

International Sustainability Impact Report



APRIL 2022

Fund summary

ESGI gives investors exposure to a diversified portfolio of sustainable international companies listed on exchanges in developed markets around the world (ex Australia).

ESGI tracks the MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index. The Index includes international listed securities that have high Environmental, Social and Governance (ESG) performance by applying the following negative and positive screens:

- Excluding companies that own any fossil fuel reserves or derive revenue from mining thermal coal or from oil and gas related activities;
- Exclusion of companies whose business activities are not socially responsible investments (SRI);
- Targeting companies with high ESG ratings
- Exclusion of high carbon emitters.

The Index also aims to achieve diversification by capping the maximum weight assigned to each security, thereby avoiding concentration risk.

For full details of the methodology, visit vaneck.com.au/esgi/index

Quarterly commentary

- During the 3 months ending 31 March 2022, ESGI's ESG score improved to 9.6 and the overall ESG rating remained at AAA.
- 3.5% of the constituents saw upgrades in their ESG ratings.
- 0.4% of the constituents saw downgrades in their ESG ratings.
- 100% of the companies continue to have an ESG rating of "A" or above with the percentage of ESG Leaders (ESG ratings AA and AAA) remaining at 94% compared to only 35% in the MSCI World ex Australia Index.
- Carbon emissions for ESGI were 86% less than that of the MSCI World ex Australia Index at 8t CO₂e/\$m invested.

Carbon exposure vs benchmark

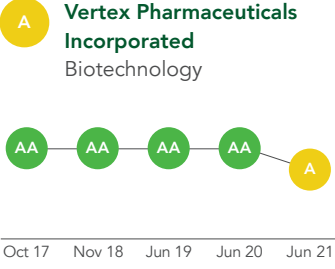
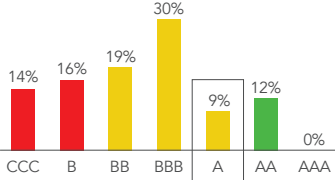
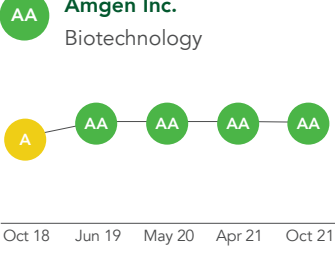
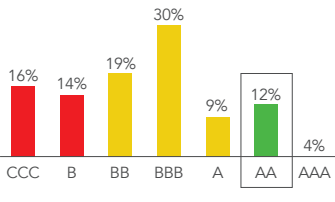
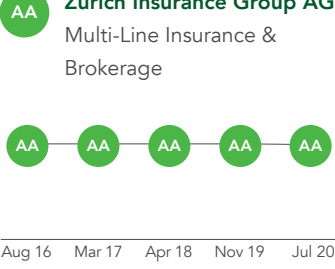
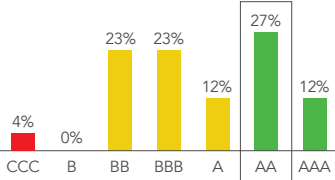
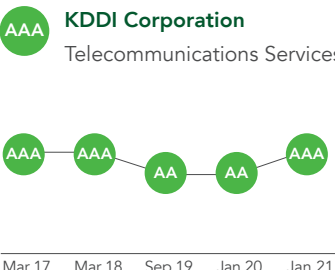
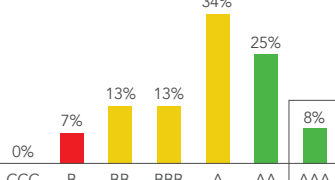

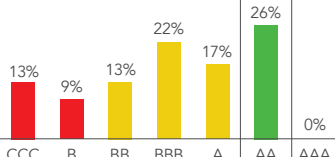
	ESGI Index	MSCI World ex Australia Index
Carbon Emissions (t CO ₂ e/\$m invested)	8	62
Carbon intensity (t CO ₂ e/\$m sales)	16	152
Weighted average Carbon intensity (t CO ₂ e/\$m sales)	16	142
Potential carbon emissions (t CO ₂ e/\$m invested)	0	977
Coal reserves (%)	0	0.7
Fossil fuel reserves (%)	0	5.5

Source: MSCI, as at 31 March 2022. Potential emissions represents potential carbon dioxide emissions of the coal, oil and gas reserves owned by a company, computed using a formula from the Potsdam Institute for Climate Impact while carbon emissions represents the company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions (if available). Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company.

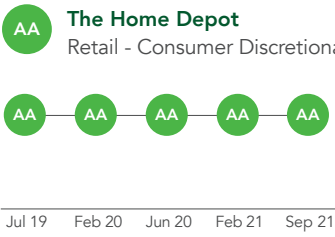
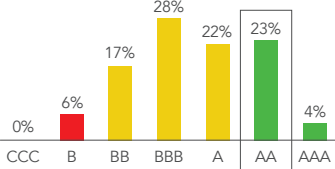
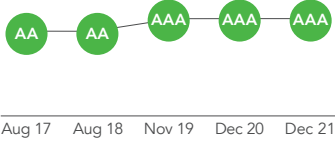
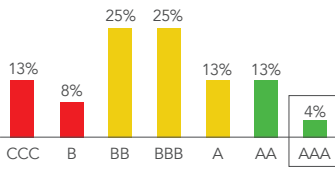
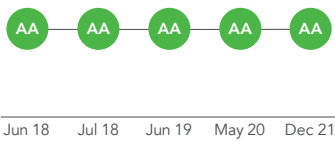
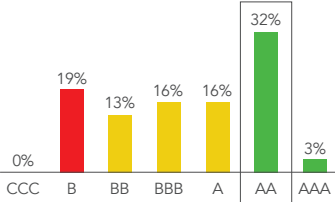
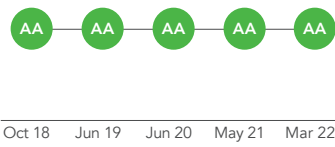
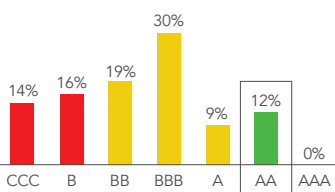
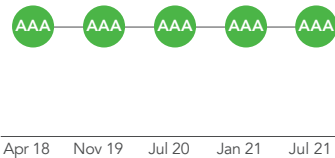
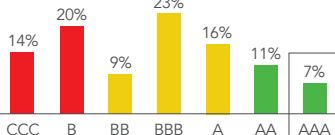
February 2022 rebalance

