2021 Q3 Stewardship Report

Q2 in review

VanEck Investments Limited as part of its fiduciary duty, voted on 2,608 management proposals and engaged with five companies during Q3 2021, covering a vast range of global markets and sectors. A copy of our stewardship policy is available via vaneck.com.au/stewardship-policy

Voting

A right to vote is the most powerful legal right that arises from owning shares. The main avenue we have to influencing the companies we have invested in is the way we vote in the company's formal proceedings. Voting decisions are on a case-by-case basis in the context of our voting guidelines.

Guideline priorities relate to board quality, executive remuneration, capital management, mergers and acquisitions, auditor rotation, dissipating shareholders rights and addressing environmental, social and governance issues.

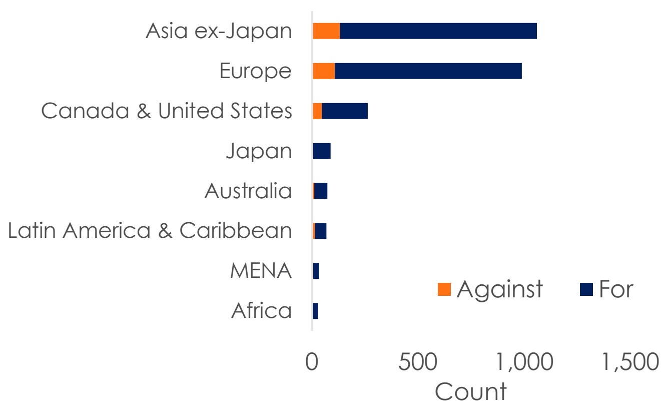
We will vote against a company's proposals if we believe that the issue under consideration does not meet our voting guidelines.

Statistics

Global Q3 2021 votes by region

Region	% against management	Total votes
Asia ex-Japan	12%	1,063
Europe	11%	992
Canada & United States	18%	263
Japan	6%	87
Australia	15%	72
Latin America & Caribbean	19%	68
MENA	12%	34
Africa	10%	29
Total	**12%**	**2,608**

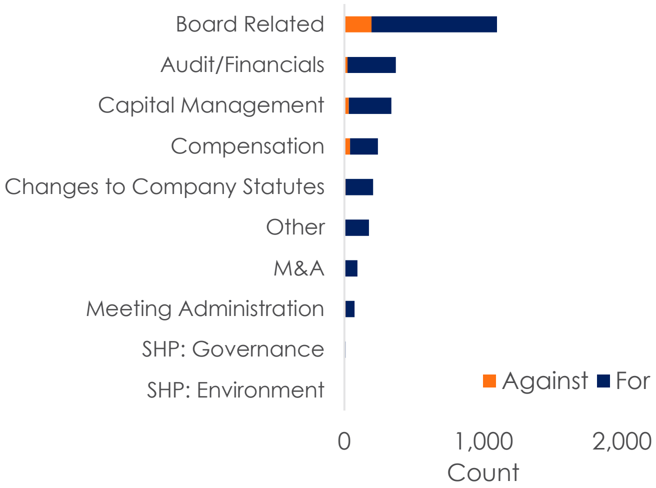
Source: Glass Lewis, VanEck.



Global Q3 2021 votes by proposal type

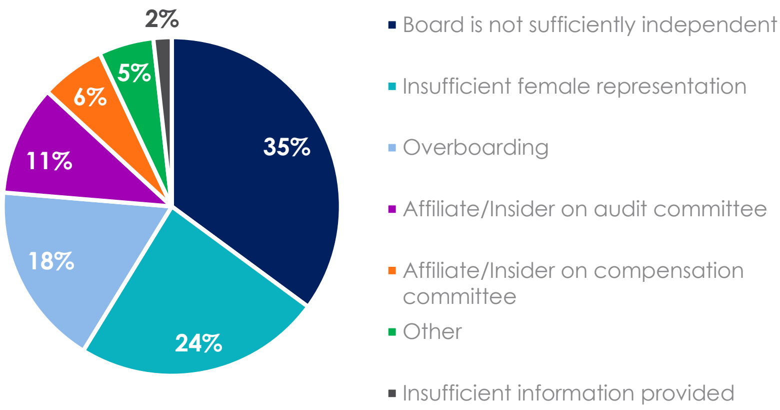
Proposal type	% against management	Total votes
Board Related	18%	1,099
Audit/Financials	6%	370
Capital Management	9%	339
Compensation	17%	241
Changes to Company Statutes	4%	207
Other	3%	177
M&A	2%	93
Meeting Administration	12%	73
SHP: Governance	63%	8
SHP: Environment	100%	1
Total	**12%**	**2,608**

Source: Glass Lewis, VanEck.



