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2021 Q4 Stewardship Report

Q4 in review

VanEck Investments Limited as part of its fiduciary duty, voted on 2,747 management proposals and engaged with five companies during Q4 2021, covering a vast range of global markets and sectors. A copy of our stewardship policy is available **here.**

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.

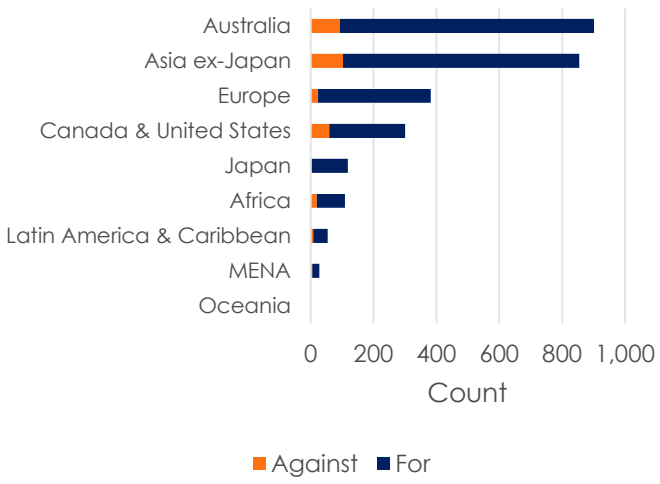
We will vote against a company's proposals if we believe that the issue under consideration does not meet our voting guidelines.

Statistics

Global Q4 2021 votes by region

Region	% against management	Total votes
Australia	10%	901
Asia ex-Japan	12%	854
Europe	6%	382
Canada & United States	20%	300
Japan	3%	118
Africa	17%	109
Latin America & Caribbean	15%	54
MENA	18%	28
Oceania	0%	1
Total	**11%**	**2,747**

Source: Glass Lewis, VanEck.



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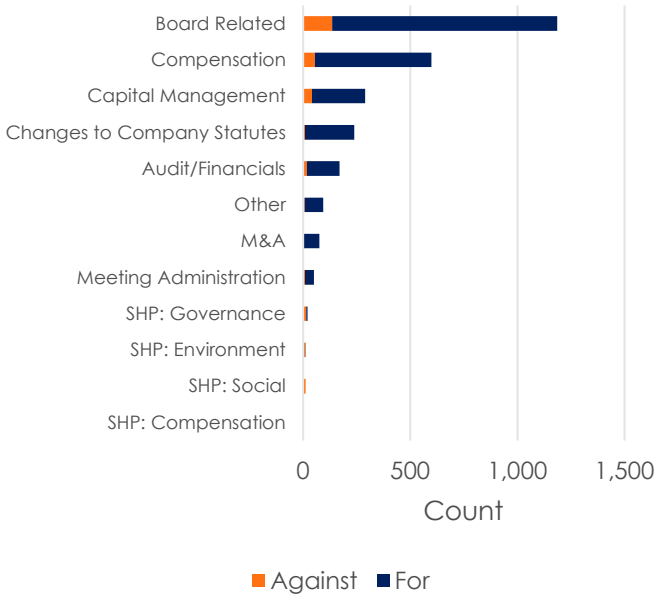
Global Q4 2021 votes by proposal type

Proposal type	% against management	Total votes
Board Related	11%	1,186
Compensation	9%	599
Capital Management	14%	289
Changes to Company Statutes	4%	238
Audit/Financials	11%	170
Other	8%	93
M&A	1%	76
Meeting Administration	16%	50
SHP: Governance	75%	20
SHP: Social	100%	12
SHP: Environment	83%	12
SHP: Compensation	100%	2
Total	**11%**	**2,747**

