

VanEck Emerging Income Opportunities Active ETF (Managed Fund) (EBND)

Stewardship Report for year ending 30 June 2021

Introduction

VanEck as part of its fiduciary duty, engaged 35 companies during the 14 months ending 30 June 2021, covering a vast market of countries and sectors. The Stewardship Report for the quarter ending 30 September 2021 will be made available around November. A copy of EBND's ESG integration and stewardship policy is available via vaneck.com.au/regulatory-documents

Engagement and Stewardship

The Investment team recognises the responsibilities of being an asset owner, including communicating long-term investment interests to the issuers and exercising ownership 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 for best practices. Core tenets of good governance including board quality, ESG, executive remuneration and human capital management are desired qualities for debt investors' decision-making.

Eurotorg – 7 May 2020

Met with: Zubkou, Andrei (CEO); Sanunova, Alesia (CFO); Matslavin, Andrei (Chief Strategy and Investment Officer)

ESG issues discussed: A supermarket retailer, ESG concerns revolved around safety of employees in Belarus, where there is no lockdown in place and likely underreporting

of cases. The company is providing all protective gear to employees (i.e. masks and gloves); temperature checks for all employees; stores are disinfected regularly; spacing controls in place for customers and employees. Co estimates around 10% of the population shops in its stores daily and takes protecting them, and their employees, seriously.

IHS Netherlands – 14 May 2020

Met with: Darwish, Mohamad (Sr VP); Angot, Olivier (Nigeria CFO); Walker, Adam (CFO)

ESG issues discussed: A cell tower co in Nigeria, IHS has concentrated on employee safety (i.e. masks, gloves, disinfectant), but also looked to the surrounding community. IHS has partnered with UNICEF to help finance distribution of health supplies in the country, including donating ambulances and testing kits to the in-country effort.

Tullow Oil – 19 May 2020

Met with: Evans, Matthew (Senior Investor Relations)

ESG issues discussed: An oil driller, Tullow has produced its first standalone sustainability report in years, in recognition of the growing importance of the topic, and the need to report separately. Specifically with regard to Covid-19, management has used its previous experience with other pandemics it has faced in Africa, to help ensure employee safety. Though co has been given permission to flare by the govt of Ghana, it has tried to avoid this mechanism for excess gas, instead increasing the gas it gives to the govt for electricity generation. Co in top industry quartile based on Intl Assoc of Oil & Gas Producers benchmarks for employee safety.

Nexa Resources – 15 June 2020

Met with: Menck, Rodrigo (Sr VP Finance, Group CFO); Mancini, Gabriel (Head Global Treasury); Varela, Roberta (IR)

ESG issues discussed: A zinc miner with operations in Peru and Brazil, the company has been working to reduce its dependence on tailings dams for the disposal of waste product, especially in light of various tragedies in Brazil over the past 5 years. As a result, approximately 80% of the company's waste is not deposited in dams and is either dry stacked or backfilled. The remaining 20% is disposed of in downstream tailings dams, which are considered more stable than upstream dams.

Tullow Oil – 10 July 2020

Met with: Evans, Matthew (Senior Investor Relations)

ESG issues discussed: In spite of the company's precautions, one service ship had a Covid outbreak which management believes it has contained. The crew was removed, put in quarantine, and the ship was subject to a "deep clean". With regards to the FPSO, the company has had only one confirmed case, which resulted in moving that team onshore to quarantine. The FPSO is subject to routine "deep cleans", teams are moved on- and offshore together, and the FPSO is operated with a smaller crew, allowing for better social distancing. The company has experience with pandemics before and already had relatively strong protocols in place, plus a plan of action were there any incidents at its operations.

Georgia Global Utilities – 15 July 2020

Met with: Vakhtangishvili, Giorgi (CEO); Alpaidze, Giorgi (CFO, Georgia Capital); Oliver, Michael (Advisor, Bank of Georgia); Namicheisvili, Avto (Deputy CEO Georgia Capital; Chairman Water Utility)

ESG issues discussed: Green bond roadshow, to refinance loans used for renewable energy, energy efficiency projects, and pollution prevention and control, as well as future spend on sustainable water and wastewater management. The bond got its green-bond qualification from Sustainalytics.

