



2021 RESPONSIBLE INVESTMENTS REPORT

Mirae Asset Global Investments (Hong Kong) Limited
August 2022



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MESSAGE FROM THE CIO

2021 was a year of ups and downs, but one thing that stuck was the strong momentum for Environmental, Social, Governance (ESG) investing. By the end of 2021, global ESG AUM stood at US\$3.9 trillion, up 27% compared to the year before¹. Within 2021, over 1,100 new ESG funds were launched with approximately 70% of those domiciled in Europe and 15% in Asia Pacific¹.

Investors' interest in ESG is no longer news. The S in ESG was particularly exacerbated by COVID-19. With the local systems overwhelmed by the sheer magnitude of cases and the need for support, the pandemic highlighted the importance of corporate responsibility to key stakeholders like employees and communities. A silver lining was the spectre of blue skies and clean air brought about by the slowdown of economic activities during COVID-19. Decarbonisation continued to gain traction as world leaders met at the United Nations Climate Change Conference (COP26), drawing international consensus on "keeping 1.5°C alive". In Asia, we saw new low-carbon policy developments such as India's 2060 net-zero target and the launch of China's national Emissions Trading Scheme.

Be it the COVID-19 pandemic or the low carbon transition, global shocks like these have and will put companies' business resilience to the test. As such, we believe investing with an ESG perspective, to identify companies that create value for all stakeholders – employees, customers, suppliers, the environment and wider society – are more likely to succeed in the long term and hence deliver shareholder returns. The demand for ESG investing now goes beyond integrating ESG into investment decision making, but also for ESG objectives to be reflected in product offerings.

ESG regulations have also stepped up over the past year: listing exchanges now require more transparent and high-quality ESG disclosures from listed companies, and financial regulators have set ESG fund labelling and disclosure requirements to prevent greenwashing. The European Union (EU)'s Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy were key regulations that gained attention globally. Assets in SFDR Article 8 the end of December 2021, the equivalent of 42.4% of all funds sold in the EU¹.

Mirae Asset Global Investments (Hong Kong) (Mirae Asset or MAGI HK) reaffirmed our commitment to ESG investing: we converted three of our SICAV funds (Mirae Asset Sustainable Asia Pacific Equity Fund, Mirae Asset Sustainable Asia Sector Leader Equity Fund, Mirae Asset Sustainable India Sector Leader Equity Fund) to comply with SFDR Article 8, representing 18% of SICAV AUM managed by MAGI HK (as of 31 December 2021)².

In 2021, we welcomed an ESG Specialist to the team, who works closely with the investment team, risk team and others to spearhead ESG investing initiatives within the company. We take pride in our fully integrated team structure for executing ESG investing activities. Investment analysts are responsible for conducting ESG analysis as part of fundamental research for stocks recommendation and engaging with portfolio companies on ESG issues. We include ESG integration tasks and ESG training as part of the annual performance evaluation for the investment team. Our risk team also integrates ESG monitoring with internal risk assessments to help audit for potential breaches of ESG requirements every month.

In addition, we are delighted to have joined investor groups, such as the Asia Investor Group on Climate Change (AIGCC) and the Climate Action 100+, to collaborate with fellow investors on corporate engagement and for knowledge sharing. We also hosted an inaugural ESG Summit where we had an exciting line-up of guest speakers, including corporate representatives, to discuss ESG regulatory developments as well as corporate actions on ESG in emerging markets.

Looking into 2022, we are excited to continue raising the bar for Mirae Asset's ESG investing practices. We see 2022 to be a year of progress towards the promised nationwide and corporate net-zero goals set. We will likewise deliver on our ESG commitments, and continue to explore and expand our ESG product offerings, to support the transition of the global society to a just, net-zero world.

Rahul Chadha
Chief Investment Officer



1. Morningstar, January 2022.

2. The official conversion of SICAV funds to comply with the EU SFDR Article 8 UCITS funds was effective from 28 January 2022.