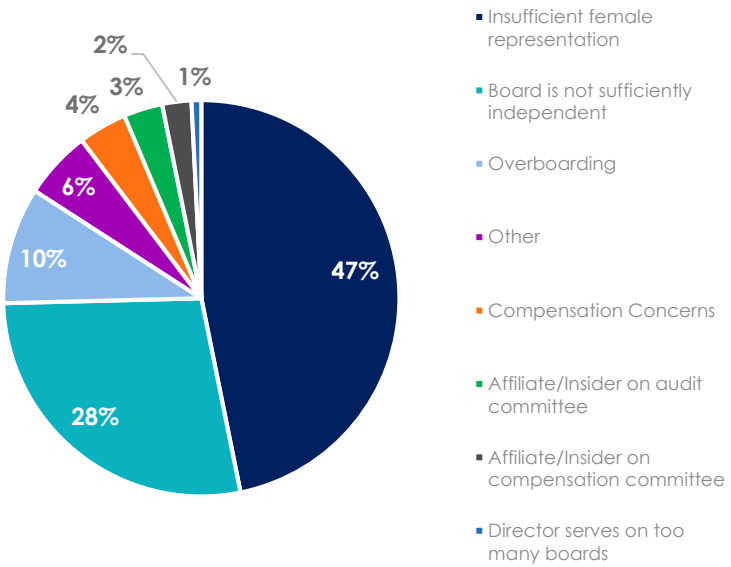
Source: Glass Lewis, VanEck.



Global Q4 2021 votes against management reasons related to election of directors/committee members

Reasons	Total
Insufficient female representation	59
Board is not sufficiently independent	35
Overboarding	12
Other	7
Compensation Concerns	5
Affiliate/Insider on audit committee	4
Affiliate/Insider on compensation committee	3
Director serves on too many boards	1
Total	**126**

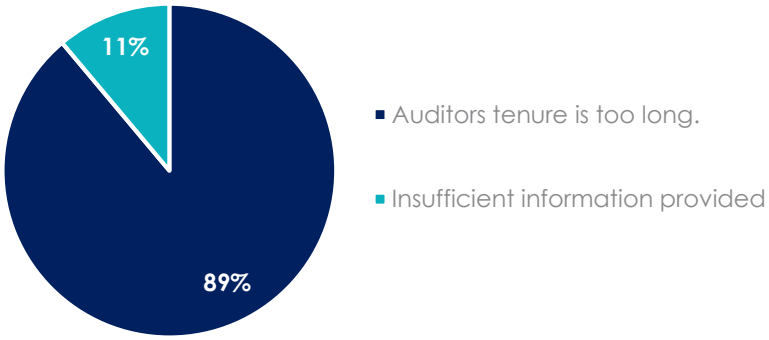
Source: Glass Lewis, VanEck.



Global Q4 2021 votes against management reasons related to audit/financials

Reasons	Total
Auditors tenure is too long	16
Insufficient information provided	2
Total	**18**

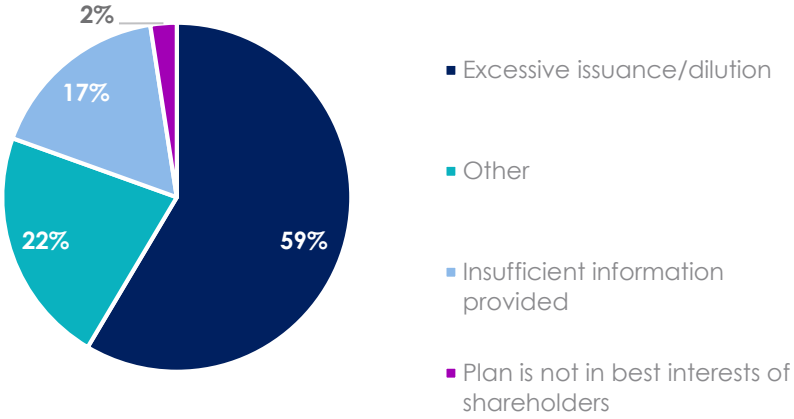
Source: Glass Lewis, VanEck.



Global Q4 2021 votes against management reasons related to capital management

Reasons	Total
Excessive issuance/dilution	24
Other	9
Insufficient information provided	7
Plan is not in best interests of shareholders	1
Total	**41**

Source: Glass Lewis, VanEck.



