

International Sustainability Impact Report



DECEMBER 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 30 November 2021, ESGI's ESG score is 9.3 and the overall ESG rating remained at AAA.
- 1.7% of the constituents saw upgrades in their ESG ratings.
- 0.5% 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%.
- Carbon emissions slightly declined to 6.4t 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	65
Carbon intensity (t CO ₂ e/\$m sales)	13	161
Weighted average Carbon intensity (t CO ₂ e/\$m sales)	15	129
Potential carbon emissions (t CO ₂ e/\$m invested)	0	1,015
Coal reserves (%)	0	0.6
Fossil fuel reserves (%)	0	4.3

Source: MSCI, as at 30 November 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.

November 2021 rebalance

Additions

Security name	Research comments
NTT Group	
Telus Corp	Relative improvement in carbon emission intensity
Elia Group	
Toray Industries	ESG Rating Upgrade of AA to AAA
Take-Two Interactive	ESG Rating Upgrade of BBB to A

There were no securities deleted from the MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index in the November 2021 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	5.34%	<div><div>AA</div><div>The Home Depot, Inc. Retail - Consumer Discretionary</div></div> <div><div><div>AA</div><div>AA</div><div>AA</div><div>AA</div><div>AA</div></div><div>Jul 19 Feb 20 Jun 20 Feb 21 Sep 21</div></div> <div><div><div><div>1%</div><div>CCC</div></div><div><div>10%</div><div>B</div></div><div><div>18%</div><div>BB</div></div><div><div>26%</div><div>BBB</div></div><div><div>24%</div><div>A</div></div><div><div>17%</div><div>AA</div></div><div><div>3%</div><div>AAA</div></div></div></div> <div>Home Depot's rating is unchanged at 'AA'. 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 majority independent directors and key committees to help facilitate strong management oversight. Home Depot has also adopted strong programs towards chemical safety management of its products.</div>		
2	3.79%	<div><div>AAA</div><div>Sony Group Corporation Household Durables</div></div> <div><div><div>A</div><div>AA</div><div>AA</div><div>AAA</div><div>AAA</div></div><div>Dec 16 Aug 17 Aug 18 Nov 19 Dec 20</div></div> <div><div><div><div>14%</div><div>CCC</div></div><div><div>11%</div><div>B</div></div><div><div>25%</div><div>BB</div></div><div><div>25%</div><div>BBB</div></div><div><div>11%</div><div>A</div></div><div><div>11%</div><div>AA</div></div><div><div>4%</div><div>AAA</div></div></div></div> <div>Sony's rating is unchanged at 'AAA'. Compared to pure-play electronic manufacturers such as LG Electronics, Sony's product mix is more diversified, with about 50% sales from consumer electronics. Service-related segments, such as finance, movie, and music business lowers its exposure to regulatory risks tied to e-waste handling and chemical management. Sony implements robust efforts in chemical management and product stewardship, especially in end-of-life product handling.</div>		
3	4.63%	<div><div>AAA</div><div>Novo Nordisk A/S Pharmaceuticals</div></div> <div><div><div>AAA</div><div>AAA</div><div>AAA</div><div>AAA</div><div>AAA</div></div><div>Sep 17 Sep 18 Jun 19 Jun 20 May 21</div></div> <div><div><div><div>2%</div><div>CCC</div></div><div><div>17%</div><div>B</div></div><div><div>18%</div><div>BB</div></div><div><div>23%</div><div>BBB</div></div><div><div>23%</div><div>A</div></div><div><div>14%</div><div>AA</div></div><div><div>3%</div><div>AAA</div></div></div></div> <div>Novo Nordisk's rating is unchanged at 'AAA'. We note the company's initiatives to expand its business to other disease areas such as cardiovascular disease and Alzheimer's disease. As part of the strategy, it established new production sites in the US and Denmark, and acquired Corvidia Therapeutics and Emisphere Technologies in 2020. Such activities may present employee-centered challenges. The company, however, leads peers in implementing robust talent management programs, including employee non-pay benefits and skills development.</div>		
4	2.39%	<div><div>AAA</div><div>Automatic Data Processing, Inc. Software & Services</div></div> <div><div><div>BBB</div><div>A</div><div>A</div><div>AAA</div><div>AAA</div></div><div>May 17 Jun 18 Sep 19 Oct 20 Nov 20</div></div> <div><div><div><div>0%</div><div>CCC</div></div><div><div>6%</div><div>B</div></div><div><div>12%</div><div>BB</div></div><div><div>25%</div><div>BBB</div></div><div><div>32%</div><div>A</div></div><div><div>22%</div><div>AA</div></div><div><div>3%</div><div>AAA</div></div></div></div> <div>ADP's rating is unchanged at 'AAA'. The company continues to show strong preparedness to address potential ESG-related issues. Data security measures continue to evolve and remain strong to counter potential challenges from strengthened regulations and more sophisticated attacks. Workforce management programs for talent development and overall wellbeing lead those of peers. Also, ADP outperforms peers in governance, with an independent board majority and single equity class that may align with shareholder interests.</div>		
5	2.16%	<div><div>AA</div><div>Marsh & McLennan Companies, Inc. Multi-Line Insurance & Brokerage</div></div> <div><div><div>A</div><div>AA</div><div>AA</div><div>AA</div><div>AA</div></div><div>Apr 17 May 18 Aug 19 Mar 20 Jul 21</div></div> <div><div><div><div>7%</div><div>CCC</div></div><div><div>4%</div><div>B</div></div><div><div>21%</div><div>BB</div></div><div><div>29%</div><div>BBB</div></div><div><div>11%</div><div>A</div></div><div><div>18%</div><div>AA</div></div><div><div>11%</div><div>AAA</div></div></div></div> <div>Marsh & McLennan's rating is unchanged at 'AA'. The rating is driven by evidence of strong talent management programs which may help the company to bolster productivity and retain talent. Similarly, the company's data privacy and security mechanisms appear robust relative to peers. MMC demonstrates a robust data protection mechanism relative to peers. It has appointed a chief information security officer to oversee data privacy and protection programs.</div>		

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	1.11%	AA Biogen Biotechnology 		Biogen's rating is unchanged at 'AA'. The company undertakes strong talent management initiatives relative to peers. Further, its robust business ethics programs align with industry best practices, and include regular audits of its ethics standards and a global anti-corruption policy.
2	3.19%	AA Amgen Inc. Biotechnology 		Amgen's rating is unchanged at 'AA'. In the three years through September 2021, Amgen's workforce grew by 1,900 employees, mainly due to the Nuevolution acquisition in 2019. 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.
3	1.62%	AAA Adidas AG Textiles, Apparel & Luxury Goods 		Adidas' rating is unchanged at 'AAA'. The company continues to exhibit robust ESG performance, particularly in its supply chain labor management and sustainable sourcing practices. Though the COVID-19 outbreak led to store closures, Adidas continued to offer competitive employee benefits and developmental programs.
4	1.29%	AA Agilent Technologies, Inc. Health Care Equipment & Supplies 		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. This may equip the company to manage risks linked to the low exposure to corruption typically faced by laboratory instrument manufacturers.
5	1.02%	AAA Vestas Wind Systems A/S Electrical Equipment 		Vestas' rating is unchanged at 'AAA'. Vestas Wind continues to reinforce its position as a leader in providing environmental impact solutions (100% wind energy technology and services) and 3-year average R&D/sales investment of 2% (2018-2020). A strong order intake of over 17 GW in 2020 (34% increase over 2019) and governance performance driven by noteworthy pay practices and ownership structure indicate robust ESG outlook.

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