2021 HIGHLIGHTS



130
ESG Scorecards



18%
AUM³ are ESG Funds



1,271
Company Meetings



6,185
Proxies Voted



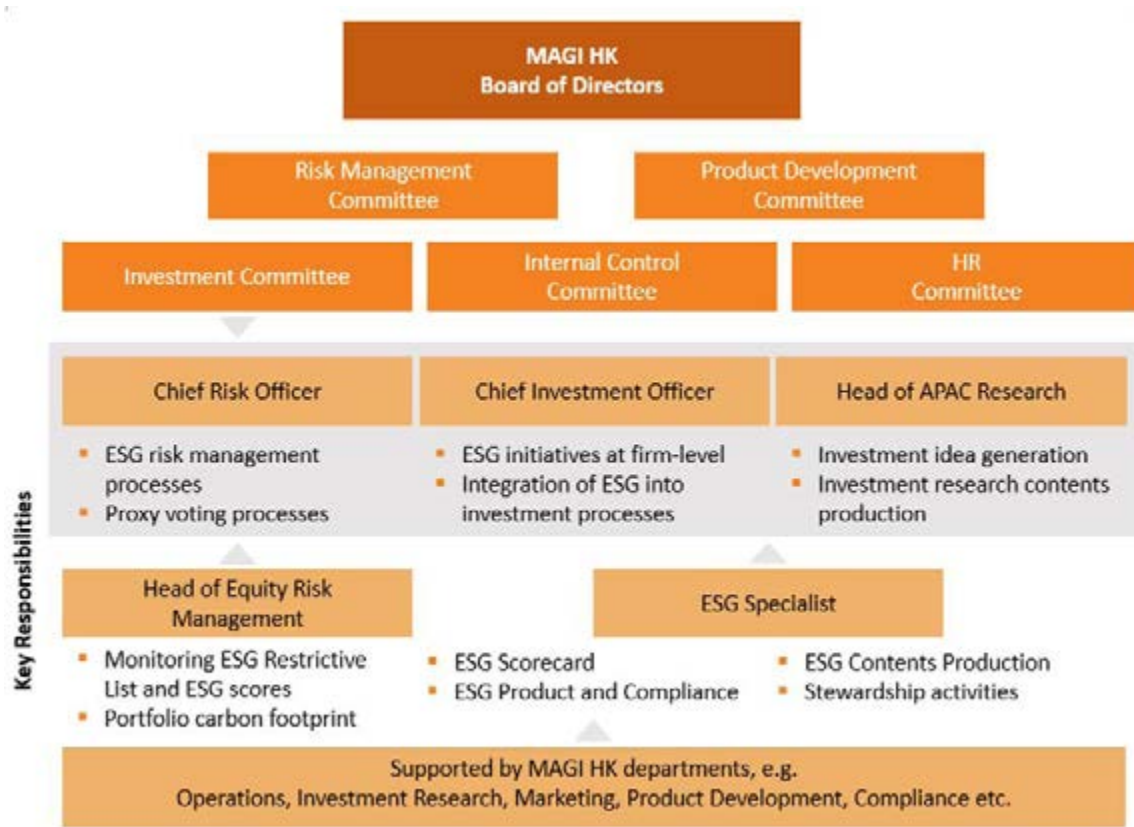
47%
Electricity Saving



44%
Female Staff

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Mirae Asset's Board of Directors (the Board) have overall oversight of strategic decisions and the implementation of the company's ESG initiatives. The progress and plans of Mirae Asset's ESG strategy are discussed and reported every quarter at Board meetings. The Board discharges ESG responsibilities across executive committees to take up ESG tasks that are relevant to their business functions. For example, the Product Development Committee is responsible for developing and launching ESG products whereas the HR Committee is responsible for activities related to the well-being and remuneration of the workforce as well as community investment from Mirae Asset as a corporate.



The Investment Committee is responsible for determining Mirae Asset's direction for responsible investment, and how Mirae Asset integrates ESG factors into investment decisions. The Head of Equity Risk Management monitors compliance with ESG requirements for MAGI HK's actively managed funds at monthly risk meetings. The ESG Specialist works to enhance Mirae Asset's ESG investing processes to be on a par with best practice and proposes changes to the Investment Committee regularly.

ESG is fully integrated into the investment team's mandates: the investment team is required to undertake 4 hours of ESG training a year and ESG engagement forms a part of investment analysts' annual performance evaluation.