Company Engagements

We supplement our voting by engaging with the companies that we invest in. Engagement can take many forms. This quarter we are pleased to announce that we directly engaged two Australian companies with the senior management from board quality, remuneration to ESG related matters. As we continue to grow as an asset manager, VanEck is committed to utilise avenues that are open to us to engagement with companies, either directly or through third parties, ultimately influencing portfolio companies to make well-informed and sustainable business decisions in the long-term.

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 31 December 2021.

Company	Trigger	Engagement reason	Board related	M&A	Capital management	ESG	Executive remuneration
NIB Holdings Ltd	Direct engagement	Pre AGM Overview			x	x	x
Goodman Group	Direct engagement	Pre AGM Overview	x				x
Sydney Airport	3rd party engagement	Takeover		x			
Northern Star Resources	MSCI ESG rating downgrade	Downgraded rating from AA to A	x			x	
Simon Property Group	MSCI ESG rating downgrade	Downgraded rating from BBB to BB				x	

x primary topic of engagement

NIB Holdings Ltd (ASX ticker: NHF) - Australia

VanEck is the 8th largest shareholder of NIB which is held in MVW and DVDY at the time of the engagement. We engaged with the senior management regarding the CEO remuneration, financials, growth outlook and ESG related matters. Highlights include:

- NIB endeavours to deliver value to its members at sustainable levels. NIB has been one of first product innovators to bring consumers cheaper with less benefits options in health insurance. The business mainly targets at younger population; 59% of Australian population owns private health insurance (PHI) covers.
- The company targets 6% net margin as roughly every dollar earned NIB gives back 85c as member benefits, 9c in marketing and 6c to shareholders; 8% would be unsustainable.
- Four main business segments – Australian Resident Health Insurance (ARHI), International inbound health insurance (iihi), NZ and Travel. iihi and Travel was adversely impacted due to COVID, loss of 5.9m and 13.6m respectively. That said, Workers unit have been highly profitable for the FY. Looking ahead Travel

unit would be more likely to bounce back more quickly – already see some pent-up demand for international travel. Now at 35% of pre-pandemic level. International Students unit was impacted by the border closure. NIB feels optimistic and an export sector that's too big to ignore, while acknowledging there is a degree of government bureaucracy.

- We questioned the share price drop of 11% on the FY21 result day given in April NIB had a profit upgrade and trading at $5.5-$6.5. The performance had a decent run thanks to the market until earnings announcement; the market didn't like the loss in iihi and Travel.
- NIB has a younger cohorts compared to peers as it targets on competitive pricing and bronze products for younger population. There is approximately $900 risk equalisation benefits. The context is $25bn PHI industry and $30bn out-of-pocket medical bills hence there is a business case for retention and exploring.
- We asked about insights on government move on PHI and NIB expressed that it is here to stay. Although Medicare covers around $90bn, pharma support is becoming less and healthcare inflation is a concern. Note the Prostheses Reform has been watered down over time. There is going to be constant adaptation given the Community rating characteristic.
- Honeysuckle Health is a partnership in data science and technology to improve health outcome by analysing cohorts' data. The technology is more widely used in the US whereas Australia is at an early stage. NIB expects it to become a $1bn company.
- Through the joint venture with Chinese pharmaceutical company, Tasly, NIB now have a licence to sell health insurance in China. It considers this a small investment of $10m and currently incurs $1m annual loss, overall low risk and light capital investment.

<u>Goodman Group (ASX ticker: GMG) – Australia</u>

VanEck holds GMG in MVA, MVW and GRNV at the time of the engagement. We engaged with the senior management regarding the CEO remuneration, growth outlook and board diversity. Highlights include:

- The board diversity issue is addressed in the meeting. At the time only Rebecca McGrath is being re-elected as the independent non-executive

director (NED) on the Remuneration Committee. Penny Winn retired in Nov 21 so it leaves the board with only one female member out of nine NEDs plus the Managing Director. GMG is in the process of the recruitment in the current FY.

