effective 31 March 2025.

April 2023:

- Legal Entity Identifier (LEI) - The LEI has been updated to reflect the Fund’s LEI, rather than the Investment Manager LEI.
- Section (e) ‘Proportion of investments’ – The question “What is the asset allocation planned for this product?” has been updated to provide enhanced clarity and to improve investor comparability of Article 8 products promoting environmental and/or social characteristics through an exclusionary screening only approach. This update is also reflected in ‘(a) Summary’.