

# VanEck UCITS ETFs – Fund ESG Integration Communication

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## What exactly will happen?

Sustainable Finance Disclosure Regulation (SFDR) classification will be updated for the following VanEck ETFs:

**VanEck Hydrogen Economy UCITS ETF** (IE00BMDH1538), which comprises companies involved in production of hydrogen and related infrastructure. Hydrogen is increasingly viewed as a key replacement for fossil fuels and is getting large-scale support from governments across the world. As the Index Provider has now defined an ESG objective for the Index, as of 18 March 2022 the fund will be categorized as a product that has a sustainable investment objective in accordance with **Article 9** of SFDR.

**VanEck Semiconductor UCITS ETF** (IE00BMC38736), which comprises companies involved in production of Semiconductors. Following the upcoming introduction of ESG screening in the underlying index, as of 18 March 2022 the fund will be categorized as a product promoting environmental and socially characteristics in accordance with **Article 8** of SFDR.

## Why was the change initiated?

There are two main reasons why VanEck is increasingly pursuing ESG integration for its funds:

- VanEck experiences an increasing demand for sustainable investment solutions and we expect that the demand for the funds incorporating ESG criteria will substantially increase going forward whereas the demand for the funds, that don't incorporate ESG considerations in portfolio construction process will lag.
- VanEck's ambition to improve its sustainable footprint by increasingly focusing product development efforts in sustainable investment strategies. The transition to more sustainable solutions will allow investors to maintain thematic exposure, while at the same time excluding companies violating Ecological, Social or Governance norms.

In light of the aforementioned reasons, VanEck believes that it is in the interest of the investors of the VanEck Hydrogen Economy UCITS ETF and VanEck Semiconductor UCITS ETF to incorporate goals, related to sustainability in the fund objectives.

## What changes are being introduced to the underlying indices?

### VanEck Hydrogen Economy UCITS ETF

The Index Administrator will include an ESG objective in the underlying index starting 18 March 2021. Consequently, the fund will incorporate the following sustainable investment objective:

“This Fund aims at enhancing sustainable forms of energy generation, to reduce carbon emissions and ultimately contribute to the mitigation of climate change.”

At the December 2021 review, the underlying index of the fund introduced ESG screening in its selection process. For more details on the exact filters applied, please see the list below

### **VanEck Semiconductor UCITS ETF**

In addition to revenue thresholds incorporated in the index to select the relevant companies for respective themes, starting 18 March 2021 the fund will also apply ESG screening in its selection process. For more details on the exact filters applied, please see the list below.

#### **List of ESG exclusions applied to the underlying indices:**

- Companies with very severe social norms violations according to ISS research
- Companies that have greater than 0% revenue exposure to controversial weapons, including, among others: Anti-personnel Mines, Biological Weapons, Chemical Weapons, Cluster Munitions, Depleted Uranium, Nuclear Weapons, Incendiary Weapons and White Phosphorus
- Companies that exceed 5% threshold of revenue exposure to various sectors including but not limited to civilian firearms, tobacco, gambling, military equipment and energy extractives (such as Thermal Coal, Fossil Fuels, Oil Sands and Nuclear Power)

Companies that are not covered by ISS or for which relevant data fields are not collected by ISS may be eligible for inclusion.

To keep the target index size of 25 stocks, the screened company will be replaced by the next eligible company from the index universe.

#### **How does ESG integration affect eligible universe?**

### **VanEck Hydrogen Economy UCITS ETF**

Following companies, that would otherwise be eligible for index inclusion, were removed from the eligible universe of the index in Dec'21 review:

<b>Company</b>	<b>Exclusion Criterion<sup>1</sup></b>	<b>Last ETF weight (17 Dec 21)<sup>2</sup></b>
FuelCell	90% Fossil Fuel Exposure	4.45%

Please note this exclusion was implemented in December 2021 together with the introduction of ESG screening to the index rules. This exclusion is not related to the upcoming change in the index and fund objectives on the 18 March 2021.

