



Stewardship Policy

July 2023

Introduction

This policy sets out how VanEck Investments Limited uses its power to influence companies, in order to maximise the long-term welfare of the investors for whom we are managing investment assets. The long-term welfare of the investors includes both the long-term value of the investment assets and matters that impact them in broader ways such as environmental, social and governance issues.

Exercising the power that arises from the ownership of the investment assets is part of our obligation to the investors. We are required to act in investors' best interests.

We also empower our investors to have their own impact by giving them a choice to invest in funds that track an index that selects companies that are strong on environmental, social and governance issues.

Our influence

Investors have both legal and practical rights against the companies to whom we have provided investment capital. As the manager of the investment assets those rights are controlled by us even though we manage the assets on behalf of others.

By global standards, and even by Australian standards, we are a relatively small investor in any particular company. As a manager of index-tracking funds for which we do not control the indexes, rather than being an active manager of portfolios, we cannot warn that we will disinvest, the way that active managers can. The combination of these two factors means that our influence is much less than that of many other institutional investors. Nevertheless, our obligation is to make the most of the influence that we do have. Adding our voice to that of the larger institutional investors increases the pressure on the investee companies to do the right thing.

An equity holder, an owner of shares in a company, has much greater influence than a bond holder, a lender of money to the company. Therefore, we concentrate our efforts on companies in which we own shares.

The key ways that we exercise our influence are through:

- voting;
- engagement;
- advocacy; and
- class actions.

Empowering our investors

While we manage investment funds by tracking an index that we do not control, we empower our investors to have their own impact by giving them a choice to invest in funds that track an index that selects companies that are strong on environmental, social and governance issues.

VanEck MSCI Australian Sustainable Equity ETF (ASX: GRNV)

Companies that are involved in the following business activities are screened for exclusion based on certain business involvement criteria (which includes revenue thresholds):

- Adult entertainment
- Alcohol
- Animal Welfare
- Civilian firearms
- Conventional weapons
- Controversial weapons
- Fossil fuels
- Gambling
- Genetically modified organisms (GMO)
- Nuclear power
- Nuclear weapons
- Tobacco
- Soft drinks
- Nutrition and health

VanEck MSCI International Sustainable Equity ETF (ASX: ESGI)

A five-step process is followed to determine the index constituents. Companies that are involved in the following business activities are screened for exclusion based on certain business involvement criteria (which includes revenue thresholds):

- Adult entertainment
- Alcohol
- Animal Welfare
- Civilian firearms
- Conventional weapons
- Controversial weapons
- Fossil fuels
- Gambling
- Genetically modified organisms (GMO)
- Nuclear power
- Nuclear weapons
- Tobacco
- Soft drinks
- Nutrition and health

Detailed business involvement screening criteria (which includes revenue thresholds) for each of the business activities identified above for GRNV and ESGI can be found in the index methodology on our website.

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.

We do not have the resources to fully investigate each issue that comes up for a vote in over one thousand companies in which we invest. The way we maximise our influence is through appointing a specialist adviser who has the scale to investigate each issue and to make a recommendation on the better way to vote. We do however retain the power to vote contrary to their recommendation. Further, we authorise this specialist to exercise our votes on our behalf, taking further advantage of their scale to ensure that all our votes are properly recorded.

We have appointed one of the world's leading proxy voting service providers, Glass Lewis & Co., LLC, to this role. Our Proxy Voting Policy, including Glass Lewis' Guidelines, can be found [here](#).

We have a standing instruction in place with Glass Lewis to vote in accordance with their optional environmental, social and governance policy overlay.

Engagement

The limitation of the power of voting to influence a company is that it can only be exercised on matters that come up for a vote. While some matters are legislated as requiring a vote, it is largely the company that controls what matters we get to vote on. So voting on its own is not enough.

We supplement our voting by engaging with the companies that we invest in. Engagement can take many forms. 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 power of our engagement is when it adds weight to points of view that the company is hearing from many investors. When the opportunities arise, we will engage in collaboration with other investors.

We have to be realistic about how much engagement we can undertake as well as the form of that engagement. We aim to engage with 25 companies per year with a minimum of 5 per quarter. We will in most cases have to source contact information on the company from websites or company filing releases. We will then email the company directly with a series of questions.

The main triggers for us to engage will be

1. When we are notified of a Level 1 meeting by Glass Lewis;
2. When there is an ESG downgrade noted by MSCI;
3. When the company reaches out to us directly or through a third party.

We will keep an internal log recording every contact, which will be updated after each contact.

Advocacy

While we may advocate a point of view through direct engagement with a company that we have invested in, advocacy can also be directed at other parties.

We may advocate a point of view to a government in order to improve the regulatory environment in which the companies we invest in operate.

We may advocate a point of view publicly, most likely through the media, in order to generate broader support for that point of view.

Given our relatively small size a lot of our advocacy will be a collaborative effort through the Financial Services Council, which is a leading industry organisation in Australia.

Class Actions

We generally participate in the class actions that are available to us.

The existence of class actions keeps pressure on companies to do the right thing. Supporting class actions doesn't just benefit investors financially, it is supporting one of the systematic checks on company behaviour.

Disclosure

Both our engagement and voting activities will be reported back to investors and made publicly available [here](#).

Our Priorities

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.

Environmental, Social and Governance Issues

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.

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.

Capital Management

Returns to shareholders are dependent on sound capital management. Getting the balance right between equity and debt directly determines the earnings per share and the amount of risk taken in while generating those earnings.

Particular attention is paid to:

- excessive capital issuances diluting earnings;
- reviews of debt issues; and
- guarantees not exceeding net assets.

Mergers and Acquisitions

A merger or an acquisition can be one of the most impactful events on shareholder value.

The most important decision can be whether to accept or reject a takeover offer for a company that we have invested in.

Dissipating Shareholder Rights

We carefully examine any amendments to a company's constituent documents. There is a risk of the company dissipating the shareholders' current rights.

A particular example would be the insertion of anti-takeover provisions.

Auditor Rotation

It is a principle of good governance that auditors should be regularly replaced in order to ensure that the auditor is sufficiently independent. Becoming too close to the company can impact an auditor's independence and their judgement.

We review auditor appointments to ensure that their tenure is not too long.