# VanEck Emerging Income Opportunities Active ETF

# ESG and Stewardship Policy

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# Introduction

This policy sets out how the investment team of the VanEck Emerging Income Opportunities Active ETF (EBND) integrates environmental, social, and governance (ESG) factors into their investment process. By incorporating ESG considerations, the team aims to maximise the long-term value and welfare of the investments in the fund. This approach recognises that ESG issues can impact overall performance of investments.

Our commitment to responsible investment extends to, where possible, exercising influence over the issuers in which we invest and in line with our fiduciary duty to act in the best interests of our investors. While this duty primarily focuses on financial returns, we believe that ESG factors are essential components of long-term investment performance and risk management.

It is important to note that definitions and views on sustainability and ESG can vary among fund managers and investors. Therefore, our approach to ESG integration may differ from those of other investment professionals and prospective investors. While the fund incorporates ESG factors, it does not have a sustainable investment objective.

## ESG Philosophy and Stewardship

ESG are core values of the investment team. Portfolio Manager Eric Fine is the longest-serving board member of the Emerging Markets Investors Alliance (EMIA), which has become the leading ESG NGO for the emerging markets. VanEck as a firm is also a member of the EMIA. The EMIA "enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest" and is sometimes noted in UNPRI literature on ESG.

Members are required to engage with issuers, and the investment team members are required to participate in EMIA events to stay current on the latest and still-evolving ESG thinking.

## ESG Integration

Some industries for corporate investing are subject to business involvement screening (including gross revenue thresholds) and excluded from investment consideration, including alcohol, tobacco, gambling, adult entertainment, weapons, nuclear and thermal coal.

| Business Involvement | Business Involvement Screen |
|---|---|
| Alcohol | • All companies that earn either 5% or more aggregate gross revenue from the production, distribution, retail and supply of alcohol-related products |
| Gambling | • All companies deriving 5% or more gross revenue from ownership or operation of gambling-related business activities<br>• All companies deriving 15% or more aggregate gross revenue from gambling-related business activities |
| Tobacco | • All companies that derive 5% or more aggregate gross revenue from the production, distribution, retail and supply of tobacco-related products |

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| Weapons | • All companies deriving 10% or more gross revenue from the production of conventional weapons |
| Nuclear Power | • All companies generating 5% or more of their total electricity from nuclear power in a given year<br>• All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year<br>• All companies deriving 15% or more aggregate gross revenue from nuclear power activities |
| Fossil Fuel | • All companies that derive a part of their gross revenue (either reported or estimated) from the mining of thermal coal (including ignite, bituminous, anthracite and steam coal) and its sale to external parties |
| Adult Entertainment | • All companies deriving 5% or more gross revenue from the production of adult entertainment materials<br>• All companies deriving 15% or more aggregate gross revenue from the production, distribution and retail of adult entertainment materials |

Ultimately, for inclusion in the fund, corporates must not be listed on the NORGES Bank Exclusionary List. This list, maintained by Norges Bank Investment Management, excludes companies based on ethical guidelines. Exclusions are due to human rights violations, severe environmental damage, corruption, and involvement in weapons, tobacco, and coal industries.

Sovereign investing is also subject to screening, employing external provider scores from World Bank ESG and from Yale University's Environmental Performance Index data and subjective analyses by the investment team.

## Engagement and Stewardship

The Investment team recognises the responsibilities of being an asset manager, including communicating long-term investment interests to the issuers and exercising rights on behalf of investors in order to encourage corporate governance and business practices aligned with sustainable long-term financial performance. For corporates and sovereigns, the investment team engages issuers to understand, analyse and advocate (where possible) for best practices but does not have an activist investment strategy that uses financial leverage to force change.

- **Corporates**

The Investment Manager takes ESG considerations into account in the selection, retention and realisation of investments in corporate bond issuers. Given the Fund's exposure across multiple jurisdictions, assessments are conducted within a locally contextualised framework, with each issuer evaluated against the standards and expectations relevant to its operating environment.
Labour, environmental, social, ethical and governance factors are assessed for their potential to affect issuer creditworthiness, trigger regulatory action, or give rise to reputational risk.

Corporate governance is specifically evaluated across four dimensions:

- management quality and experience;
- adherence to strategy and commitments;
- regulatory and legal compliance; and

- respect for stakeholders.

Where ESG analysis identifies material risks, the Investment Manager evaluates the probability and potential severity of adverse impacts. Where such risks are assessed as significant, the Investment Manager may decline to invest or divest an existing holding. The Investment Manager may also engage directly with senior management of corporate issuers to better understand ESG-related risks and encourage improved practices.

- **Sovereigns**

Our stewardship priority for Sovereigns starts with our principles, which are derived from the UNPRI. We believe there are several opportunities to engage with sovereign issuers, including roadshows, investor country trips and annual conferences. The EMIA is another such forum, where discussions of Fiscal Transparency and other matters can be held with Finance Ministries. When engaging directly with government institutions, the goal is to assess bond valuations and risks, as well as engagement on ESG issues, but stops before lobbying or advocacy. Our approach is to be active in our engagement, encourage disclosure from issuers, promote best practices, coordinate within the financial industry, and document all of our ESG activities. These principles are integrated into our process via formal third-party evaluations and rankings, as well as by direct engagement with stakeholders – bond issuer stakeholders, bond holder stakeholders, and non-issuer stakeholders – as specifically encouraged by the UNPRI. For example, research trips will generally involve direct interaction with non-issuer stakeholders, such as non-ruling parties and media. Finally, the team also screens for controversies such as politics, and could identify a situation in which affects allocation decisions.

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