### **VanEck Semiconductor UCITS ETF**

Following companies from the current index composition would have been screened out in the previous review (Sep'21), if the relevant filters were applied:

<b>Company</b>	<b>Exclusion Criterion<sup>1</sup></b>	<b>ETF Weight as of 31 Jan 21<sup>2</sup></b>
Qorvo	10% Military Equipment Exposure	0.61%

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<sup>1</sup> Sources: ISS, MVIS

<sup>2</sup> Source: Bloomberg

Following members of the eligible universe of the index, that are currently not index members, would have been excluded from the eligible universe in Sep'21, if the relevant filters were applied:

<b>Company</b>	<b>Exclusion Criterion<sup>1</sup></b>
MKS Instruments	10% Military Equipment Exposure
CMC Materials	15% Fossil Fuel Exposure
MACOM Tech Solutions	10% Military Equipment Exposure
TTM Technologies	10% Military Equipment Exposure

## **How does ESG integration affect characteristics of the funds?**

### **VanEck Hydrogen Economy UCITS ETF**

The FuelCell exclusion moderately lowered the liquidity of the ETF due to the stock's high liquidity relative to its weight. Despite that, the Average Time to Liquidate Portfolio at 20% participation remains below 1 day<sup>3</sup>, indicating that the liquidity standards of the ETF remain largely intact thanks to the liquidity filters embedded in the underlying index. There was little change to the other characteristics of the portfolio as well as thematic exposure.

### **VanEck Semiconductor UCITS ETF**

Given the weight of Qorvo in the ETF, we do not expect any significant changes neither to the ETF liquidity, nor to other portfolio characteristics, should the stock not be included in the index at the next review.

## **What is the timeline for the change?**

Subject to shareholder approval, the fund objective update will become effective on the rebalancing date at close of trading 18 March 2022.

## **How can I contact VanEck?**

If you have any queries concerning the matters outlined in this FAQ page, please contact your local agent, or (if none) VanEck at [EMEAsales@vaneck.com](mailto:EMEAsales@vaneck.com).

## **About VanEck**

VanEck is a privately held global asset management firm founded in 1955. VanEck offers forward-looking, intelligently designed strategies that seek to strengthen a long-term investment portfolio to individual investors and institutions across a range of vehicles including mutual funds (retail and institutional shares), pooled institutional funds, variable insurance portfolios, sub-advisory portfolios, separate accounts, exchange traded funds ("ETFs") and UCITS funds.

VanEck's approach is to think outside the confines of financial markets as they exist today and identify what major historical trends – e.g. geopolitical and technological – will change the opportunity set of these markets. Being one of

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<sup>3</sup> Source: Bloomberg, data as of 31 January 2022

the first to offer investors access to international markets in 1955 set the tone for the Firm's drive to identify and define investment trends. VanEck manages both active and ETF portfolios.

The Firm's index-based VanEck ETFs are purpose-built, aimed at either providing exposure to asset classes that are underrepresented in investor portfolios or offering a different approach to established investment categories. VanEck has been offering its ETFs since 2006 when the Firm launched the first gold-mining ETF in the U.S. Today, the Firm offers over 100 ETFs globally spanning regional equity, global resources equity, sustainable equity, strategic equity, equity income, emerging markets, industry, government bonds, corporate bonds and digital assets.

The Firm's headquarters is in New York, NY and has international offices in Switzerland, Netherlands, Germany, Australia, Singapore and China.

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VanEck Asset Management B.V., the management company of VanEck Hydrogen Economy UCITS ETF and VanEck Semiconductor UCITS ETF (the "ETFs"), sub-funds of VanEck UCITS ETFs plc, a UCITS management company incorporated under Dutch law registered with the Dutch Authority for the Financial Markets (AFM). The ETFs are registered with the Central Bank of Ireland and track equity indexes. The value of the ETF's assets may fluctuate heavily as a result of the investment strategy. If the underlying index falls in value, the ETF will also lose value.

Investors must read the sales prospectus and key investor information before investing in a fund. These are available in English and the KIIDs in certain other languages as applicable and can be obtained free of charge at [www.vaneck.com](http://www.vaneck.com), from the Management Company or from the local information agent.

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