- Re re-election of Rebecca McGrath – GMG is heavily investing capital and resources in governance and compliance. McGrath is well equipped with necessary skills and adds complementary skillsets to the board.
- Re quantum of remuneration package the long term incentives face value jumps from 14.1m to 33m (234% increase). GMG stressed that CGI Glass Lewis is using face value instead of economic value. The economic value of the award remains the same as FY21 (backed by independent assessment) with a discount rate of 12.5%, by engaging an international accounting firm (one of the big 4 apart from KPMG the auditor) and two investment banks using the Black-Scholes model. They had management calculate the rate using CAPM and PE discount models and set the rate range at 11%-15%.
- The Chairman highlighted that GMG owns a strong business model and earnings growth will continue due to low financial leverage and a focus on long-term sustainable cash flows. He said performance fee related cash flows will accrue but the cash-based performance is doing very well. They are not buying others' properties unless they are confident to turn them into AAA quality. They sell the assets when they believe it is overvalued.
- Inflation rate increase could potentially lead to an increasing cap rate and negatively impact AUM. However GMG engages very little in financial engineering and low leverage. Hence limited impact/financial stress.
- Continuous expansion of development WIP has tripled to $12.7bn worldwide from $4.1bn; Occupancy rate remains high at 99%.

<u>Sydney Airport (ASX ticker: SYD) – Australia</u>

We continued engaging with SYD via Glass Lewis in relation to the Sydney airports takeover offer as the offer price was raised to $8.75 per share in 21Q4 from $8.25.

From a valuation perspective, the offer price of $8.75 per security represents a premium of 51% to the Company's unaffected trading price on the last trading day prior to the announcement.

In addition, the independent expert, Kroll Australia Pty Ltd, has assessed the full underlying value of Sydney Airport on a controlling basis to be in the range of A$7.94 and A$8.86 per security and the offer sits at the upper end of this range. In forming its view, we see Kroll considered a range of factors including the strategic importance of Sydney Airport as Australia's largest airport and the main gateway in and out of Australia, its financial position and growth prospects, the post-COVID-19 environment for travel, and the potential future impact of Western Sydney Airport. Kroll's valuation range assumes that Sydney Airport passenger movements return to pre-pandemic levels by 2023 (domestic) and 2024 (international). In Kroll's opinion, the scheme consideration effectively de-risks the impact of any potential future adverse scenarios for Sydney Airport shareholders.

Further, the scheme consideration is payable entirely in cash, thereby providing certainty of value and eliminating shareholders' ongoing exposure to the various risks and uncertainties associated with Sydney Airport's business and prospects. Therefore, we believe the proposed acquisition is a reasonable outcome for the Company at this time and the scheme consideration represents a fair price and an attractive opportunity at which shareholders can realize the value of their investments in the Company. Based on these factors, along with the support of the board, we believe the proposed scheme is in the best interests of shareholders.

We would not vote against the cash offer at $8.75 cash as it appears to take into account the medium to long term valuation assuming a return to pre-COVID passenger numbers.

Whilst we would prefer to continue to hold Sydney airports as a solid infrastructure investment the price being offered matches our expected valuations and should the offer fall through the share price would fall back to $6.

Northern Star Resources Ltd (ASX ticker: NST) – Australia

VanEck reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. VanEck engagement focused on director appointment and environmental and social practices. We received the following response:

Board related

- MSCI ratings downgrade is driven by changes in Northern Star's board, including the over-boarding of a new director, which could limit her effectiveness on this board.
- The appointment of Sharon Warburton with effect from 1 September 2021 leads to overboarding concerns by MSCI. Warburton is also a non-executive director of Wesfarmers Ltd, Worley Ltd, and Blackmores Ltd. This is disclosed in the Annual Report 2021 at page 74 and in the Notice of Annual General Meeting at page 31. We are aware that the issue of director overboarding and whether a director can effectively discharge his or her duties when serving on multiple boards continues to draw the attention of institutional shareholder groups. In our experience the term "overboarded" when applied by the four main proxy advisers in Australia refers to a non-executive director who sits on more than five public company boards. Warburton sits on four, including Northern Star. We intend to point this out to MSCI in our feedback to them and propose that they reconsider their assessment of overboarding in relation to Ms Warburton.
- There was significant shareholder dissent to the re-election of a director at the 2021 AGM, indicating potential dissatisfaction with his performance.
- Votes were cast against the re-election of non-executive directors John Fitzgerald at the 2021 AGM, we believe by shareholders following the assessment made by proxy adviser ISS that he has a number of board commitments, acknowledging that these are small non-operating entities outside the ASX300. Fitzgerald is Chair of Medallion Metals Ltd, and Chairman of Turaco Gold Ltd. This is not "overboarding" according to Australian proxy advisors' definition. MSCI has suggested that the votes against Mr Fitzgerald at the 2021 AGM indicate potential dissatisfaction with his performance. There has been no commentary or concerns expressed by proxy advisers, shareholders or the media in relation to Mr Fizgerald's performance as a non-executive director.