Global Q3 2021 votes against management reasons related to election of directors/committee members

Reasons	Total
Board is not sufficiently independent	40
Insufficient female representation	27
Overboarding	20
Affiliate/Insider on audit committee	12
Affiliate/Insider on compensation committee	7
Other	6
Insufficient information provided	2
Total	**114**

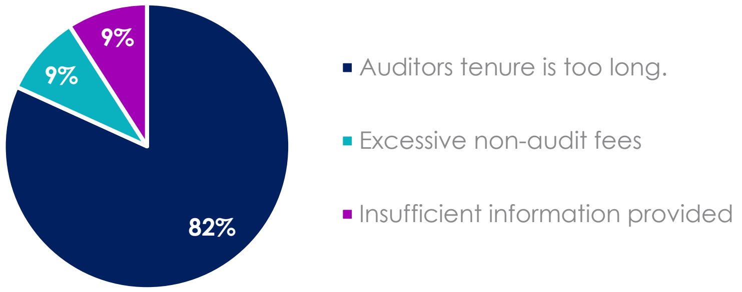


Source: Glass Lewis, VanEck.

Global Q3 2021 votes against management reasons related to audit/financials

Reasons	Total
Excessive issuance/dilution	17
Other	9
Insufficient information provided	6
Total	**32**

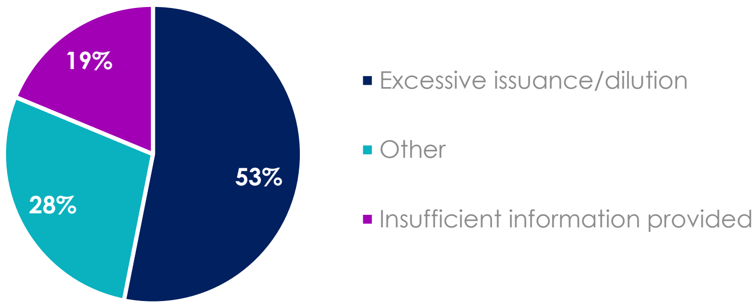
Source: Glass Lewis, VanEck.



Global Q3 2021 votes against management reasons related to capital management

Reasons	Total
Auditors tenure is too long.	18
Excessive non-audit fees	2
Insufficient information provided	2
Total	**22**

Source: Glass Lewis, VanEck.



Company Engagements

We supplement our voting by engaging with the companies that we invest in. Engagement can take many forms. As relatively small investors, we are not granted access to senior staff of the companies that we invest in as many other larger investors are. We have to engage through the avenues that are open to us.

Engagement may involve the advocacy of a particular point of view that we hold but often the power of the engagement is simply in letting the company know that we consider a particular issue to be a serious one that the company needs to be paying significant attention to.

The main triggers for us to engage include;

1. Level 1 meeting by Glass Lewis
2. ESG rating downgrade noted by MSCI
3. Company reaches out to us directly or through a third party.

The following table lists the five companies engaged with during the three months ended 30 June 2021.

Company	Trigger	Engagement reason	Board diversity	M&A	Human capital management	ESG	Governance
BHP Group Ltd	Direct engagement	Merger with Woodside Petroleum		x			
Sydney Airport	3rd party engagement	Takeover					
Telstra Corp Ltd	Direct engagement	ESG practices				x	x
Hikma Pharmaceuticals PLC	MSCI ESG rating downgrade	Downgraded rating from A to BBB			x	x	
ORIX JREIT Inc	MSCI ESG rating downgrade	Downgraded rating from A to BBB	x		x	x	

x primary topic of engagement

Woodside Petroleum Ltd (ASX ticker: WPL) – Australia

We are a holder of both BHP Group Ltd and Woodside Petroleum Ltd. We engaged with the media and a research call with Woodside to discuss the oil and gas merger deal. We expressed the view that:

- WPL's (NPAT) of US$317 million is a good result with Net Debt of US$4.1bn far lower than market expectations and an excellent dividend. The question really arises as to why are they entering the BHP deal? I don't think the good result will remove the downward pressure on WPL shares following the costly BHP deal.
- As a shareholder of both BHP and Woodside, VanEck believes this deal could benefit BHP considerably more than Woodside. It may be difficult to get a vote across the line, with Woodside shareholders likely to question the value.
- This deal is one of the most expensive yet for an energy company and Woodside is one of the worst performing companies within the energy sector globally post-COVID; the company doesn't yet have a strong mandate to enter a deal of such questionable value and this could further drag on Woodside's shares.
- Woodside is looking to change direction from a 75% LNG exposure to 46% LNG and 29% oil producer. While it offers Woodside increased diversification, it is also forcing Woodside to take on aging oil fields and remediation issues.

It was only recently that there was talk of selling down Scarborough, so this is sending Woodside in the opposite direction.

- Woodside is taking on petroleum assets at a time when the world is moving away from fossil fuels. While many energy companies are selling down their 'dirty' energy assets, Woodside is taking them up, contrary to good ESG management.
- The timing of this deal comes after oil and gas commodity prices have risen 100% over the past year. This is unlikely to create long-term value for either company when the underlying commodity prices have rallied so hard.
- The right buyer for BHP's petroleum assets could be a company like CVX (Chevron) with multiple points of overlap/synergy and a much larger balance sheet to absorb the deal with cash.
- The appointment of Meg O'Neill to head Woodside is a solid appointment and there are no issues with her ability to run Woodside, despite the deal not necessarily being in the best interests of Woodside shareholders.

