

# 2021 Q2 Stewardship Report

## Q2 in review

VanEck Investments Limited as part of its fiduciary duty, voted on 16,640 management proposals and engaged with five companies during Q2 2021, covering a vast range of global markets and sectors. A copy of our stewardship policy is available via [vaneck.com.au/stewardship-policy](https://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 Q2 2021 votes by region

Region	% against management	Total votes
Europe	8%	5,122
Canada & United States	16%	4,934
Asia ex-Japan	15%	3,951
Japan	13%	1,650
Latin America & Caribbean	32%	503
MENA	8%	233
Australia	10%	162
Africa	1%	78
Oceania	14%	7
<b>Total</b>	<b>13%</b>	<b>16,640</b>

Source: Glass Lewis, VanEck.



## Global Q2 2021 votes by proposal type

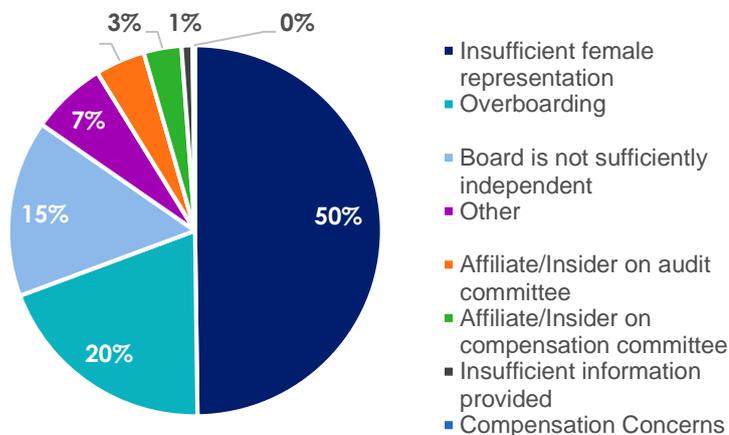
Proposal type	% against management	Total votes
Board Related	12%	8,477
Audit/Financials	8%	3,148
Compensation	14%	1,846
Capital Management	20%	1,507
Changes to Company Statutes	13%	753
Other	13%	336
Meeting Administration	15%	199
SHP: Governance	44%	128
M&A	29%	99
SHP: Social	71%	78
SHP: Environment	88%	56
SHP: Compensation	77%	13
<b>Total</b>	<b>13%</b>	<b>16,640</b>



Source: Glass Lewis, VanEck.

## Global Q2 2021 votes against management reasons related to election of directors/committee members

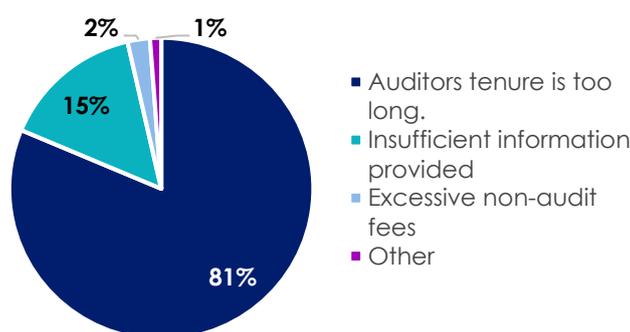
Reasons	Total
Insufficient female representation	472
Overboarding	185
Board is not sufficiently independent	146
Other	62
Affiliate/Insider on audit committee	41
Affiliate/Insider on compensation committee	31
Insufficient information provided	9
Compensation Concerns	2
<b>Total</b>	<b>948</b>



Source: Glass Lewis, VanEck

## Global Q2 2021 votes against management reasons related to audit/financials

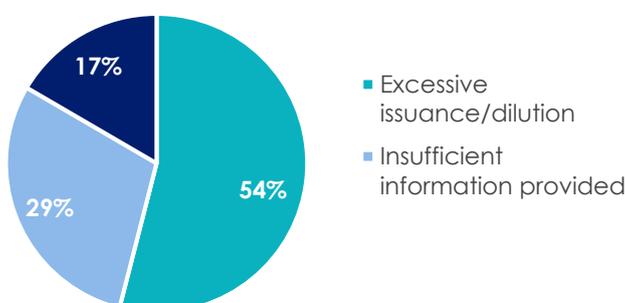
Reasons	Total
Auditor's tenure is too long.	205
Insufficient information provided	38
Excessive non-audit fees	6
Other	3
<b>Total</b>	<b>252</b>



Source: Glass Lewis, VanEck.

