

# Responsible Investment Policy

VanEck (Europe)

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## 1. Purpose

The purpose of this Responsible Investment Policy (the "Policy") is to articulate VanEck's European operations' commitment to responsible investment<sup>1</sup>. This includes a comprehensive explanation of how we integrate sustainability considerations into our investment decisions and processes. The Policy acts as a guiding framework, underscoring our dedication to investing responsibly and highlighting our approach to incorporating environmental, social, and governance (ESG) factors into our investment analysis and decision-making procedures.

## 2. Scope

The principles described in this document outline the approach applicable to actively managed UCITS funds, UCITS ETFs and discretionary accounts (together "Products") managed by the European operations of VanEck ("VanEck Europe"). There is a focus specifically on products where the related fund documentation indicates that environmental and/or social characteristics are promoted or that they pursue sustainable objectives.

This Policy is reviewed at least annually by the European ESG Committee and updated as and when necessary.

## 3. Introduction

At VanEck Europe, we firmly believe in the integration, where appropriate and relevant, of environmental, social, and governance (ESG) factors as a fundamental aspect of our investment philosophy and process. This belief underpins our approach across both actively and passively managed funds, including UCITS ETFs and discretionary accounts. In some actively managed funds, we incorporate ESG considerations as part of our comprehensive financial analysis, while in some passively managed products, our focus includes working with index providers to ensure ESG factors are appropriately reflected in our investment selections. Our commitment to responsible investment is a core part of our identity as a fund manager. It involves a strategic balance of integrating sustainability risks and ESG considerations into our investment processes, alongside our rigorous financial analysis. This approach is pivotal in ensuring that our products not only strive to meet high standards of financial performance but also align with our dedication to fostering responsible, sustainable investment practices across all our operations.

## 4. VanEck's commitment

### 4.1 Investment Management

Since 2017, VanEck has been a committed signatory of the Principles for Responsible Investment (PRI). We have established a European ESG Committee dedicated to implementing and overseeing our sustainability and ESG-related practices. This commitment reflects our ongoing effort to integrate responsible investment principles, where suitable, throughout our investment management process.

### 4.2 Passive Investment Management

VanEck Europe may proactively engage with index providers to review and, where necessary, modify sustainability and ESG-related screening criteria for our passively managed investment products and discretionary accounts. This engagement is guided by our commitment to aligning with the best interests of our investors, striving to apply and incorporate additional pertinent criteria whenever feasible.

## 5. VanEck's approach

### 5.1 Sustainable Investments

In line with Article 2, point (17) of the Sustainable Finance Regulation (SFDR), VanEck Europe classifies a 'sustainable investment' as a financial product that:

1. Invests in economic activities that contribute to environmental or social objectives;
2. Does not significantly harm any of those objectives; and
3. Ensures that investee companies follow good governance practices, especially in terms of sound management structures, employee relations, staff remuneration, and tax compliance<sup>2</sup>.

VanEck Europe's definition of sustainability is based on several factors, including revenue exposure to relevant activities and compliance with the Do No Significant Harm (DNSH) and good governance principles, as outlined in current EU regulations<sup>3</sup>.

### 5.2 ESG Integration

VanEck is committed to applying its ESG approach across various asset classes, regions, markets, and themes, wherever appropriate and feasible. As a global firm with diverse investment teams worldwide, our approach to responsible investment is tailored to suit the specific asset class, region, market, and individual client needs, while adhering to local market practices and regulations.

<sup>1</sup> <https://www.unpri.org/introductory-guides-to-responsible-investment/what-is-responsible-investment/4780.article#:~:text=Responsible%20investment%20involves%20considering%20environmental,analysis%20and%20portfolio%20construction%20techniques.>

<sup>2</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088.](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088)

<sup>3</sup> SFDR and EU Taxonomy Regulation (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>).

This results in varied implementation of our responsible investment principles across different regions and investment teams. Each regional entity, including VanEck Associates Corporation in the U.S., VanEck Europe (applicable for VanEck Asset Management B.V., as management company of the active and passive UCITS in Europe), and VanEck Investments Limited in Australia, adopts its own Responsible Investment Policy to ensure alignment with local market nuances and client requirements.

In VanEck Europe, especially for certain passively managed investment funds (ETFs), we focus on integrating ESG factors into both the investment process and the index methodology. This involves close collaboration with index providers to establish and apply appropriate rules and screening criteria. The inclusion of ESG characteristics in our products is not only guided by compliance with current and applicable regulations but also encompasses additional considerations such as controversy screenings and revenue filters; involvement of the constituents with controversial and civil weapons; and compliance with UN Global Compact and OECD principles.

### 5.3 Principal Adverse Impacts (“PAIs”) Consideration

VanEck Europe is dedicated to assessing the most relevant Principal Adverse Impacts (PAIs) in its investment activities. PAIs are defined as negative, material, or potentially material effects on sustainability factors stemming from investment decisions or advice by a legal entity. Common examples include Green House Gas (GHG) emissions and water emissions.

