

International Sustainability Impact Report



JUNE 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 May 2021, ESGI's ESG score improved significantly from 8.8 to 9.9 and the overall ESG rating remained at AAA.
- 16% of the constituents saw upgrades in their ESG ratings. Most notable names were Automatic Data Processing (2.3%), Biogen (1.1%) and Aptiv (1.1%).
- None 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 improved from 10t CO₂e/\$m invested to 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	72
Carbon intensity (t CO ₂ e/\$m sales)	14	166
Weighted average Carbon intensity (t CO ₂ e/\$m sales)	16	136
Potential carbon emissions (t CO ₂ e/\$m invested)	0	1,119
Coal reserves (%)	0.0	0.7
Fossil fuel reserves (%)	0.0	4.6

Source: MSCI, as at 31 May 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.

June 2021 rebalance


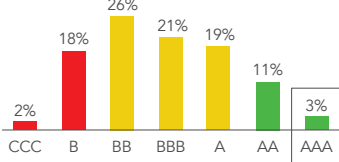
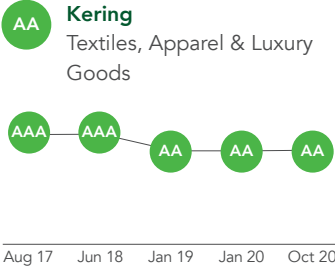
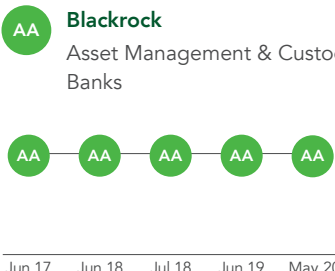
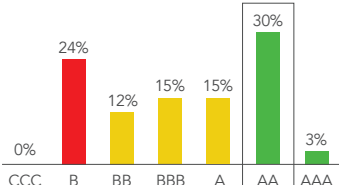
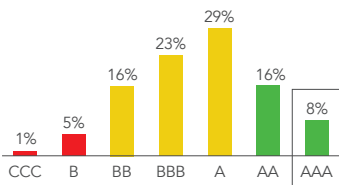
Additions

Security name	Research comments
Fujitsu	Now meets the minimum threshold required for the MSCI ESG Controversy Score
UPM-Kymmene	Included due to a reduction in carbon emission intensity
Aptiv	
Automatic Data Processing	
Biogen	
Cerner Corp	Constituents added to ensure the portfolio meets the desired sector coverage. ESGI's index aims to include the top 15% of companies in each sector based on their ESG credentials
National Bank of Canada	
Overseas-Chinese Banking Corp	
Regions Financial	
Wheaton Precious Metals	

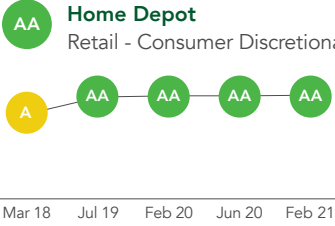
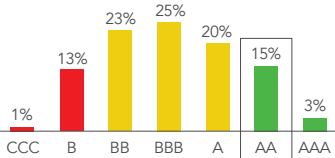
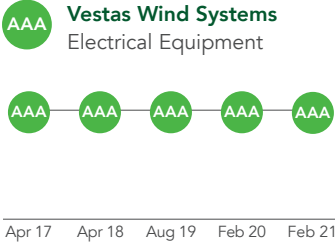
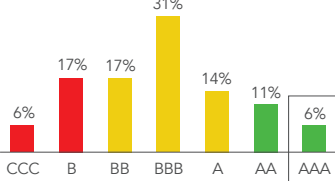
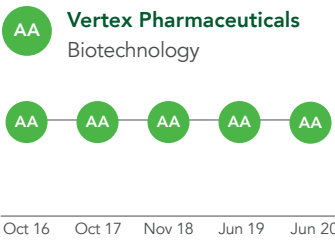
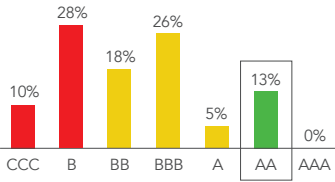
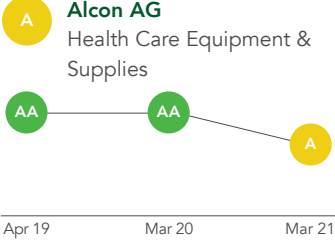
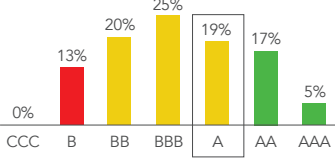
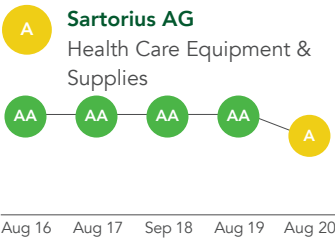
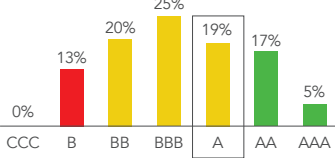
Deletions