No securities were added to or deleted from the MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index in the February 2022 rebalance.

Top 5 holdings: The top performing holdings by contribution to fund performance





#	Weighting	Holding \ Sector Rating history	ESG rating distribution within sector	Key commentary from last review
1	1.68%	<p>Vertex Pharmaceuticals Incorporated Biotechnology</p> 		<p>Vertex's exposure to product quality-related risks has increased since our last analysis, given its larger share of commercialized products relative to clinical-stage biotech peers. The company lags industry leaders in quality management. That said, we note the presence of measures such as third-party product testing and policies on responsible marketing.</p>
2	3.57%	<p>Amgen Inc. Biotechnology</p> 		<p>Amgen seems better placed than many industry peers to maximize opportunities to improve access to healthcare in underserved markets, due to its efforts in areas such as kidney disease, ischemic heart disease and myeloma. The company's talent management practices appear on par with those of peers and include robust engagement programs to gauge staff satisfaction.</p>
3	1.93%	<p>Zurich Insurance Group AG Multi-Line Insurance & Brokerage</p> 		<p>Zurich continues to lead insurance peers in integration of ESG factors into its investment activities, which may help improve its long-term resilience to shocks from ESG trends. Zurich's board has an independent majority and separate CEO and chairman roles. It also has five women directors, demonstrating its commitment to diversity and equality. Its fully independent pay and risk committees may help strengthen pay practices oversight and preempt unethical behavior among senior decision-makers, respectively.</p>
4	1.43%	<p>KDDI Corporation Telecommunications Services</p> 		<p>The company appears to lead peers in addressing risks related to unethical corporate behavior. KDDI continues to institute strong measures to tackle cyberthreats and issues related to consumer privacy. Corruption related risks are perceived to be low in Japan. Nevertheless, KDDI sets detailed ethics guidelines and undertakes measures such as audits and whistleblower protection to facilitate compliance with its policies.</p>
5	0.56%	<p>Agnico Eagle Mines Metals and Mining - Precious Metals</p> 		<p>The company continues to have strong health and safety practices compared to its industry peers. It achieved its 2020 injury rate target and recorded no fatality in the five years through 2020. AEM's governance practices include industry-leading practices such as a formal anti-corruption policy and executive-level oversight of its business ethics programs. However, we note potential board entrenchment risks due to the presence of multiple long-tenured directors.</p>

Bottom 5 holdings: The bottom performing holdings by contribution to fund performance

#	Weighting	Holding \ Sector Rating history	ESG rating distribution within sector	Key commentary from last review
1	4.62%	<p>AA The Home Depot Retail - Consumer Discretionary</p> 		<p>The company's governance, particularly, its business ethics framework, appears strong relative to that of most industry peers. We note detailed policies against corruption and bribery, which are backed by monitoring mechanisms and whistleblower protection. The board comprises of majority independent directors and key committees.</p>
2	3.77%	<p>AAA Sony Group Corporation Household Durables</p> 		<p>As the company's product mix is somewhat diversified, its exposure to regulatory risks tied to chemical management is lower than that for pure-play electronics manufacturers. Yet, Sony employs best practices related to chemical safety: in particular, it appears to eliminate chemicals of concern from some of its products (PVC from mobile phones).</p>
3	3.26%	<p>AA Blackrock, Inc. Asset Management & Custody Banks</p> 		<p>As an asset management company, Blackrock relies on skilled professionals to manage its investment portfolio. It offers industry-leading training programs and conducts surveys to gauge employee morale, which may help better manage talent retention and development. In June 2020, it launched an action plan to promote diversity, racial equity and inclusion in its workforce. However, it faces criticism following recent filing of racial discrimination and harassment cases by former employees.</p>
4	2.20%	<p>AA Gilead Sciences, Inc. Biotechnology</p> 		<p>Gilead's rating is unchanged at 'AA'. Gilead continues to demonstrate strong corporate governance practices relative to global peers. Notably, its ownership structure features the 'one share, one vote' policy, which helps align shareholders' economic interest and voting power. Its robust business ethics programs include policies to help preempt risks related to corruption and bribery, and executive oversight of ethics.</p>
5	2.50%	<p>AAA Schneider Electric SE Electrical Equipment</p> 		<p>Schneider Electric continues to exhibit relatively strong ESG performance. It outperforms global peers on governance structures. Widely held firms may face potential concerns related to excessive management influence, but the company has a strong independent board to oversee management. In addition, it appears to have a robust ethics framework, with compliance measures such as executive oversight, audits and whistleblower protection.</p>

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