Cresud/IRSA – 17 July 2020

Met with: Donato, Santiago (Head IR); Gaivironsky, Matias (CFO)

ESG issues discussed: This conglomerate includes IRSA, an Argentine real-estate company in which we are (at this point in time) invested. Very few of the company's malls are open at this time, but it is observing protocols with regard to shopper density, etc. More important is that as the pandemic has worsened, the company has eased the payment burden of tenants, only charging common expenses to its shopping centre clients. This represents only 20% of previous charges, but management believes it is important to provide relief to its leaseholders. Falling within governance, the company has engaged in a significant number of transactions, including local debt issuance, asset sales, and intercompany loans, among others, to make sure it has the wherewithal to meet its financial obligations in spite of the fact that the government of Argentina is not.

Leviathan – 30 July 2020

Met with: Abu, Yossi (CEO); Gvura, Yossi (Deputy CEO)

ESG issues discussed: Israel has a goal to eliminate coal in its electric grid by 2025 (approximately 30% of generation capacity currently). The Leviathan gas project is part of that plan; as production from the field increases, a greater portion of sales will be directed to Israel as it weans itself from coal and increases its energy dependence. The company has met all the local regulations with regard to environmental impact as required by law. There have been a few, minor breaches with regard to emissions that have been rectified.

IHS Netherlands – 6 August 2020

Met with: Darwish, Mohamad (Sr VP); Angot, Olivier (Nigeria CFO); Walker, Adam (CFO)

ESG issues discussed: Because of the pandemic, the company has begun its presentations with some discussion of what it has done regarding employee safety

and how it is helping surrounding communities. IHS continued its program of donating testing kits to the Nigeria Centre for Disease Control in conjunction with UNICEF. In addition, it remains an essential industry for the country as cell towers need to remain functioning either the country loses communication abilities.

Puma Energy – 20 August 2020

Met with: Fitzgerald, Anna (CEO); Kemp, Andrew (CFO); Medori, Rene (non-Executive Chairman)

ESG issues discussed: Due to the pandemic, the company has focused its efforts on workers' and customers' safety, whether providing PPE and mental health workshops for workers, or observing safety protocols in its stores for customers. In addition Puma created Puma Protects, an anti-bacterial hand sanitizer spray to be sold at its S. African service stations. The first three months' worth of profits to Children of the Dawn a non-profit caring for vulnerable children. Puma has also engaged in various community support activities, including delivering food.

Brooge Energy – 10 September 2020

Met with: Saheb, Lina (Chief Strategy Officer); Paardenkooper, Nico (CEO)

ESG issues discussed: New deal to help finance finalization of expansion of storage facility. Company notes that it has quite possibly one of the newest, state-of-the-art facilities, which helps mitigate leakage, contamination risk. In addition, the company did go through the rigorous process to obtain all of the licensing, including environmental impact assessments, etc., in order to go ahead with its expansion project.

Mongolian Mining – 10 September 2020

Met with: Toga, Munkhtuya (IR)

ESG issues discussed: Primary reason for the call was to discuss Chinese exports and cash flow generation as it relates to upcoming payments. With that resolved during the call, some discussion of ESG occurred. Co has created a dedicated Board-level ESG Committee that is supposed to assure the company's commitment to ESG-related matters. Co had only one Environmental occurrence in the last twelve months, no fatalities, and no Covid-related cases. It has worked to reduce water withdrawal rates (down 11% over the past year) and has increased its waste recycling. Mongolian Mining also engages in continuous monitoring of the water supply in and around its facilities.

Yuzhou Properties – 23 September 2020

Met with: Chiu, Steve (CFO); Wu, Shikai (Head Corp Fin/IR); Cheng, Yukun (Sr. Assoc Corp Fin/IR); Yang, Zoe (Mgr)

ESG issues discussed: Management discussed the company's BBB rating by MSCI and that it was #1 versus its peers in China.

MHP – 23 September 2020

Met with: Sobotyuk, Anastasiya (Head IR)

ESG issues discussed: Most of the discussion revolved around the drought in Europe and how it is affecting cash flows.

AngloGold Ashanti – 24 September 2020

Met with: Ramon, Christine (Interim CEO); Kramer, Ian (Interim CFO); Hayes, Rob (Treasurer)

ESG issues discussed: In the slide presentation, the company touted the progress it is making in this area. Management noted that it has now been part of the Dow Sustainability Indices' EM component for 4 consecutive years and is in the top 15% versus other companies in the industry. It is also 4th of the 38 global mining companies

in the the Responsible Mining Index. During the presentation, management noted that for the first time in its history, the company reported zero workplace fatalities in 2019.