In compliance with the Sustainable Finance Disclosure Regulation (SFDR), which mandates financial market participants to disclose their approach to PAIs, we focus on both the 14 mandatory and 31 voluntary indicators that cover a broad range of environmental and social matters.

Specifically, for each product classified under Article 8 or 9 of the SFDR, VanEck Europe identifies and analyses the applicable PAIs using data from external ESG data providers. We report these findings annually on an aggregated basis. Any proposed changes regarding PAIs management are thoroughly reviewed and decided upon by the European ESG Committee.

### 5.4 Sustainability risks

‘Sustainability risk’ is defined as any environmental, social, or governance (ESG) event or condition that, if it occurs, could have a material negative impact on the

value of an investment, either actual or potential<sup>4</sup>. These risks manifest in a variety of forms, for instance, environmental risks, which are categorised into transition and physical risks. Transition risks include categories such as policy, legal, technological, market, and reputational risks, whilst physical risks can be either acute or chronic<sup>5</sup>.

The impact of sustainability risks can be wide-ranging, affecting specific companies, sectors, or even countries. The materialisation of a sustainability risk might also trigger other financial risks, consequently affecting investment value. As data availability on ESG issues increases, our understanding and identification of sustainability risks continue to evolve.

At VanEck Europe, we recognise that ESG factors can influence the performance of our products both positively and negatively. Therefore, we are committed to incorporating ESG risks into our investment processes, understanding that the approach to ESG integration varies across different asset classes and investment strategies. Each product's investment policy details how sustainability risks and opportunities are specifically integrated into its investment strategy.

For more detailed information on how VanEck Europe integrates sustainability risks, please refer to our document:

<https://www.vaneck.com/ucits/literature/policies-procedures/integration-of-sustainability-risks.pdf>.

### Approach for ETFs

In the case of determined ETFs, the integration of ESG factors is closely tied to the index methodology. Principally, ETFs with a passive investment policy strive to replicate their respective indices as accurately as possible. Therefore, if an index lacks specific sustainability characteristics, the corresponding ETF will also not feature these characteristics. However, for many indices employed by VanEck Europe, sustainability risks are integrated into their composition through ESG screening. The screening process may involve various elements, such as assessing activities in controversial sectors, evaluating sustainability factors through ESG scores, measuring the carbon footprint, and ensuring compliance with UN Global Compact principles on human rights, labor rights, anti-bribery, and environmental pollution. Companies within a fund undergo periodic screening, and those failing to meet the index requirements are replaced.

<sup>4</sup> Article 2(22) SFDR: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088>.

<sup>5</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1015656/EBA%20Report%20on%20ESG%20risks%20management%20and%20supervision.pdf).



### Approach for Active Funds

For some actively managed funds, integrating financially material ESG factors is a key part of the investment process. ESG considerations can influence target prices, fundamental assessments of companies or countries, and portfolio construction methodologies. In VanEck Europe's actively managed emerging markets equity and bond strategies, sustainability risks are integrated both in the initial evaluation of prospective investments and in ongoing monitoring. The consideration of ESG practices provides insights into the medium- to long-term performance potential of investments.

VanEck Europe conducts comprehensive research on investee companies and governments to assess ESG risks and opportunities. Depending on the circumstances, a company's valuation model might factor in a higher discount rate or additional estimated future costs to account for specific ESG risks. Conversely, future growth projections may be adjusted to reflect potential opportunities arising from ESG factors. To gather ESG data, we utilise external resources such as ISS, Refinitiv, Bloomberg ESG, in-depth research, global issuer analysis from Glass Lewis<sup>6</sup>, and third-party sell-side research.

### 5.5 Engagement

Active engagement also continues to be an important element of both VanEck's investment philosophy and processes.

As part of VanEck's bottom-up investment process, its active investment teams seek to meet, when possible and/or when necessary, with issuers' management, and

representatives of bond issuers, prior to investing.

Once it invests, VanEck seeks to continue to have regular dialogue and may, where relevant, raise ESG issues pertinent to that issuer or industry. It may, for example, discuss a board's focus on ESG or, more specifically, an issuer's environmental record, safety record, community engagement, energy and resource efficiency or labor relations. When VanEck raises ESG-related issues during these meetings, it does so (among others reasons) in order not only to gain a better understanding of goals and risks, but also to advocate adherence to best practices. In addition, it may engage on such issues if asked to by the issuers themselves.

The ETF's engagement is limited to dialogues with the index provider in further refining the index rules and can relate to the increasing consideration of sustainability factors in composing the index. In 2024, Glass Lewis Europe Limited has been appointed third-party engagement specialist, for the passive equity funds managed by VanEck Asset Management B.V. The engagement provider determines the engagement approach in accordance with its engagement policy and based on its engagements' priorities.

### 5.6 Proxy Voting

In our role as a responsible investor, VanEck is dedicated to considering environmental, social, and governance (ESG) factors when voting on securities for clients who have entrusted us with voting authority.