Security name	Research comments
General Mills	Excluded due to animal testing for non-pharmaceutical products.
IDEXX Laboratories	
Microsoft	No longer passes the carbon emissions intensity screen
NTT Corp	
Alcon	
Cummins	
DBS Group Holdings	
Hong Kong Exchanges & Clearing	Constituents removed to ensure the portfolio meets the desired sector coverage.
Koninklijke Philips N.V.	
Siemens	

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	1.50%	<p>Adidas Textiles, Apparel & Luxury Goods</p> 		<p>Adidas' rating is unchanged at 'AAA'. Adidas exhibits robust ESG performance, particularly in its supply chain labor management and sustainable sourcing practices. Although the COVID-19 outbreak led to store closures in majority of its operational regions, the company committed to offering full-pay to all their retail employees.</p>
2	3.06%	<p>Novo Nordisk Pharmaceuticals</p> 		<p>Novo Nordisk's rating is unchanged at 'AAA'. Novo Nordisk's access-to-healthcare programs continue to lead those of peers. Novo Nordisk's quality management program, notably on supply chain oversight and product testing, compares favorably with peers.</p>
3	1.48%	<p>Kering Textiles, Apparel & Luxury Goods</p> 		<p>Kering's rating is unchanged at 'AA'. Kering continues to demonstrate industry-leading measures to reduce its environmental impact. Kering has strong sustainable sourcing practices for leather and is among the leaders in its peer set in the area of chemical management.</p>
4	2.97%	<p>Blackrock Asset Management & Custody Banks</p> 		<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.</p>
5	1.19%	<p>KDDI Corporation Telecommunication Services</p> 		<p>KDDI has been upgraded to 'AAA' from 'AA'. The rating upgrade primarily reflects improvements in KDDI's governance and labor related policies. Methodology enhancements to the corporate behavior theme resulted in a greater emphasis on business ethics practices and exposure to risks related to corruption.</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	5.75%	<p>Home Depot Retail - Consumer Discretionary</p> 		Home Depot's rating is unchanged at 'AA'. The company has a robust corporate governance structure relative to peers, including an independent majority board and a single equity class with equal voting rights.
2	0.86%	<p>Vestas Wind Systems Electrical Equipment</p> 		Vestas' rating is unchanged at 'AAA'. Vestas is increasing focus on hybrid energy projects that integrate wind energy with solar power or energy storage solutions. Furthermore, Vestas offers community development programs such as technical training, sanitation and education assistance to counter the social impact of large-scale projects.
3	1.27%	<p>Vertex Pharmaceuticals Biotechnology</p> 		Vertex's rating is unchanged at 'AA'. Vertex continues to lead peers in talent management, with strong programs that cover leadership and skills development, employee engagement, and workforce diversity and inclusion.
4	0.74%	<p>Alcon AG Health Care Equipment & Supplies</p> 		Alcon has been downgraded to 'A' from 'AA'. Methodology enhancements to the Corporate Behavior theme resulted in a greater emphasis on business ethics practices and on exposure to risks related to corruption. While Alcon's business ethics framework is supported by audits and trainings, in 2019, the Government of Japan launched an investigation against the company for alleged violation of the Antimonopoly Law.
5	0.39%	<p>Sartorius AG Health Care Equipment & Supplies</p> 		Sartorius has been downgraded to 'A' from 'AA'. Sartorius has implemented industry typical practices, including membership of Rx 360 to improve supplier quality and ISO 9001 certification. Despite these, the company has faced few minor product recalls and one Form 483 in the last three years (as of July 2020) through its subsidiary Sartorius Stedim Biotech.

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