Yuzhou Properties – 3 December 2020

Met with: Chiu, Steve (SVP/CFO); Wu, Shikai (Head Corp Fin/IR); Cheng, Yukun (Sr. Assoc Corp Fin/IR)

ESG issues discussed: The co is one of the first in China to establish a sustainability structure, including a board-level sustainability committee. Some 83 of its real estate development projects have green building certifications; management expects to have 100% of projects be green buildings w/in 5 years. In addition to its BBB MSCI rating, Yuzhou will also have full CDP disclosure this year for the first time and its green five-year plan has been certified as credible and its Green Bond and Loan Principles has been certified by Sustainalytics. Management is working with GRESB (Global Real Estate Sustainability Benchmark) so that it has a more robust ESG rating framework for 2021.

Metinvest – 3 December 2020

Met with: Kalmykovna, Yana (IR); Makar, Andrey (Mgr Corp Fin); Lyubarev, Aleksandr (Dir Cor Fin/Treas); Rusnak, Christina (Mgr Structured Fin)

ESG issues discussed: It is obvious from the presentation that ESG concerns are only more recently on the company's radar. Metinvest, a Ukrainian iron ore and steel producer, knows it scores poorly in ESG, but seems to still be working out a comprehensive plan to meeting investors' demands. It is making some strides, having just published its first ever Sustainability Report for calendar year 2019, so published in 2020. Some of the actions the co has taken are good for the environment, like improving efficiencies and modernizing equipment, but these are the kinds of investments that are likely to occur organically.

Kernel – 3 December 2020

Met with: lavorskyi, Michael (IR); Kislits, Oleksandr (Consultant)

ESG issues discussed: Like Metinvest, it is obvious that some companies are only beginning to see how important ESG considerations are for investors. Indeed, Ukrainian agricultural company Kernel management claimed it did not realize that ESG ratings existed and that it would be answering more and more to investors' concerns in this area. Now that these concerns have come to the fore, Kernel seems to be addressing this, getting a (relatively low) score from Sustainalytics this past October, as well as one from MSCI (BB), signing on to the UN Global Compact, and joining the Global Reporting Initiative.

Cemex – 3 December 2020

Met with: Rodriguez, Lucy (Global Head IR); Garza, Alfredo (IR Manager)

ESG issues discussed: As expected from such a large, geographically diverse, corporation, operating in an industry that is subject to pretty intense scrutiny in ESG, Cemex is considerably further along in its ESG planning than many of the companies I have met with. Management has already set medium-term, measurable, targets to reach with regard to waste and its carbon footprint. That plan has already been reviewed and verified by the Carbon Trust as being realizable. Not surprisingly, Cemex is further along in its goals in its European operations, but will achieve its global targets over the next 10 years. There is also an even more ambitious 2050 plan, but that can wait.

Amaggi – 19 January 2021

Met with: Pozzi, Dante (CFO); Lopes, Juliana (Dir Sustainability); Biasoli, Rafael (Mgr Fin & Credit)

ESG issues discussed: A large Brazilian agri-business involved in growing, trading, processing, and transporting grains globally, Amaggi faces scrutiny because of the history of agricultural land use infringing on protected areas. The company contends

that it only buys products from producers cleared of deforestation (since 2017) and that all of its land holdings are similarly clean. The company has a growing non-GMO business, which it has on its own lands, that way it can control the product from seed to store. As part of its sustainable management program power comes from run of river power plants. The company has committed to produce an annual Sustainability report in conjunction with the issuance of these new bonds.

Tullow Oil – 22 January 2021

Met with: Evans, Matthew (Senior Investor Relations)

ESG issues discussed: Despite it being a Ghana-centric oil and gas company with prices suffering from short-term liquidity concerns, there was some time for discussing an ESG issue, the company's poor flaring record in 2020, as it reported a higher level than 2019. Tullow noted that a poor relationship with the government had led to a decline in gas offtake from the country in 2020 with the subsequent increase in flaring. That problem has been resolved and flaring should decline in 2021.