## Global Q2 2021 votes against management reasons related to capital management

Reasons	Total
Excessive issuance/dilution	163
Insufficient information provided	89
Other	50
<b>Total</b>	<b>302</b>



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.

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	Allegations of anti-competitive practices
Bingos Industries Ltd	3rd party engagement	Takeover from MIRA		x			
Ampol Ltd	Direct engagement	ESG practices				x	
Swisscom AG	MSCI ESG rating downgrade	Downgraded rating from AAA to AA				x	x
UDR Inc	MSCI ESG rating downgrade	Downgraded rating from A to BB	x		x	x	
H. Lundbeck A/S	MSCI ESG rating downgrade	Downgraded rating from AA to A	x		x	x	

x primary topic of engagement

#### Bingos Industries Ltd (ASX ticker: BIN) - Australia

Macquarie Infrastructure and Real Assets (MIRA) have made a takeover offer of \$2.3bn for Bingo equating to \$3.45 per share. We had a number of discussions with UBS who are acting as Bingo's corporate advisers with regard to the bid.

We reviewed the company projections and analysed the expected forward returns and we came to the conclusion that the bid price was fair and as result we support the offer by MIRA. The offer will become final in Q3 2021.

#### Ampol Ltd (ASX ticker: ALD) – Australia

We met with Ampol's non-executive director and Chair of the Board's Safety and Sustainability Committee, Penny Winn, together with Penny Barker, Head of Environment and Sustainability.

We discussed in detail Ampol's report on the Future Energy and Decarbonisation Strategy and how Ampol are planning a future energy strategy. This report can be found on their website: [ampol.com.au/about-ampol/sustainability/future-energy](https://www.ampol.com.au/about-ampol/sustainability/future-energy)

We also discussed Ampol's commitment to reducing its own operational emissions.

Other topics discussed were Ampol's 2020 Sustainability Report, which provided an overview of the progress Ampol have made in managing ESG risk and opportunities relevant to their business and the future targets.

UDR Inc (NYSE ticker: UDR) – United States of America

We reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. We received a detailed response set out below.

**ESG practices**

ESG remains a cornerstone of how we operate our business and invest our capital, not only because strong corporate citizenry is important to our stakeholders, but because focusing on it makes solid economic and business sense.

- In our recently filed proxy we added a new "Top of Mind Issues" section starting on page 5 that specifically addresses our policies and actions on ESG, as well as the feedback we have received based on the high level of engagement we have had with stewardship and governance teams.
- We have outlined a variety of ESG goals, strategies, accomplishments and milestones in both our annual Corporate Responsibility Report and on pages 22-23 of our Investor Presentation. One accomplishment we are particularly proud of is our achievement of a GRESB score of 83, which is near the top of the Multifamily peer group, while attaining near-maximum scores in both Social Responsibility and Corporate Governance, along with a Public Disclosure rating of "A." This result led to GRESB naming UDR a top ESG performer among global real estate firms.

**Board diversity**

Our Board's view is that the longer tenured members bring value to the company and shareholders through their historical engagement and the setting of multiple strategic plans. The goal is to typically have 3 sets of Board members (long-, mid-, and short-tenured), so as to have strong institutional knowledge of the company balanced with new ideas and perspectives. Diane Morefield being added in 2020 was an example of this newest class of Board members, as is the following bullet.

- We have identified and extended an offer to an individual that would enhance the Board's racial and ethnic diversity and would bring a very additive background to our Board's skill set and perspective. This individual serves a public company and its Board will discuss the individual's candidacy for our Board in July. If approval does not occur, we are committed to continuing our search to identify racial and/or ethnically diverse candidate(s) for the Board.

**Employee turnover**

As we have discussed at length during earnings calls and industry conferences over the past 3 years, UDR has developed our “Next Generation Operating Platform” that is built on the pillars of self-service, improved efficiencies, and the implementation of a variety of technological tools. With this strategic direction, we have discovered the ability to operate our communities more efficiently and effectively with fewer on-site associates, and we have been highly transparent (both internally and externally) about planned headcount reductions over time. Much of the turnover we have experienced is a function of natural attrition (i.e., not backfilling certain positions) in historically high-turnover areas. As an example, leasing agents (a role that frequently turns over) were largely not backfilled and their responsibilities were centralized, which likely contributes to our turnover being higher than peers.

