

International Sustainability Impact Report



AUGUST 2021

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).

As of 1 March this year, the index ESGI tracks has added further screening criteria. In addition to existing business activity screens, the index will comprise the following exclusions:

- Animal husbandry and testing
- Human rights controversies
- Soft drinks
- Poor nutrition and health

In addition:

- Overall business involvement revenue threshold for alcohol, adult entertainment, gambling and tobacco will reduce from 15% to 5%.
- The top 25% of carbon emitters will be excluded, up from 20%.

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

Quarterly commentary

- During the 3 months ending 31 August 2021, ESGI's ESG score remained at 9.9 and the overall ESG rating remained at AAA.
- 2.2% of the constituents saw upgrades in their ESG ratings.
- 1.9% of the constituents saw downgrades in their ESG ratings.
- 100% of the companies continue to have an ESG rating of "A" or above with a slight increase in percentage of ESG Leaders (ESG ratings AA and AAA) from 90% to 94%.
- Carbon emissions remained at 7t CO₂e/\$m invested remaining 90% less than that of the MSCI World ex Australia Index.

Carbon exposure vs benchmark

	ESGI Index	MSCI World ex Australia Index
Carbon Emissions (t CO ₂ e/\$m invested)	7	67
Carbon intensity (t CO ₂ e/\$m sales)	14	164
Weighted average Carbon intensity (t CO ₂ e/\$m sales)	16	129
Potential carbon emissions (t CO ₂ e/\$m invested)	0	981
Coal reserves (%)	0	0.6
Fossil fuel reserves (%)	0	4.2

Source: MSCI, as at 31 August 2021. 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.


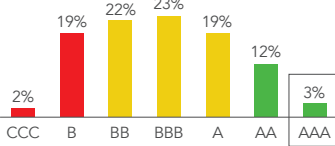
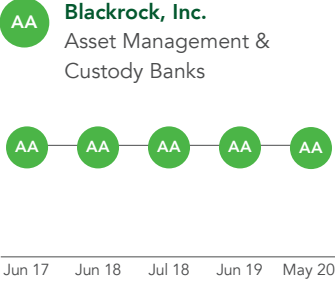
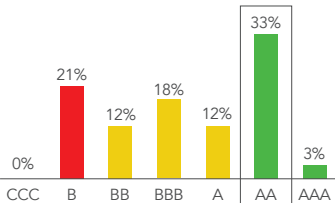
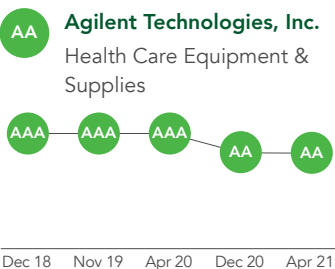
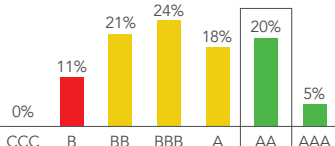
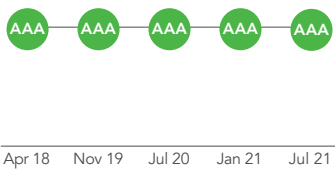
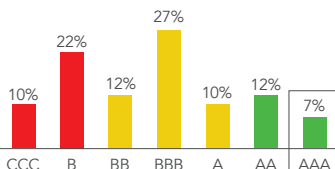
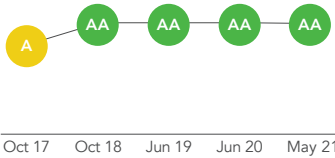
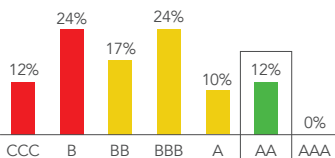
August 2021 rebalance

ESGI did not have any additions in the August 2021 rebalance.

Deletions

Security name	Research comments
Burberry Group	Flagged for conducting animal testing for non-pharmaceutical products
Boliden	Human Rights Controversy score downgraded from Green to Orange