Atento – 2 February 2021

Met with: López-Abadía, Carlos (CEO); Azevedo, Jose (CFO); Cor, Shay (Treasurer/IR Dir)

ESG issues discussed: As an outsourcing call center, Atento's focus is more on the social aspect of ESG rather than the Environmental. That said, the company is trying to make its environmental footprint as small as possible through recycling, more energy efficient offices, with 50% of energy through renewables, even rainwater recycling at some spaces. The co cites its Social credentials, noting 64% of its workforce are females, that it supports employees through training, leading to internal promotions (60% of all promotions), and high employee satisfaction surveys.

Yuzhou – 15 February 2020

Met with: Lin, Sissi (IR); Cheng, Yukun (Corp Fin/IR); Chiu, Steve (SR VP CFO); Zhang, Sandy (Sr Assoc Corp Fin)

ESG issues discussed: Yuzhou began its sustainability task force in 2018. Its focus will be on green building property development. As of the end of 1H20 (FY20 not available yet), some 16mn square meters of property, 110 projects, are certified green projects. Management's target is for 100% of new projects to be certifiable green projects. Yuzhou released a Green Finance Framework, which got a second-party opinion from Sustainalytics, which says it is credible, and has issued two bonds under that framework.

Braskem – 2 March 2021

Met with: Avolio, Rosana (Head IR)

ESG issues discussed: Braskem is a Brazil-based, global plastics company. It asks the question, we are part of the problem, so how to fix it? The company has been funding and partnering with recycling groups to increase participation and allow it to use more recycled material in its single-use products. In addition it is going directly to their customers, like Nestle's to discuss solutions to this problem. Braskem is also a pioneer in the production of bio-based polyethylene, which it continues to grow. It targets achieving carbon neutrality by 2050 and a reduction of 15% in carbon emissions by 2030. The company is facing an environmental question with regard to a salt mine in Alagoas. Braskem recorded geological anomalies around its salt mining operation. It voluntarily shut down that operation. While investigations are ongoing, it has already provisioned BRL8.8bn for reparations and remediations after an agreement was reached with Federal, State, and local authorities.

Kernel – 2 March 2021

Met with: Iavorskyi, Mykhailo (IR Mgr); Kovalchuk, Yuriy (Corp Invest Dir)

ESG issues discussed: A Ukraine agriculture company, Kernel's biggest impact is in being able to plant and harvest more efficiently than the smaller land owners from whom it leases properties. As a result, larger scale production and harvesting result in lower fuel, fertilizer, and water consumption than individual farmers would. The company pointed to its Sustainability report which quantifies those savings, as well as lists other initiatives in which the company is involved locally.

MHP – 3 March 2021

Met with: Rich, John (Executive Boardmember); Sobutyuk, Anastasiya (IR)

ESG issues discussed: It appeared that Ukrainian companies are only getting into an understanding and moving toward ESG initiatives more recently. MHP is in the process of reshuffling its board to include more independent directors and expects to have 4 out of 8 non-executive members. It intends to follow UK corporate governance codes. It is in the process of working with the Carbon Trust and expects accreditation within 12 months. Per the company, it will be the first poultry company with a certification from that group.

Georgia Global Utilities – 3 March 2021

Met with: Akubardia, Ana (IR); Simonishvili, Tina (IR Head); Vakhtangishvili, Giorgi (CEO); Guresh, Giorgi (CFO)

ESG issues discussed: Company is a combination water and electric power generation company. Current power generation is from hydro power plants. Investments have begun in other renewables. Basically its business lines are broadly ESG friendly, whether working toward sustainable water policies and wastewater management, or whether discussing power generation. The company has a second party opinion from Sustainalytics regarding its only bond, a green facility placed in 2020 which we bought at issue.

Seplat – 23 March 2021

Met with: Brown, Roger (CEO); Onwuka, Emeka (CFO); Okon, Effiong (Exec Dir Ops); Adaralegbe, Eleanor (GM Fin); Marcus, Brian (IR); Tan, Clarissa (Corp Fin Mgr)

ESG issues discussed: The company included three pages of ESG information in its presentation material for this new issue, an acknowledgment of the importance of addressing this issue given its business. As the largest, independent, and locally-owned Nigerian oil company, Seplat claims to believe in strong community commitment, as shown by using local operators as much as possible, hiring locally, and providing training/skill enhancement for the local population. As mentioned above, it has formed a New Energies group, which will invest in renewables. Management also discussed the transition from diesel to natural gas for electricity generation in the country, in which it will play a large role as it increases its natural gas production - 2/3 of Nigerian power is produced by smaller-scale diesel units, which is crazy (and creates both air and noise pollution, according to Seplat). The government wants to increase the amount generated through natural gas. Seplat presented what is doing with regard to the 17 UN Sustainable Development Goals. The company expects to create its baseline measurement with regard to carbon footprint this year and then develop targets based on that measure.

