

7 October 2021

Dear Investor,

Important Changes Affecting the Vanguard Global Balanced Fund (the “Fund”)

We* are writing to notify you that we will be implementing certain changes to the Fund with effect from 8 December 2021.

You are receiving this letter because you are an investor in the Fund. This letter is important and requires your attention but does not require you to take any action.

Change to the Investment Policy

There is no change to the Investment Objective of the Fund as a result of the update articulated below and there will also be no material alteration to its risk profile.

The Investment Policy of the Fund will be updated to reflect the incorporation of certain sustainability criteria to which the Fund must adhere to (with effect from the date outlined above), as set out below. The Fund’s independent sub-investment adviser (the “**Manager**”) will apply the sustainability criteria for equities and corporate bonds, together with other similar securities. The Fund may also hold assets such as government bonds, securitised bonds or other similar securities which are not evaluated against sustainability criteria due to lack of sufficient data for screening purposes.

Sustainability Criteria

The Fund will formally incorporate the following sustainability criteria:

- The Manager will exclude securities issued by companies based upon the impact of their conduct or products on society and/or the environment (as determined by the Manager). These include companies involved in and/or deriving revenue (above a threshold

specified by the Manager) from tobacco, thermal coal, oil sands, nuclear / controversial weapons, and cluster munitions.

- The Manager will actively engage with those companies it invests in (shares or corporate bonds) to encourage them to achieve net zero emissions by 2050 in alignment with the Paris Agreement through the establishment of science-based targets¹. Specifically, the Manager aims to invest 60% of the Fund's shares and corporate bonds in companies with net zero science-based targets by 2030, and 90% of the Fund's shares and corporate bonds in companies with net zero science-based targets by 2040, with the ultimate aim of investing 100% of the Fund's shares or corporate bonds in companies which are net zero by 2050.
- The Manager also conducts a good governance assessment of investee companies and will also will actively engage with investee companies regarding alignment with the sustainability criteria outlined.

Although the Fund is not currently formally managed to the sustainability criteria, the portfolio characteristics of the Fund will not materially change, with no material impacts upon sectors, regions or country profiles. However, it is possible that the Fund will forgo certain investment opportunities based upon the formal incorporation of the sustainability criteria (i.e. because they do not meet these criteria).

As a result of the change to the Investment Policy, portfolio realignment costs will be incurred, which will be borne by the Fund. These costs are not considered to be material.

Further information on the new Investment Policy can be found in the Appendix to this notification.

Name Change

To reflect the above change to the Investment Policy, the name of the Fund will change from the Vanguard Global Balanced Fund to the Vanguard SustainableLife 60-70% Equity Fund.

¹ Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Timing

The changes to the Fund, as set out above, will take effect from 8 December 2021. An updated Prospectus for the Funds will be published on this date to reflect the update.

Should you have any queries regarding this change, please contact your financial adviser or Vanguard's Client Services team at uk_client_services@vanguard.co.uk or on +44 (0)20 3753 4305 between 9am and 5pm, Monday to Friday (excluding public holidays in England).

Yours faithfully



For and on behalf of

Vanguard Investments UK, Limited

*** Authorised Corporate Director of Vanguard Investments Funds ICVC**

APPENDIX

Current Investment Policy

The Fund is an active fund whereby the investment adviser uses their expertise to pick investments to achieve the Fund's objectives. The Fund uses an independent sub-investment adviser which follows a distinct approach in managing the Fund's investments to maintain a balance between its investments in shares and bonds.

The Fund seeks to achieve its investment objective by investing primarily in a combination of shares of companies (approximately two-thirds of the portfolio) and bonds (approximately one-third of the portfolio). The Fund's holdings may be selected from all economic sectors and industry groups, and may be located anywhere in the world, providing exposure to a broad range of developed and emerging markets. Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

The Fund typically invests in a diverse range of large and mid-size companies chosen mainly on the basis of an investment approach that focuses on analysing individual shares rather than stock markets, producing a mix of investments in companies whose earnings are expected to grow faster than their peers in the market (known as 'growth stocks') and those that are considered to have been undervalued by the market (known as 'value stocks'). The Fund's country, sector and industry weightings are not driven by views that look at the big picture first, e.g. the economy as a whole. Both companies which pay out income consistently and, to a lesser extent, companies which tend not to pay out income will be included. The bond portion of the portfolio comprises mainly government and corporate bonds, together with other similar securities which are expected to pay out some monies in the form of income.

