

# VanEck UCITS ETFs – Fund ESG Integration Communication

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## VanEck's Multi-Asset ETFs

VanEck offers three Multi-Asset ETFs providing investors a diversified exposure to various asset classes, through an allocation in bonds, both sovereign and corporate, stocks and real estate. They are available in three declinations, each one of them corresponding to a specific risk profile: **conservative**, **balanced** and **growth**. The latter, reflecting a higher risk appetite, attributes more weight to stocks and reduces the allocation to bonds; the opposite applies moving towards the most conservative version. In this way, by combining the peculiarities and advantages of these different asset classes, the Multi-Asset ETFs represent a diversified solution for a comprehensive investment portfolio.

### What exactly will happen?

The ESG strategy of the Multi-Assets ETFs will be changed. This will result in a corresponding change of the Sustainable Finance Disclosure Regulation (SFDR) classification for the following VanEck ETFs:

**VanEck Multi-Asset Conservative Allocation UCITS ETF** (NL0009272764), which represents the most defensive version of our multi-asset ETFs suite. Being the most conservative version, bonds make up for a large part of the portfolio, which is rebalanced annually. As of 31/05/22, they made up for 67.04% of the portfolio while stocks represented 31.82% of it<sup>1</sup>. Following the change for 2 out of 4 components of the underlying index to ESG-incorporating indices as of 6 September 2022, the fund will be categorized as a product that promotes, among others, environmental and social characteristics, provided that the companies where it invests follow good governance practices in accordance with **Article 8** of SFDR.

**VanEck Multi-Asset Balanced Allocation UCITS ETF** (NL0009272772), which follows the same diversified investment philosophy of the conservative version but allocates more weight to stocks, in order to reflect a slightly higher risk profile. As of 31/05/22, stocks make up for 52.67% of the total weight while bonds for 46.54%<sup>1</sup>. Following the change for 2 out of 4 components of the underlying index to ESG-incorporating indices, as of 6 September 2022 the fund will be categorized as a product that promotes, among others, environmental and social characteristics, provided that the companies where it invests follow good governance practices in accordance with **Article 8** of SFDR.

**VanEck Multi-Asset Growth Allocation UCITS ETF** (NL0009272780), is the ETF declination tailored to a higher risk appetite, always offering the same exposure to different asset classes in one unique solution. As of 31/05/22, stocks constituted more than 70% of the overall portfolio<sup>1</sup>. Following the change for 2 out of 4 components of the underlying index to ESG-incorporating indices, as of 6 September 2022 the fund will be categorized as a product that promotes, among others, environmental and social characteristics, provided that the companies where it invests follow good governance practices in accordance with **Article 8** of SFDR.

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<sup>1</sup> Source: VanEck

## Why was the change transition initiated?

There are three main reasons why VanEck is increasingly pursuing ESG integration for its funds:

- VanEck experiences an increasing demand for sustainable characteristics to be integrated in some of its products and it is expected that the demand for the funds incorporating ESG criteria will substantially increase going forward, whereas the demand for the funds that don't incorporate ESG considerations in portfolio construction process will lag.
- VanEck's ambition to offer its clients funds that promote sustainable characteristics, by focusing on investment strategies that incorporate **Ecological, Social and Governance (ESG)** considerations in the investment process.
- VanEck already incorporated ESG considerations for ETFs that tracked the constituent indices of our Multi-Asset offering:
  - VanEck iBoxx EUR Corporates UCITS ETF replaced the Markit iBoxx EUR Liquid Corporates Index with the iBoxx SD-KPI EUR Liquid Corporates Index on 28 February 2022;
  - VanEck merged the VanEck Global Equal Weight UCITS ETF into the VanEck Sustainable World Equal Weight UCITS ETF as of 8 October 2021.

In light of the aforementioned reasons, VanEck believes that it is in the interest of the investors of the Multi-Asset ETF range to incorporate ESG factors and screenings within the underlying Index methodology.

## What changes are being introduced to the underlying indices?

### VanEck Multi-Asset ETFs (Conservative, Balanced, Growth)

The Index Administrator replaces two of the four constituents of the underlying indices of all the Multi-Asset funds with indices incorporating ESG considerations:

- 1) Solactive Global Equity Index will be replaced with the Solactive Sustainable World Equity Index;
- 2) Markit iBoxx EUR Liquid Corporates Index will be replaced with the iBoxx SD-KPI EUR Liquid Corporates Index.

### ESG screening of the Solactive Sustainable World Equity Index:

- The ESG screening is applied based on indications from Moody's based on UN Global Compact principles as well as specific exclusions related to controversial sectors.
- A second screening level is based on Cluster Munition activities and the UNGC Scores, where the top 5 companies performing worst in terms of environment, human rights, labor rights and anticorruption are removed from the Index;.
- A quarterly index review ensures that its composition is screened for any ESG sustainability breaches. In case a current index component does not fulfill those requirements anymore, it will be replaced by the immediately following eligible stock.
- Controversial sectors excluded include: Alcohol, Animal Welfare, Controversial weapons, Firearms, Gambling, Genetic engineering, Hazardous chemicals, Intensive farming, Nuclear, Military production, Production of fur, Pornography, Tobacco.