- This process has occurred across our portfolio of over 160 communities and 52,000 apartment homes. With the transition having started in earnest in 2019 (the time period referenced by MSCI, as our corporate responsibility report for the fiscal year 2020 has not yet been published), our turnover rate *should* be higher than peers. If/when our peers decide to undertake a similar process, it would be reasonable to expect their turnover statistics for a period of time to trend the same way ours did.
- What is missed by MSCI are the positive aspects of operating efficiencies that benefit shareholders, a higher level of satisfaction and improved living experiences that benefit our residents (as evidenced by a 24% improvement in our Net Promoter Scores since mid-2018), and the potential for increased compensation and better career advancement opportunities that benefit our associates.

**Sustainable property certifications**

We are conscientious of our environmental footprint and have a Corporate Innovation team dedicated to improving our energy efficiencies, carbon emissions, water usage, and overall environmental footprint. Sustainable property certifications is but one metric used for evaluation. We continue to develop strategies that address Scope 1, Scope 2, and Scope 3 emissions, the last of which speaks to our efforts to educate our residents through green lease addenda and equipping our communities

with Smart Home Technology. That said, we have two primary avenues that address our sustainable property certifications:

- Our new developments are designed with the intent of achieving LEED Silver (or better). We have five communities in our active pipeline, with a land bank to develop additional communities in the coming quarters and years that could add to this “new wave” of properties with sustainable certifications.
- We continually evaluate and allocate capital to initiatives and re-development activities that could garner sustainable certifications for our communities that currently do not have such a designation. However, as a fiduciary to investor capital, we must evaluate ESG benefits while also being mindful of the ROI of our actions. We have identified a variety of initiatives and investments that can deliver improved environmental stewardship, operating efficiencies, and attractive ROI. We will continue to pursue these actions with a goal of increasing our sustainable property certifications.
- Furthermore, we have building management systems in place at a variety of our communities. While not all of these properties have sustainable certifications, they do help in optimizing building systems, enhancing operational performance, improving resident comfort, and reducing our environmental footprint. UDR was named the winner of the National Apartment Association (NAA) 2020 Excellence in Technology Innovation Award because of our approach in this arena.

Swisscom AG (SIX ticker: SCMN) – Switzerland

We reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. We received the following response.

**Allegations of anti-competitive practices relating to misuse of its market position**

The Swiss government is the main shareholder of Swisscom. It holds the majority of the shares. Its interests are safeguarded by the Federal Council, which respects the autonomy of Swisscom in terms of corporate management in accordance with Art.3 of the Telecommunications Act as of 30 April 1997 (TEA) and, as a shareholder, recognizes the freedom of decision of the board of directors in matters of corporate strategy and policy. The Federal Council also respects the principles of media independence from the state. At the institutional level, its role as main shareholder

must be separated from its function as regulator and supervisor of the telecommunications market.

The Federal Council defines every four years the objectives which the Confederation, as the majority shareholder of the company, intends to achieve. The strategic objectives are set for Swisscom and its affiliated companies. By setting consistent long-term objectives every four years and publishing them, the Confederation provides the necessary transparency for other investors. Strategic objectives do not include operational objectives.

#### H. Lundbeck A/S (CSE ticker: UDR) – Denmark

We reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. Key points relayed below.

#### **ESG practices**

Lunbeck's sustainability report is publicly available on our website. The reports highlights our sustainability strategy and aspirations for 2030.

#### **Board diversity**

Lunbeck's Remuneration and Corporate Governance Report is publicly available on our website. At the general assembly in March 2021, the Board added another member and the gender composition is now two female, five male out of seven in total.

#### **Human capital management practices**

Lunbeck disagree that MSCI assess us to be below industry average in this practice. We will work to increase our disclosure on this area in the coming years.

**For more information on specific company engagement, please feel free to contact our services desk at [info@vaneck.com.au](mailto:info@vaneck.com.au) or +61 2 8038 3300.**