To execute this responsibility, VanEck collaborates with Glass Lewis & Co., LLC, an independent proxy voting

<sup>6</sup> Please refer to section 5.6.

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specialist, and follows the Glass Lewis Proxy Voting Guidelines. For VanEck Europe, we also apply the Glass Lewis ESG Thematic Voting Policy ("ESG Policy"), which includes:

- **Environmental Considerations:** We support initiatives that enhance a company's environmental risk disclosure and compliance with international environmental standards. This encompasses endorsing proposals for setting greenhouse gas emissions reduction targets and comprehensive recycling strategies. The ESG Policy also involves voting against directors who do not properly manage environmental risks.
- **Social Considerations:** The ESG Policy favours proposals that promote sustainable business practices, like animal welfare, human rights, and fair lending policies. It also supports efforts to improve workers' rights and the broader impact of business operations on communities and stakeholders.
- **Governance Considerations:** : Emphasis is placed on increasing shareholder engagement and access to a company's board. The policy backs actions that strengthen shareholder rights, including majority voting for director elections, amending proxy access bylaws, reducing supermajority provisions, declassifying the board, putting shareholder rights plans to a vote, and upholding the principle of one share, one vote.

### 5.7 Transparency, Disclosures and Reporting

VanEck Europe is committed to maintaining transparency and providing accurate, clear information to our clients and intermediaries about our investment practices and their impacts.

We routinely conduct thorough reviews of our policies and procedures, including the ESG and sustainability-related disclosures in our product documentation and on our website. Additionally, we publish detailed ESG reports for our actively managed UCITS funds and UCITS ETFs, ensuring our clients are well-informed about our responsible investment practices and the performance of their investments.

### 5.8 Greenwashing risks

VanEck Europe recognizes that, in addition to sustainability-risks as defined under the SFDR, there is a distinct risk of greenwashing.

Greenwashing may arise where products or communications claim environmental or social characteristics, or sustainable investment objectives, in a manner that is inconsistent with the underlying investment process, portfolio composition, disclosures or applicable regulations.

To mitigate this risk, VanEck Europe tasked the ESG Committee with periodic reviews of ESG matters and ensure that appropriate policies and procedures are in place concerning the prevention and detection of greenwashing.

### 5.9 Education

VanEck Europe recognises the significance of ongoing education in the field of environmental, social, and governance (ESG) matters. To this end, we organise a variety of external and internal workshops, training sessions, and courses. These educational initiatives are designed to cultivate and enhance the necessary expertise within our team, ensuring effective implementation of our ESG practices and strategies.

### 5.10 ESG Monitoring

ESG strategy and activity monitoring are integral to VanEck Europe's internal processes. We have implemented a range of policies and procedures to ensure compliance with the responsible investment principles set out in this Policy, with oversight provided by the European ESG Committee.

Examples of key monitoring and policy implementation aspects include:

#### a) Investment Guidelines Monitoring:

- Companies' compliance screening against index rules and index periodic rebalances.
- Documentation and reporting of any index rule breaches by our Legal and Compliance Team, followed by appropriate remedial actions for material breaches.
- Incorporation of ESG-related exclusion lists, as defined by relevant index providers or investment advisors, into the Bloomberg Compliance Manager system.

**b) Glass Lewis ESG Thematic Voting Policy:**

- Engaging Glass Lewis & Co., LLC as a proxy voting specialist to align voting practices for all equity funds with specific ESG factors.

**c) Due Diligence on Index Providers and Investment Advisors:**

- Periodic reviews to ensure ESG integration and appropriate investment composition approaches.

**d) Due Diligence Policy:**

- Adhering to high standards in practices, reporting, and internal control/operations related to ESG matters. More information can be found at [https://www.vaneck.com/globalassets/home/ucits/literature/policies-procedures/vaneck-esg-due-diligence-policy\\_december-2022.pdf/](https://www.vaneck.com/globalassets/home/ucits/literature/policies-procedures/vaneck-esg-due-diligence-policy_december-2022.pdf/).

**e) The European ESG Committee:**

- Comprising managing directors and at least one member from each relevant department, including Product Management, Marketing, Sales, Legal, Compliance, Operations, and Capital Markets.
- Responsible for establishing, maintaining, and developing ESG strategies, policies, and procedures for VanEck Europe's products.

## 6. Conclusion

VanEck's commitment to responsible investing is strengthened by our consistent consideration of environmental, social, and governance (ESG) factors as fundamental to our investment philosophy and processes. We recognise the dynamic nature of the ESG landscape, influenced by evolving intentions, thinking, regulations, and best practices. In this context, VanEck is dedicated to identifying and integrating factors that not only protect but also enhance and create investment opportunities for our clients. Our focused efforts yield significant benefits, specifically in:

1. Fulfilling our fiduciary duty to our clients
2. Assisting our clients in achieving their investment goals
3. Promoting improved corporate behavior across industries

Through these endeavors, we strive to contribute positively to the broader financial and social environment