The Fund will be constrained by the Composite Index, to a limited extent, with regard to its investment in sectors, country exposure and credit rating. However whilst the Fund will invest in components of the Composite Index, it is not tracking the Composite Index and the Fund may hold investments that are not components of the Composite Index.

The Fund may also have exposure to other collective investment schemes (which themselves invest in securities which are consistent with the Fund's objective), money market instruments and deposits, and warrants. Money market instruments are investments usually issued by banks or governments that are a short term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period. A deposit is a fixed term investment that gathers interest over the period of its term. Warrants provide the holder with the right, but not the obligation, to purchase a share at a fixed price or amount at a fixed time in the future.

The Fund may also use derivatives in order to reduce risk or cost and/or generate extra income or growth (often referred to as 'efficient portfolio management'). Generally speaking, 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. The Fund will not use derivatives for speculative purposes, and only a limited percentage of its assets is committed to them. The Fund may also use certain techniques and instruments in accordance with the limits and conditions specified under "**Portfolio Investment Techniques**" in **Appendix 4**.

Within the bond portion of the portfolio, it is intended to use currency derivative contracts to reduce up to 100% of the risk of holding investments in currencies other than GBP. Please refer to the "Currency risk" section of this Prospectus.

Note: Both aspects of the Fund's portfolio are managed by **Wellington Management Company LLP** as sub-investment adviser, and references to the Investment Adviser have effect accordingly. For further information, please refer to the "Independent Sub-Investment Advisers" section of this Prospectus.

New Investment Policy

The Fund is an active fund whereby the investment adviser uses their expertise to pick investments to achieve the Fund's objectives. The Fund uses an independent sub-investment adviser (the "Manager") which follows a distinct approach in managing the Fund's investments to maintain a balance between its investments in shares and bonds.

The Fund seeks to achieve its investment objective by investing in a combination of shares of companies (between 60-70% of the portfolio, with an expected allocation of 65%) and bonds (between 30-40% of the portfolio, with an expected allocation of 35%) selected in accordance with the Sustainability Policy set out below. The Fund's holdings in shares of companies may change by up to 5% either side of the stated expected allocation due to changing market conditions and prices.

The Fund's holdings may be selected from all economic sectors and industry groups, and may be located anywhere in the world, providing exposure to a broad range of developed markets and up to 20% of its Net Asset Value in countries which are considered by the Manager to be emerging markets. Emerging markets are countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

The Fund typically invests in a diverse range of large and mid-size companies chosen mainly on the basis of an investment approach that focuses on analysing individual shares rather than stock markets, producing a mix of investments in companies whose earnings are expected to grow faster than their peers in the market (known as 'growth stocks') and those that are considered to have been undervalued by the market (known as 'value stocks'). The Fund's country, sector and industry weightings are not driven by views that look at the big picture first, e.g. the economy as a whole, but rather are driven by individual security selection. Both companies which pay out income consistently and, to a lesser extent, companies which tend not to pay out income will be included. The bond portion of the portfolio comprises mainly government and corporate bonds, together with other similar securities which are expected to pay out some monies in the form of income.

The Fund may also have exposure to other collective investment schemes (which themselves invest in securities which are consistent with the Fund's objective and the Sustainability Policy), depositary receipts (such as American Depositary Receipts, Global Depositary Receipts and European Depositary Receipts), convertible securities, investments in real estate investment trusts, money market instruments and deposits, and warrants. Money market instruments are investments usually issued by banks or governments that are a short-term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period. A deposit is a fixed term investment that gathers interest over the period of its term. Warrants provide the holder with the right, but not the obligation, to purchase a share at a fixed price or amount at a fixed time in the future.

The Fund may also use derivatives in order to reduce risk or cost and/or generate extra income or growth (often referred to as 'efficient portfolio management'). Generally speaking, 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. The Fund will not use derivatives for speculative purposes, and only a limited percentage of its assets is committed to them. The Fund may also use certain techniques and instruments in accordance with the limits and conditions specified under "Portfolio Investment Techniques" in Appendix 4. Investors should note that derivatives and or instruments

used for efficient portfolio management may contain underlying constituents which may not meet the sustainability criteria of the Fund.

Within the bond portion of the portfolio, it is intended to use currency derivative contracts to reduce up to 100% of the risk of holding investments in currencies other than GBP. Please refer to the "Currency risk" section of this Prospectus.