Atento – 24 March 2021

Met with: Azevedo, Jose (CFO); Cor, Shay (Treasurer/IR Dir)

ESG issues discussed: The company discussed ESG/Sustainability initiatives when we participated in the roadshow for its recently-placed deal. Then it spoke about how it was lowering the carbon footprint from offices, promoting and training internally, and touting the significant amount of women employees. At this meeting, management discussed the board structure, which has 5 independent, of a total of 8, members.

Braskem – 9 April 2021

Met with: Avolio, Rosana (Head IR); Bregantim(?), Carolina (IR)

ESG issues discussed: Brazilian petrochemical company talked about its "I'm Green Polyethylene", a product made using ethanol from sugar cane as a substitute for polyethylene and related products, which does not require fossil raw materials, and is biodegradable. Targeting carbon neutrality by 2050. Intermediate goal of 15% reduction in carbon emissions by 2030. Co has lowered its naphtha exposure, replacing it with natural gas. The plan is to divert 1.5mn tons of plastic waste away from incineration, landfills, etc, with a target to produce 300k tons of thermoplastic resins and chemicals with recycled content by 2025. 1mn tons by 2030.

Tullow Oil – 3 May 2021

Met with: Isakov, Odilbak; Shukurov, Azizbak; Rajabov, Rustam; Lemuzakov, Kamoliddin

ESG issues discussed: Roadshow for this long-standing holding in our portfolio, management did spend some time discussing what is doing on the ESG front. A few pages in the presentation about goals with regard to greenhouse gas emissions, offsetting projects, etc. Of more immediate importance is the ongoing decrease in flaring - perhaps the current, better relationship with the government can lower/eliminate this quicker than the 2025 plan (hopeful here). Ghana desire to increase natural gas participation in the electricity mix is still there. Pandemic has hurt local content; management hopes to turn that around as the situation eases.

Metinvest – 1 June 2021

Met with: Yarchuk, Tetyana (Mgr IR); Kalmikhova, Yana (Head IR); Mykhan'tso, Yuriy (Sr Mgr Corp Fin); Rusnak, Christina (Mgr Struct Fin); Lyubarev, Aleksandr (Dir Corp Fin Tsy); Makar, Andrey (Mgr Corp Fin)

ESG issues discussed: ESG was brought up, and the company did talk about the amount of wastewater it recycles, but more specific data was not forthcoming. In addition, the co has just completed a complete overhaul at one of its steel facilities which will bring it into compliance with European environmental standards at better

levels than required by domestic legislation. The co, an iron ore and steel producer, knows it scores poorly in ESG, so it has to "step up its game" in this area, in my opinion.

Dar Al Arkan – 1 June 2021

Met with: Abdallah, Hazem (Head IR); Al Saeed, Abdullah (IR Mgr)

ESG issues discussed: Dar Al Arkan, a Saudi Real Estate company, has just printed some ESG pages in its 2020 annual report, a first for the company, indicating that it too will be working toward better ESG standards. It has one of the highest percentage of female employees in the Kingdom at 30%. Working within the Saudi climate/environment has made the company conscious, for example, of water usage, as well as making buildings more efficient to lower utility usage. It has issued standards for its contractors and recently did cancel a contract because of ESG considerations (no detail as to what the violation was). Still new, though, there are no set targets set yet.

Georgia Railways – 7 June 2021

Met with: Turnava, Natela (Min of Econ/Sust Develop Georgia); Peradze, David (CEO); Titevinidze, Iraki (CFO)

ESG issues discussed: Roadshow for a green bond. Funds to be used to refinance borrowings used to help upgrade and create electric rolling stock at this railroad. Government-owned railway is committed to increasing freight traffic - currently around 20% of total - using lower polluting, more efficient railroads. In addition, it has a mandate to serve travel needs of people in the country through subsidized fares. Serves a social purpose and less polluting than automobile travel. We already owned, participated in the tender, and replenished our position with the new bonds.



Access the opportunities.

For more information on specific company engagement, please feel free to contact our services desk at info@vaneck.com or +61 2 8038 3300.

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