Social

Weaknesses in the company's practices to engage local communities and manage risks related to community conflict relative to peers, contributing to the downgrade.

MSCI base their assessment of Northern Star's engagement with local communities as weak, on an ABC News story. The March 2021 story cites the fact that residents of Williamstown, a suburb of Kalgoorlie adjacent to the KCGM Operations including the Super Pit and Mt Charlotte underground operations, have raised concern over potential damage to properties due to mine blasts at Mt Charlotte underground. Northern Star acquired 50% ownership of KCGM Operations including the Super Pit and Mt Charlotte underground operations from Newmont on 3 January 2020 and acquired 100% control as a result of the merger with Saracen Mineral Holdings Ltd effective on 12 February 2021. Saracen had acquired its 50% ownership from Barrick during November 2019.

There has been a long history of interaction between Williamstown residents and the previous owners of the KCGM Operations regarding the impacts of mining activity on Williamstown over several decades.

Northern Star received a petition from 13 members of the longstanding Williamstown Residents Committee on 26 March 2021. The petition was in response to an individual blast event which was unusually long in duration at the Mt Charlotte underground mine, causing deep concerns for some residents.

In response to the petition, Northern Star initiated a Williamstown resident and landowner voluntary engagement process, with the assistance of an independent consultant, to identify possible solutions for the grievances expressed. Financial assistance to relocate residents out of Williamstown was identified as a need for many Williamstown residents, since property prices and the current market did not allow for relocation independently of financial assistance.

Williamstown residents expressed the view that the previous owners of KCGM had not supported multiple requests for relocation assistance.

In June 2021 Northern Star launched a voluntary relocation assistance program to financially assist residents and landowners should they wish to relocate from Williamstown. Within six weeks of Northern Star announcing the details of the relocation offers to residents, ten properties have been purchased by Northern Star, with another 30 contracts for sale currently under negotiation or signed and preparing to settle shortly.

This effectively represents 51% of the Williamstown residents as willing to sell their properties or dwellings to Northern Star under the terms offered to them via the relocation assistance program. It is hoped that more Williamstown residents will opt to sell and relocate elsewhere, ending their concerns and grievances about the impact of mining in proximity to Williamstown.

Northern Star's financial assistance relocation package included the purchase of properties at generous prices, removalist and conveyancing fees, a contribution towards duty payable on new homes elsewhere, and other support such as long settlement dates, additional time to remove chattels after settlement, and change-in-circumstances assistance for residents and their families encountering the need for broader assistance in relocating their homes from Williamstown.

MSCI appear to have relied on an ABC story released less than a month after Northern Star acquired control of the KCGM Operations on 12 February 2021, and before Northern Star had met with the residents to discuss their concerns at a series of town hall style meetings and through individual engagements with an independent third party experienced in resettlements in different jurisdictions.

Northern Star is confident that MSCI will reconsider the downgrade as a result of the action taken and success so far in the voluntary relocation program initiated by Northern Star for the Williamstown residents who wish to move out of Williamstown.

Environment

Gold mining operations are generally water-intensive and could pose risks of increased input costs and operational disruptions in case of water shortages. Despite Northern Star's higher-than-average freshwater withdrawal intensity of 12,128 m3/USD million (vs 7,399 industry average as of October 2021), we found no evidence of water reduction targets.

The rating by MSCI is reflective only of freshwater abstraction (including potable scheme water use) and does not take into consideration the significantly lower net freshwater consumption that Northern Star measures and reports on.