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	4.54%	<p>AAA Novo Nordisk A/S Pharmaceuticals</p>  <p>Sep 17 Sep 18 Jun 19 Jun 20 May 21</p>	 <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>CCC</td><td>2%</td></tr> <tr><td>B</td><td>19%</td></tr> <tr><td>BB</td><td>22%</td></tr> <tr><td>BBB</td><td>23%</td></tr> <tr><td>A</td><td>19%</td></tr> <tr><td>AA</td><td>12%</td></tr> <tr><td>AAA</td><td>3%</td></tr> </table>	Rating	Percentage	CCC	2%	B	19%	BB	22%	BBB	23%	A	19%	AA	12%	AAA	3%	<p>Novo Nordisk's rating is unchanged at 'AAA'. Novo Nordisk's access-to-healthcare programs continue to lead those of peers. The company expanded its Access to Insulin Commitment by lowering the ceiling price of insulin from USD 4 to USD 3 in low- and middle-income countries. We also note its initiative to provide technical support for COVID-19 antibody testing in Brazil, Denmark, and the UK.</p>
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CCC	2%																			
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A	19%																			
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2	3.61%	<p>AA Blackrock, Inc. Asset Management & Custody Banks</p>  <p>Jun 17 Jun 18 Jul 18 Jun 19 May 20</p>	 <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>CCC</td><td>0%</td></tr> <tr><td>B</td><td>21%</td></tr> <tr><td>BB</td><td>12%</td></tr> <tr><td>BBB</td><td>18%</td></tr> <tr><td>A</td><td>12%</td></tr> <tr><td>AA</td><td>33%</td></tr> <tr><td>AAA</td><td>3%</td></tr> </table>	Rating	Percentage	CCC	0%	B	21%	BB	12%	BBB	18%	A	12%	AA	33%	AAA	3%	<p>Blackrock's rating is unchanged at 'AA'. Blackrock increased the number of engagements with companies on ESG issues to 2500 in 2019 (2164 in 2018). This demonstrates its commitment to being a responsible steward of capital through the promotion of sustainability and high governance standards in its investee companies. Further, Blackrock appears to have adopted a privacy policy that applies to all its subsidiaries and that grants full digital rights to its customers, strengthening its practices and procedures for collection, use, and disclosure of client data.</p>
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CCC	0%																			
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AA	33%																			
AAA	3%																			
3	1.29%	<p>AA Agilent Technologies, Inc. Health Care Equipment & Supplies</p>  <p>Dec 18 Nov 19 Apr 20 Dec 20 Apr 21</p>	 <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>CCC</td><td>0%</td></tr> <tr><td>B</td><td>11%</td></tr> <tr><td>BB</td><td>21%</td></tr> <tr><td>BBB</td><td>24%</td></tr> <tr><td>A</td><td>18%</td></tr> <tr><td>AA</td><td>20%</td></tr> <tr><td>AAA</td><td>5%</td></tr> </table>	Rating	Percentage	CCC	0%	B	11%	BB	21%	BBB	24%	A	18%	AA	20%	AAA	5%	<p>Agilent's rating is unchanged at 'AA'. The rating is supported by the company's strong anti-corruption efforts and quality management system. Notably, its business ethics framework is reinforced with compliance mechanisms such as formal third-party whistleblower hotline.</p>
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4	2.47%	<p>AAA Schneider Electric SE Electrical Equipment</p>  <p>Apr 18 Nov 19 Jul 20 Jan 21 Jul 21</p>	 <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>CCC</td><td>10%</td></tr> <tr><td>B</td><td>22%</td></tr> <tr><td>BB</td><td>12%</td></tr> <tr><td>BBB</td><td>27%</td></tr> <tr><td>A</td><td>10%</td></tr> <tr><td>AA</td><td>12%</td></tr> <tr><td>AAA</td><td>7%</td></tr> </table>	Rating	Percentage	CCC	10%	B	22%	BB	12%	BBB	27%	A	10%	AA	12%	AAA	7%	<p>Schneider Electric's rating is unchanged at 'AAA'. 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. We also note strong commitment to clean energy initiatives.</p>
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BB	12%																			
BBB	27%																			
A	10%																			
AA	12%																			
AAA	7%																			
5	2.30%	<p>AA Gilead Sciences, Inc. Biotechnology</p>  <p>Oct 17 Oct 18 Jun 19 Jun 20 May 21</p>	 <table border="1"> <tr><th>Rating</th><th>Percentage</th></tr> <tr><td>CCC</td><td>12%</td></tr> <tr><td>B</td><td>24%</td></tr> <tr><td>BB</td><td>17%</td></tr> <tr><td>BBB</td><td>24%</td></tr> <tr><td>A</td><td>10%</td></tr> <tr><td>AA</td><td>12%</td></tr> <tr><td>AAA</td><td>0%</td></tr> </table>	Rating	Percentage	CCC	12%	B	24%	BB	17%	BBB	24%	A	10%	AA	12%	AAA	0%	<p>Gilead's rating is unchanged at 'AA'. Gilead's access-to-health care programs include licensing agreement with the Medicines Patent Pool. It also has non-exclusive voluntary licensing agreements with generics manufacturers to expand supply of Veklury (remdesivir) to combat COVID-19, and Sovaldi (hepatitis C drug) for which it has faced criticism over the alleged high prices.</p>
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Bottom 5 holdings: The bottom performing holdings by contribution to fund performance

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1	3.42%	Amgen Inc. Biotechnology 		Amgen's rating is unchanged at 'AA'. The company continues to outperform peers in talent management. Amgen provides all employees with a suite of non-salary benefits and offers staff development initiatives Amgen's product quality measures align with industry best practices, including policies for responsible marketing and employee training on product safety.
2	1.67%	Kering Textiles, Apparel & Luxury Goods 		Kering has been upgraded to 'AAA' from 'AA'. Kering continues to demonstrate industry-leading measures to reduce its environmental impact. The company has adopted a group-level environmental profit & loss (EP&L) account, which measures the costs and benefits generated for the environment. Its EP&L objectives aim for a 40% reduction in supply-chain GHG emissions by 2025 from 2015 baseline.
3	2.50%	Allianz Multi-Line Insurance & Brokerage 		Allianz's rating is unchanged at 'AAA'. Allianz SE's strong ESG rating can be attributed mainly to its ESG integration into its investment operations and human capital management initiatives, which continue to lead those of industry peers. In addition to being a signatory of the UN Principles for Responsible Investment, the company proactively engages with its investee companies on sustainable business practices.
4	1.13%	Aptiv PLC Auto Components 		APTIV has been upgraded to 'AA' from 'A'. APTIV's robust quality management programs puts it in a strong position to mitigate reputational and regulatory risks associated with possible product defects. The programs include certification to the widely recognized ISO 9001 quality management standard and regular supplier audits.
5	1.40%	Nintendo Co., Ltd. Media & Entertainment 		Nintendo has been downgraded to 'A' from 'AA'. Increased emphasis on governance due to the inclusion of the corporate behavior theme in our ESG assessment is a key contributor to the downgrade. Nintendo lags peers in business ethics policies and practices: particularly, we found no evidence of compliance measures such as audit systems.

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