The Fund may temporarily depart from its investment policy in response to the Manager's perception of extraordinary market, political or similar conditions. During these periods and for as long as the Manager deems it necessary, the Fund may increase its holdings of cash and near cash, and may have reduced exposure to assets that are subject to the Sustainability Policy. In doing so, the Fund may succeed in avoiding losses, but may otherwise fail to achieve its investment objective.

Sustainability Policy

The Fund invests in assets that meet the Manager's sustainability criteria for all equities and corporate bonds, together with other similar securities. The Fund may also hold assets such as government bonds, securitised bonds or other similar securities which are not evaluated against sustainability criteria due to lack of sufficient data for screening purposes. However, the majority of the Fund's assets will meet the Manager's sustainability criteria.

Evaluating sustainability criteria is an integral part of the Fund's investment process as, in the Manager's view, these factors can materially affect a company's financial performance and competitiveness. The Manager uses a combination of external third-party research and proprietary analysis in its application of its sustainability criteria. The Manager excludes investments that fall within the exclusions policy, and then considers each company's alignment to the Fund's net zero targets and conducts an assessment of good governance standards. This is outlined in more detail below.

Exclusions policy

The Manager believes that certain business activities are not sustainable, and therefore excludes securities issued by companies based upon the impact of their conduct or products on society and/or the environment (as determined by the Manager). These include companies involved in and/or deriving revenue (above a threshold specified by the Manager) from tobacco, thermal coal, oil sands, nuclear / controversial weapons, and cluster munitions. The exclusions policy is reviewed by the Manager periodically and changes to the exclusions policy may occur from time to time. The latest exclusions policy is available at [insert link²].

Net zero target

The Manager believes that alignment with net zero targets is an important sustainability criteria. The Fund will actively engage with those companies it invests in (shares or corporate bonds) to encourage them to achieve net zero emissions by 2050 in alignment with the Paris Agreement through the establishment of science-based targets. Specifically, the Manager aims to invest 60% of the Fund's shares and corporate bonds in companies with net zero science-based targets by 2030, and 90% of the Fund's shares and corporate bonds in companies with net zero science-based targets by 2040, with the ultimate aim of investing 100% of the Fund's shares or corporate bonds in companies which are net zero by 2050. The science-based targets initiative provides a clearly defined pathway for companies to reduce greenhouse gas emissions. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet

² Link to be inserted at the time of the change taking effect on 8 December 2021.

the goals of the Paris Agreement: limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Good governance

The assessment of good governance of investee companies is core to the Manager's investment philosophy, including its views on sustainability, and is integrated into each step of the Manager's investment process. The Manager considers "good governance" to be a standard of governance which is broadly reflective of industry-established norms and practices with regards to management structures and decision-making, accountability to shareholders, compensation structures, corporate culture, compliance with applicable law and the absence of negative events which are likely to have a material adverse impact on the financial returns of the company.

Engagement

Engagement with investee companies is also core to the Manager's investment philosophy and integrated into the Manager's investment holding process. As part of this process, the Manager will actively engage with investee companies regarding alignment with the sustainability criteria outlined above. This includes encouraging the establishment of science-based targets by investee companies in order to achieve net zero by 2050 in alignment with the Paris Agreement (as further detailed above).

The Manager reviews and assesses the holdings of the Fund on an ongoing basis to ensure they are aligned with the Sustainability Policy. Should the Manager determine an investment is not continuing to meet the Sustainability Policy, the Manager will engage directly with the company. If initial engagements do not lead to material improvements towards alignment with the Sustainability Policy, the Manager may then engage further through, for example, board-level engagement and proxy voting actions - the Manager's proxy voting guidelines are available at https://www.wellington.com/uploads/2021/03/1181b3ccb2eb916b0b7a85e9ece5d784/global-proxy-voting-guidelines_2021-_final__wmc.pdf. The Manager may also consider initiating shareholder proposals or divestment of the company.

The Manager will report to investors on the Fund's sustainability performance on a quarterly basis and the Manager's engagement activities on an annual basis. The latest reports are available at [insert link³].

Further Information

Note: Both aspects of the Fund's portfolio are managed by **Wellington Management Company LLP** as sub-investment adviser, and references to the Investment Adviser have effect accordingly. For further information, please refer to the "Independent Sub-Investment Advisers" section of this Prospectus

³ Link to be inserted at the time of the change taking effect on 8 December 2021.