It is also important to note that MSCI quote data from Northern Star's 2020 Sustainability Report (reporting period CY2020). The inclusion of KCGM Operations

scheme water was reported in the data for the first time, as KCGM Operations was new to Northern Star's portfolio. This will have had an impact on the volume of water abstracted due to the size of the KCGM Operations and inclusion of data not previously reported.

Northern Star abstracts water from multiple sources and quality across its operations. The bulk of water movement and abstraction occurs at our Pogo operations in Alaska, which are not located in a high baseline stress location. For example, in 2020 Northern Star's overall water movement was 34,249ML of which 75% can be attributed to the Pogo operations (25,380ML). Pogo operations then discharge 97% (25,139ML) of this water back into their receiving environment.

Northern Star is highly focussed on the need to manage water infrastructure and resources in a way that provides for the best long-term use of these resources, by our operations, our neighbouring operations and pastoral lease holders with whom we hold co-existing or adjacent tenure.

We believe a more valuable metric for Northern Star's freshwater use, and in particular for our operations in high water stress locations, would be "net freshwater consumption". This was only 1,382ML in CY2020 and gave us a Net Freshwater Use Efficiency of 0.001407 ML/Oz Au.

It is also noted that the MSCI report has suggested that there is "no evidence of water reduction targets" and has marked the organisation as "low" in relation to the company practice of "CEO is responsible for water management strategy and performance".

We will be drawing MSCI's attention to the following, including KMP LTI KPIs specific on water use reduction disclosed in the Annual Report and voted upon at the 2021 Annual General Meeting as part of the Managing Director's remuneration package:

- CY2020 Sustainability Report (Page 49) "A subsequent proposal is currently awaiting executive review that will see a complete end-to-end remapping of our water infrastructure to greatly reduce the amount of fresh water used, and

allow for the capture, storage and utilisation of recycled wastewater into our scheme at Kalgoorlie".

- FY2021 Annual Report (Page 60) "Water security and efficient use" is flagged as a key metric on our SASB financial materiality map and recognised in our climate change and risk management sections.
- FY2021 Annual Report (Page 109) "FY2022 Long Term Incentive Metrics: The strategic mine life performance measures have been replaced with new ESG metrics relating to an absolute reduction in greenhouse gas emissions, indigenous business supply chain development, and water management".
- FY2021 Annual Report (Page 110) "Table 13 FY22 LTI-1 KPIs – 4 and 3 year performance period: LTI-1 Introduce Water conservation Project(s) LTI-1 To reduce baseline usage on potable scheme water sources (KCGM) by 10%".

Simon Property Group (NYSE ticker: SPG) – United States

VanEck reached out to investor relations for comment regarding reasons cited for the ESG rating downgrade by MSCI. VanEck engagement focused on environmental practices.

Environment

Shopping mall operators have opportunities to benefit from sustainable property features, since they typically have high energy and water usage. Simon is on par with peers in rolling out energy and water-efficiency upgrades and programs to promote sustainable property operations among tenants. However, only 9.3% of its 2020 portfolio (by number of properties) was certified to sustainable standards (vs. 2020 Retail REITs sub-industry average of 45.4%). The company commits to meet or exceed the environment management goals:

- Reduce carbon emissions associated with Simon's energy consumption by 68% (baseline 2019), and by 20.9% for emissions associated with tenant energy consumption by 2035 (baseline 2018).
- Reduce water consumption by 20% by 2025 (baseline year 2013).
- Increase recycling rates across our portfolio with the aim of minimizing waste sent to landfills.
- Incorporating sustainable development guidelines in all new developments and redevelopments.

- Increasing the number of green building certifications annually.

From the energy usage perspective, Simon Property invested in intelligent energy pilots of sensor-enabled LEDs in partnership with industry-leading companies such as GE and Acuity. The company is further exploring opportunities to install smart networks and sensors to optimize LED lighting both indoors and outdoors. Simon continuously assesses its portfolio to upgrade to more efficient equipment, such as Central Plants, Energy Management Systems, and HVAC replacements. Regular technical building inspections, energy audits, and retro-commissioning are the foundation of our energy efficiency programs.

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