For more information, please refer to the related Index guide.

### ESG integration of the iBoxx SD-KPI EUR Liquid Corporates Index:

- Each corporate bond issuer is examined and assigned an accumulated “Sustainable Development Key Performance Indicator” (SD-KPI) score based on industry specific SD-KPI standards developed in collaboration with the German Environment Ministry and the Sustainability Accounting Standards Board (SASB).
- The methodology is designed to focus on the three most material ESG indicators per industry that are relevant to financial performance and reputational risk over the next 5 years.
- Scores range from 0 to 100, with a higher score corresponding to a stronger company.
- Bonds are classified into five buckets based on the SD-KPI ESG score they receive:

Score	Weight Adjustment Factor
<20	0.5
20-40	0.75
40-60	1
60-80	1.25
80-100	1.5

- The weights are adjusted according to the SD-KPI ESG scores and normalized to 100%

For more information, please refer to the related Index guide.

VanEck decided to currently leave the other two underlying indices unchanged:

- **GPR Global 100 Index** has **already integrated ESG considerations** in the investment process: it screens out the worst performing companies according to ESG Public Disclosure Score by GRESB (Global Real Estate Sustainability Benchmark) and reweights the remaining stock positions based on the strength of their Public Disclosure Score.
- **Markit iBoxx EUR Liquid Sovereign Diversified 1-10 Index:** currently the sovereign bonds space remains a rather grey area when it comes to ESG criteria, therefore this index will remain unchanged for now. VanEck will continue to closely monitor the developments in the field of ESG analysis of sovereign bonds.

## How does ESG integration affect eligible universe?

To point out how the ESG integration could affect the eligible universe, we can refer to two ETFs in VanEck’s offering for which these index switches have already taken place, namely the VanEck Sustainable World Equal Weight UCITS ETF and the VanEck iBoxx EUR Corporates UCITS ETF. They track, respectively, the Solactive Sustainable World Equity Index and the iBoxx SD-KPI EUR Liquid Corporates Index, which are exactly the two indices that will be adopted by our Multi-Asset ETFs, in all three declinations, as of 6 September 2022.

The list of the 250 companies currently comprising the VanEck Sustainable World Equal Weight UCITS ETF can be found on VanEck website under <https://www.vaneck.com/nl/en/tswe/holdings/>

The list of the 40 bonds comprising the VanEck iBoxx EUR Corporates UCITS ETF can be found on VanEck website under <https://www.vaneck.com/nl/en/tcbr/holdings/>

Please note that the Conservative, Balanced and Growth strategies of the Multi-Asset ETF range will exhibit different weightings of the holdings, as they reflect different risk profiles.

## What is the timeline for the change?

The mentioned changes will become effective on the rebalancing date of the Multi-Assets ETFs at close of trading 6 September 2022.

## How can I contact VanEck?

If you have any queries concerning the matters outlined in this FAQ page, please contact your local agent, or (if none) VanEck at [EMEAsales@vaneck.com](mailto:EMEAsales@vaneck.com).

## About VanEck

VanEck is a privately held global asset management firm founded in 1955. VanEck offers forward-looking, intelligently designed strategies that seek to strengthen a long-term investment portfolio to individual investors and institutions across a range of vehicles including mutual funds (retail and institutional shares), pooled institutional funds, variable insurance portfolios, sub-advisory portfolios, separate accounts, exchange traded funds ("ETFs") and UCITS funds.

VanEck's approach is to think outside the confines of financial markets as they exist today and identify what major historical trends – e.g. geopolitical and technological – will change the opportunity set of these markets. Being one of the first to offer investors access to international markets in 1955 set the tone for the Firm's drive to identify and define investment trends. VanEck manages both active and ETF portfolios.

The Firm's index-based VanEck ETFs are purpose-built, aimed at either providing exposure to asset classes that are underrepresented in investor portfolios or offering a different approach to established investment categories. VanEck has been offering its ETFs since 2006 when the Firm launched the first gold-mining ETF in the U.S. Today, the Firm offers over 100 ETFs globally spanning regional equity, global resources equity, sustainable equity, strategic equity, equity income, emerging markets, industry, government bonds, corporate bonds and digital assets.

The Firm's headquarters is in New York, NY and has international offices in Switzerland, Netherlands, Germany, Australia, Singapore and China.

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VanEck Asset Management B.V., the management company of VanEck Multi-Asset Conservative Allocation UCITS ETF, VanEck Multi-Asset Balanced Allocation UCITS ETF and VanEck Multi-Asset Growth Allocation UCITS ETF (the "ETFs"), sub-funds of VanEck ETFs N.V., is a UCITS management company incorporated under Dutch law and registered with the Dutch Authority for the Financial Markets (AFM). The ETFs are registered with the AFM and track a combination of bond and equity indices. The value of the ETF's assets may fluctuate heavily as a result of the investment strategy. If the underlying index falls in value, the ETF will also lose value.

The VanEck Sustainable World Equal Weight UCITS ETF and VanEck Global Real Estate UCITS ETF are not sponsored, promoted, sold or supported in any other manner by Solactive AG and Global Property Research B.V.

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