ESG INTEGRATION

A United Nations Principles for Responsible Investment (UNPRI) Signatory since 2015, we practice full ESG integration through a two-pronged approach: actively investing in ESG themes and conducting ESG screening and engagement for our portfolios. Through actively investing in ESG themes we direct capital to companies that have positive impacts on the environment and society. Through conducting ESG screening and engagement, we adapt our portfolios to be more ESG-friendly by refraining from investing in sectors of negative ESG impacts but also encouraging companies with less advanced ESG practices to improve for long-term business resilience and value creation.

For more information on Mirae Asset's approach to responsible investing, please refer to our Policy on Responsible Investing on our website <https://www.am.miraeasset.com.hk/responsible-investments/>.

OUR PROPRIETARY ESG SCORECARD

(THE MIRAE ASSET ESG SCORECARD)

The Mirae Asset ESG Scorecard covers 24 industry groups within 11 sectors and is composed of 14 topics categorized under three pillars: Environmental, Social & Governance. Further, under the Sustainable Development Goals (SDG) Impact pillar, Environmental and social opportunities are also reviewed, with regards to contributions to the United Nations Sustainable Development Goals.

This year we completed **130** ESG scorecards, covering all recommended stocks and portfolio holdings in MAGI HK's actively managed funds.

For more information on Mirae Asset's ESG Scorecard, please visit our website where we provide some examples of sector-specific ESG Scorecards.



ESG RESTRICTIVE LIST

On a firm-wide level for MAGI HK actively managed funds, Mirae Asset refrains from investing in companies that have significant exposure (based on revenue thresholds) to activities we deem controversial and of negative impact on the environment and society. This year, we extended the ESG Restrictive List to include fossil fuels sectors like thermal coal and unconventional oil & gas. More stringent restrictions were also introduced to Article 8 funds.



Weapons



Tobacco



Thermal Coal



Unconventional
Oil & Gas



Cannabis
(Article 8 Funds Only)



Thermal Coal Power Generation
(Article 8 Funds only)



Adult
Entertainment



Nuclear Power Generation
(Article 8 Funds only)

For more information on Mirae Asset's ESG Restrictive List (and sector-specific policies), please refer to our Policy on Responsible Investing on our website.

ESG INVESTING STRATEGIES

The European Union (EU)'s Sustainable Finance Action Plan came into force during 2021 which included the introduction of a core piece of regulation - the Sustainable Finance Disclosure Regulation (SFDR). The SFDR sets out a product classification system for ESG investments and associated sustainability-related disclosure requirements at a firm level and a product level. The SFDR categorises investment products into three types:

- **Article 6 funds:** Those that do not promote their ESG characteristics.
- **Article 8 Funds:** "Where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices."
- **Article 9 Funds:** "Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark."

On 28 January 2022, we announced the transition of three of our SICAV funds into Article 8 funds, representing 18% of SICAV AUM managed by MAGI HK (as of 31 December 2021):

- Mirae Asset **Sustainable** Asia Pacific Equity Fund
- Mirae Asset **Sustainable** Asia Sector Leader Equity Fund
- Mirae Asset **Sustainable** India Sector Leader Equity Fund

We have updated the investment objectives of the above three funds to promote environmental, social and governance characteristics and we do so via the following two ESG investing strategies:

- **Best-in-class methodology:**

We apply a best-in-class methodology whereby companies must be within the top 50% threshold of environmental and/or social scores based on the Mirae Asset ESG Scorecard. In addition, companies must also have good corporate governance practices whereby companies must be within the top 50% threshold of governance scores based on The Mirae Asset ESG Scorecard.

The best-in-class ESG criterion is binding for investments made by a minimum of 70% of the fund's net assets.

- **Exclusions**

The funds exclude investments in companies that have significant revenue in weapons, tobacco, adult entertainment, cannabis, and fossil fuels which includes thermal coal mining, unconventional oil & gas and power generation (thermal coal, nuclear).

