VanEck Emerging Income Opportunities Active ETF (Managed Fund)

ESG and Stewardship Policy

January 2024

Introduction

This policy sets out how the investment team of the VanEck Emerging Income Opportunities Active ETF (Managed Fund) (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 • 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

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 • All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year • 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 • 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 ESG 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. Core tenets of good governance including board quality, executive remuneration, human capital management and environmental and social factors are desired qualities for debt investors' decision-making.

- **Corporates**

Board Quality

Board quality includes board composition, effectiveness, diversity and accountability. Our primary focus is to ensure that the individuals who represent the interests of all shareholders are independent, committed, capable and appropriately experienced.

Boards working to protect and enhance the best interests of shareholders typically possess the following four characteristics:

- Independence;
- Breadth and depth of experience
- Diversity
- A record of performance.

The better the quality of a company's board, the more likely it is that the company will act appropriately.

Executive Remuneration

We believe that each company should design and apply specific, fit-for-purpose remuneration policies and practices that are appropriate to the circumstances of the company and, in particular, will attract and retain competent executives and other staff and motivate them to grow the company's long-term shareholder value.

Common issues that make remuneration inappropriate are:

- excessive bonuses;
- performance metrics not being fully disclosed; and
- benefits vesting over short periods.

Human Capital Management (HCM)

We understand that approaches to HCM vary across sectors but we believe that it is a crucial factor in business continuity and success. In evaluating HCM, we are keen on understanding the effectiveness of an issuer's board and management in supporting the needs and meeting expectations of its workforce.

Key items we address in dialogues include:

- a diverse, equitable and inclusive workforce;
- enhancement of job quality and engagement;
- positive labour relations;
- safe working conditions;
- attractive wages; and
- prioritisation of human rights

Environmental and Social Factors

We understand the importance of ensuring the sustainability of companies' operations and believe that an inattention to material environmental and social issues can present direct, legal, financial, regulatory and reputational risks for companies that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalising on related opportunities to the best extent possible.

- **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. 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. Investor collaboration – engaging investors on ESG issues – is another development strongly encouraged by the UNPRI, and is another important element of VanEck's stewardship.

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