Sydney Airport (ASX ticker: SYD) – Australia

We engaged with the media in relation to the Sydney airports takeover offer:

- Sydney Airports not surprisingly this morning announced that a takeover bid from a consortium of investors at $8.25 per share is too low, based on long-term forecasts and it not being in the best interest of shareholders. However, it didn't rule out further discussion on a takeover. VanEck's own opinion was that this was too low as it didn't value Sydney Airports at a reasonable premium and was opportunistic with airport traffic down. We do see more potential takeover bids.
- Similarly, Spark Infrastructure Group has today rejected a takeover bid as being too low. The company went into a trading halt last night as the press was reporting a takeover offer from KKR and Ontario Teachers' Pension Plan. Now received, the Spark offer has just come out at $2.80 per share and has been rejected by Spark.
- We agree with Spark's assessment that it's too low, but we could see a higher bid from the consortium given the value being placed on infrastructure assets.

- While VanEck Vectors FTSE Global Infrastructure (Hedged) ETF (IFRA) has underperformed the ASX200 and S&P500 over the past year, there is a clear round of corporate activity and governments globally pumping money into the space and takeover activity could boost its performance. Airports make up 11% of IFRA and it could benefit from any future takeover bids.

The offer was revised and we subsequently reported to the media:

- The new offer by the consortium highlights that the original offer was opportunistic and was unlikely to be accepted. The revised offer of $8.45 a share shows that the consortium are keen to open up discussion with management and should be granted access to the records of the airport to carry out a full due diligence. Fundamentally the offer still appears too low on a medium term outlook.
- Globally airports are still down 20% from the start of 2020* and the only reason that Sydney Airport has outperformed others in the sector is due to the takeover offer. There is no doubt that when the global economies open back up and travel returns to a normal level that the owner of Sydney Airports will reap the rewards. For an offer to be accepted, they need to show that they're forecasting a return to normal of the medium and long term cashflow projections and discounting it back to today's present value. I'm not sure the offer is taking that into account.

Telstra Corp Ltd (ASX ticker: TLS) – Australia

ACCC instituted Federal Court proceedings against Telstra on 26 November 2020 relating to sales staff signing up 108 Indigenous consumers to multiple post-paid mobile contracts which they did not understand and could not afford.

VanEck reached out to Telstra for clarity on actions taken to improve sales practice governance. Telstra outlined a number of actions taken in response to the issue which includes;

- Appointing an Indigenous Cultural Compliance Officer who is charged with reviewing and continuously improving the way we engage with Indigenous customers and live up to our commitments to them.

- Implementing contact centres specifically for our rural, remote and Indigenous customers with staff specifically trained to cater to these differing needs
- Strengthening our external credit assessments
- Undertaking additional training for frontline staff to refresh their awareness of acceptable sales practices, along with cultural awareness and capability skills
- Actively reaching out to customers to ensure they are on the right plan. Our work here has focused on customers who our records show have outstanding debt, or who have missed or are late making payments
- Providing proactive support to customers who have found themselves in financial hardship by proactively buying back debt
- The introduction of new plans which eliminate many of the causes of high or unexpected charges, including excess data charges and fixed-term lock-in contracts
- Enhancing our performance monitoring tools, and increasing the checks and balances we have in place to ensure they aren't circumvented
- Deepening our engagement with financial counsellors and other groups on our sales approach to ensure customers are supported and our sales processes are sensitive to the needs of all our customers. This engagement will also help us identify any emerging issues and get ahead of them.

The Board also reduced by 10% the individual outcomes under the FY20 Executive Variable Remuneration Plan (EVP) for the Senior Executives accountable for the areas of the business (including our CEO) where these issues occurred.

Hikma Pharmaceutricals PLC (LDN ticker: HIK) – United Kingdom

VanEck reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. VanEck engagement focused on human capital management practices and board governance. We received the following response:

Human capital development

Human capital development is important to Hikma and we have employee training capabilities at all levels in the business (please refer to our Annual Report for further detail, on pages 22, 44, 47). Diversity is also an increasing area of focus. Whilst we know we can always do more, we do have programmes within the business targeting diversity, including our Diversity, Equity and Inclusion Taskforce, which is a sub-set of the Executive Committee. We also have employee-led affinity groups, including the Black Employees Advisory Board. We continue to work on these initiatives through 2021 and will update on our progress here in due course.

Board ESG governance

With ESG matters now led at an Executive level within the business, you will see increasing levels of disclosure as we not only strengthen our practices, but also how we report. We are aligning with the TCFD and working on setting targets. We are also ensuring that those who report and rate us, such as MSCI, have a strong understanding of the business. We are also making good progress with data collection and verification and this will help inform our strategy when it comes to ESG.

Orix JREIT Inc (JPX ticker: 8954) – Japan

VanEck reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. VanEck engagement focused on human capital management practices. We received the following response:

Human capital development

In addition to providing a wide range of training for the current generation, supporting career development through open positions, and protecting human rights, we also support the development of the next generation and help address issues involving children, such as solitary eating and poverty, in order to realize a truly prosperous society. We believe this will lead to future business development. For further details, please refer to pages 60 to 68 of the ESG Report

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