ESG 101
VanEck Emerging Markets Equity and ESG

Our Approach to Sustainable and Responsible Investing

VanEck strongly believes that sustainable and responsible investing is integral to our firm's overarching investment philosophy, process and approach. As it pertains to the VanEck Emerging Markets Equity Strategy – sustainable and responsible investing has been at its core – ESG has been front and center from the sustainable incorporation, full integration and company/client engagement perspective. To learn more about VanEck Emerging Markets Equity and ESG, please see below.

VanEck Emerging Markets Equity and ESG Sustainable Incorporation, Full Integration and Company/Client Engagement

ESG Incorporation

VanEck incorporates sustainability risks in its investment decisions for the actively managed Emerging Markets Equity (EME) Strategy through product-specific ESG integration and company engagement efforts. Long-term partnerships with our clients, especially from the ESG perspective, have been front and center in what we do and how we do it, as well.

ESG Integration

Financially material ESG factors are integrated into the investment process. This means ESG issues can affect target prices, the fundamental assessment of a company or country and/or the portfolio construction methodology. For VanEck's Emerging Markets Equity Strategy, sustainability risks are integrated into the evaluation process for its investments at the moment of decision-making and are continuously monitored. ESG practices give an indication of an investments' medium- to long-term performance. VanEck assesses sustainability risks, including ESG risks, by conducting fundamental and bottom-up research on the investee companies. External resources are considered as well, such as Bloomberg's ESG functionality, Refinitiv, ISS, Sustainalytics and MSCI. Glass Lewis and third-party sell side research also provide in-depth analysis.

Specific challenges may arise for investments in less developed markets, such as differences in governance arrangements with regards to ownership, regulations and local accounting norms and less sophistication and transparency in general around ESG issues. Therefore, VanEck's active EME Investment Team places additional emphasis on sustainability risks related to emerging markets.

We believe a strong or genuinely improving ESG record should translate into differentiated financial performance and have an impact on valuation.
In addition, ESG directly impacts the Investment Team's views about operational risks for potential investments. ESG risks are assessed by looking for both negative proscription and positive progression. ESG considerations are integral to the investment decision-making process itself and, as such, are primarily analysed in terms of risk to anticipated returns. In cases where it seems warranted, the valuation model for a company may incorporate a higher discount rate or additional estimated future costs to account for certain ESG risk factors. In contrast, future growth estimates for a company may reflect higher growth opportunities opened up by ESG factors.

Additional exclusions apply to the active VanEck Emerging Markets Equity Strategy with regards to tobacco companies, fossil fuel companies and companies involved in weapons manufacturing. As a result, **under the SFDR regulation effective as of March 10th, 2021, the UCITS vehicle is categorized as "light green" or Article 8 due to the above additional exclusions and screening of the Norges Bank list.[1]**

Company Engagement

Company engagement is integral to the actively managed Emerging Markets Equity Strategy. Prior to and during the investment period, the Investment Team will engage with company management and will raise sustainability issues relevant to that company and industry. It may, for example, discuss a board's focus on sustainability or a company's environmental record, safety record, community engagement, energy and resource efficiency and labor relations, among other ESG factors. The Investment Team continues to engage with and monitor the company throughout the investment cycle.

Client Engagement

With our clients in mind first – and always – the EME Investment Team is equipped to apply additional screens (positive and negative) to our clients' portfolios.[2] The benefits are two-fold: 1) our investors are empowered to fully express their sustainability & ESG goals, and 2) as a long-term, responsible business partner, we continue to engage, listen, create and deliver custom solutions designed to address our clients' needs today, tomorrow and in the future.

[1] The portfolio avoids exposure to tobacco companies, fossil fuel companies, and companies that are involved in weapons manufacture. In addition, the UCITS vehicle of the Strategy adheres to the Norges Bank exclusionary list: (https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies).

[2] Client portfolios are defined as separately managed accounts (SMAs) in this instance.