VanEck - Integration of Sustainability Risks

This document describes the integration of sustainability risks for VanEck's UCITS ETFs ("ETFs") under Section I. and VanEck's actively managed UCITS ("Active Funds") under Section II.

Sustainability Risks

Sustainability risk is the risk that the value of an investment declines as a result of an environmental, social or governance ("ESG") event or circumstance:

- Environmental events: include climate change, scarcity of natural resources and pollution.

- Social events: can include, but are not limited to, labor rights and product liability.

- Governance: can include, but is not limited to, themes such as shareholder rights, business ethics, diversity and executive remuneration.

Sustainability risks can arise in many different forms. With regards to the climate risk, for example, this includes both transition risks and physical risks, whereby transition risks can be divided into legal and regulatory risks, technological risks, market risks and reputational risks. In addition, the impact of sustainability risks has various scopes, including company-specific, sector-specific and country-level. The occurrence of a sustainability risk can result in other (financial) risks manifesting. This can negatively affect the value of an investment.

With the increasing of data availability on ESG issues, new sustainability risks are likely to be identified. The mitigation of sustainability risks should translate into a company's differentiated financial performance and may have an impact on valuation. European legislation has also created standards regarding the integration of sustainability risks in the investment process. Therefore, the approach to sustainability risks is described in this document for the EU-domiciled UCITS managed by VanEck.

Environmental, social and governance factors can affect the investments of the ETFs and Active Funds, both positively and negatively. Therefore, VanEck is committed to taking ESG risks and opportunities into account in its investment policy. ESG incorporation differs across asset classes and investment strategies under consideration. For ETFs, VanEck manages sustainability risks in different ways. Therefore, we explain how VanEck integrates ESG risks and opportunities in its investment strategies. For Active Funds, VanEck has the discretion to integrate ESG factors in its investment processes.

VanEck currently applies the following ESG integration measures to its ETFs and Active Funds:

Exclusion

Exclusions required by international laws and treaties apply to all funds offered in the EU. For example, VanEck does not invest in companies if this is prohibited by sanctions of the European Union, United Nations or the Office of Foreign Assets Control of the United States.

Active Ownership through Voting

As one way of realizing its duty as a responsible active investor, VanEck seeks to consider ESG factors when voting securities owned by the clients for which it has been delegated voting authority. Generally, VanEck intends to vote proxies in accordance with applicable rules and regulations, with the support of an independent third party proxy voting specialist, Glass Lewis & Co., LLC. Proxy voting is applied to all Active Funds with equity strategies. The ESG specific proxy voting policy, which takes also Environmental, Social and Governance factors into account when casting votes, applies to all equity ETFs which promote environmental and social characteristics or have a sustainable objective.

I. Approach for ETFs

The integration of sustainability risks for ETFs is based on the relevant index methodology. In principle, funds with a passive investment policy aim to replicate the index as closely as possible. If the relevant index has no specific sustainability characteristics, neither does the ETF.

For several of the indices used by VanEck, sustainability risks are reflected in their composition by means of applying an ESG screening. Depending on the index, the screening can consist of one or more elements such as screening for activities in controversial sectors, sustainability factors based on ESG scores, carbon footprint, violations of UN Global Compact principles concerning human rights, labor rights, anti-bribery, biodiversity and environmental pollution. Companies are screened on a periodic basis. Companies no longer satisfying the requirements are replaced. Detailed information on how ESG factors and ESG-based exclusions are applied and what data are used to conduct the related screenings and checks is available in the ETFs' relevant Index Guides and Benchmark Statements.

Furthermore, VanEck has implemented an ESG Committee that is tasked with the ongoing monitoring of the sustainability profiles and results. Based on its monitoring activity VanEck may actively engage with index providers to increase the sustainability profiles of their indices.

II. Approach for Active Funds

VanEck incorporates sustainability risks and opportunities in investment decisions for the actively managed funds through product-specific ESG integration and engagement efforts.

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 active equity and bond strategies, sustainability risks are integrated into the evaluation process for the investments at the moment of decision-making and during continuous monitoring. ESG practices can give an indication of an investment's medium- to long-term performance. VanEck assesses ESG risks and opportunities by conducting research on investee companies, corporates and governments. ESG factors are assessed by looking for both negative proscription and positive progression. 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. External resources such as ISS, Refinitiv, Bloomberg ESG, in-depth research and global issuer analysis from Glass Lewis and third-party sell-side research are used. The method of ESG integration differs across asset classes and is described below:

- **VanEck Emerging Markets Equity UCITS**

Given VanEck's bottom-up, fundamental and research-driven approach to investing, ESG risks and opportunities are integrated into analysis as it pertains to an investment in an issuer. Prior to and during the investment period, the Investment Team assesses ESG factors by conducting fundamental and bottom-up research on the investee companies. Issuer analysis may include a consideration of fundamental and quantitative elements such as business model and its sustainability, revenue and costs (including capital expenditure (Capex)), financial position, capital structure, regulatory risk, among others. It may also involve qualitative and non-financial elements such as a company's approach and/or industry relative standing to ESG issues and consideration of sustainability risks. Companies that have a substantially lower ESG score than their peers in the same industry or on a portfolio level may not be shortlisted for investment by the fund.

- **VanEck Emerging Markets Bond UCITS**

Given VanEck's bottom-up, fundamental and research-driven approach to investing, ESG risks and opportunities are integrated into analysis as Step 2 of the investment process. The Investment Team employs a proprietary investment process that aims to 1) find the cheapest bonds by comparing normalised fundamental data to risk premia, and 2) test for risks that are non-systematic.

- Step 1: Valuation: The ultimate result of Step 1 is a list of bonds in order of their cheapness, without reference to whether they are local, hard, sovereign or corporate.

- Step 2: Screening: The screening tests allows VanEck to revisit and adjust the weights in the initial portfolio that comes out of Step 1. ESG factors are fully integrated into Step 2 of the investment process. The tests are based on qualitative and quantitative inputs and are regularly applied. Failed test scores can result in rejection of an investment. Test scores are properly documented. For example, a corporate issuer analysis may include a consideration of fundamental and quantitative elements such as business model and its sustainability, revenue and costs (including capital expenditure (Capex)), financial position, capital structure, regulatory risk, among others. It may also involve qualitative and non-financial elements such as a corporate's approach and/or industry relative standing to ESG issues and consideration of sustainability risks. Corporates that have a substantially lower ESG score than their peers in the same industry or on a portfolio level may not be shortlisted for investment by the fund. o In the assessment of corporates, ESG scores from ISS, RobecoSAM, Bloomberg ESG and MSCI are considered in the analysis. o In the assessment of sovereigns, various ESG data sources are considered, such as the World Bank data, Yale University's Environmental Performance Index and IMF's Debt Sustainability Analyses.

- **VanEck Global Gold UCITS**

Certain industries such as mining or energy tend to have more persistent environmental and social risks. When either considering or monitoring an investment in those industries, the active investment teams explicitly analyze the risks that may appear in those areas. They also understand the importance not only of adherence to best environmental practices, but also of seeking to safeguard the interests of all stakeholders.

VanEck Global Resources UCITS For investments in hard assets, particular attention is paid to health, safety, security and environment ("HSSE") in the investment analysis, not least since a strong HSSE record can correlate with strong operating performance.

Engagement

Company engagement is integral to the investment activities for the Active Funds. Prior to and during the investment period, the investment teams engage with company managements and raise sustainability issues relevant to those companies and/or industries. The investment teams continue to engage with and monitor companies throughout the investment cycle. The policy can be found here.