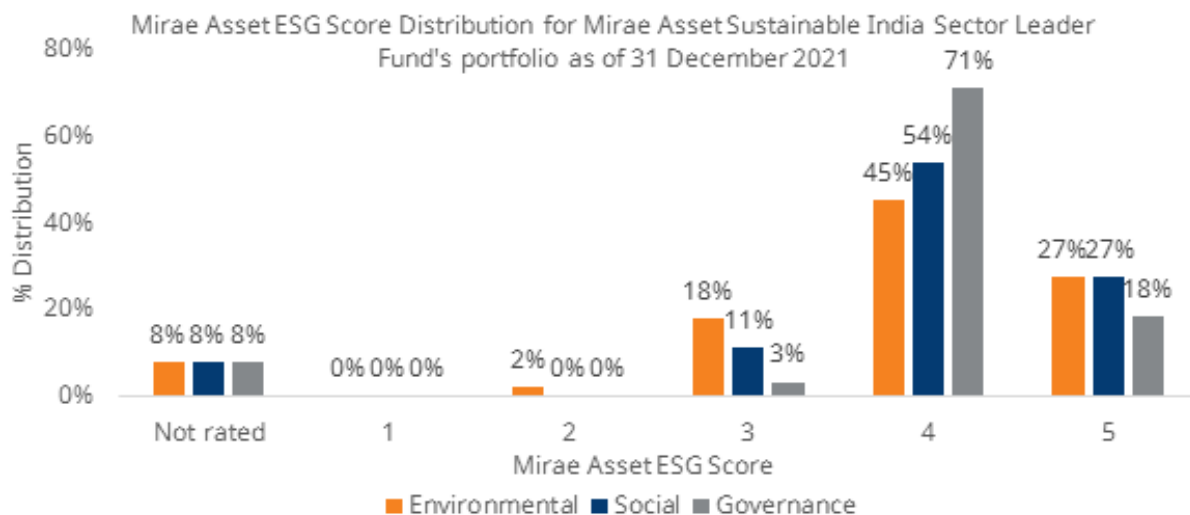
As an illustrative example, we use Mirae Asset Sustainable India Sector Leader Equity Fund as a case study to demonstrate how we promote environmental, social and governance characteristics on the following page.



CASE STUDY:

Environmental, social and governance characteristics of the MIRAE ASSET SUSTAINABLE INDIA SECTOR LEADER EQUITY FUND

The Mirae Asset Sustainable India Sector Leader Equity Fund considers environmental, social and governance characteristics as part of its investment objectives. A snapshot of the portfolio as of 31 December 2021, showed >70% of the portfolio had environmental scores within the top quartile and >80% of the portfolio had social and governance scores within the top quartile.



Highlights of how some of our portfolio holdings promote ESG characteristics:

- **ICICI BANK - An India multinational Bank and financial Service company promoting fairness within the workplace and fairness to customers.**

The bank implemented several social programs and collaborative initiatives with its internal and external stakeholders. Within its workplace, the bank actively promotes gender diversity whereby ~30% of its employees are women (compared with 18-30% at other large Indian banks) (ICICI Bank, December 2021).

The bank also significantly contributes to the livelihoods of local communities. The bank provided skills-based training to 0.6 million underprivileged people as well as facilitated arrangements with employers to ensure they are successfully employed. Moreover, the bank also opened ~21 million financial inclusion accounts and provided livelihood financing under microfinance programs (~2.5 out of 8 million customers were first-time borrowers) (ICICI Bank, December 2021).

Environmental, social and governance characteristics of the MIRAE ASSET SUSTAINABLE INDIA SECTOR LEADER EQUITY FUND

- **INFOSYS - An Indian multinational information technology company that provides business consulting, information technology and outsourcing services.**

The IT company places ESG at the core of its business. Not only did the IT company receive the Great Place to Work® certification in India, but it also recently expanded its employee stock ownership plan (ESOPs) to incentivise and benefit employees in line with shareholder interests (Infosys, May 2019).

The IT company achieved carbon neutrality in 2020 (30 years ahead of the 2050 timeline set by the Paris Agreement), primarily attributed to increased energy efficiency in its operations such as green office buildings and renewable energy and purchase of carbon offsets (Infosys, October 2020).

Target for ESG product offerings

Given the increasing appetite and demand for ESG investment products and our drive to mobilise capital towards sustainable development and a low carbon economy, we strive for ESG products to take up 15% of all product offerings and 25% of total AUM by 2024⁴. We are also actively exploring the feasibility and possibility of setting net-zero aligned targets for our investments in the future.

4. Funds in scope are those managed by Mirae Asset Global Investments (Hong Kong)



| CLIMATE INTEGRATION (TCFD REPORT)

Decarbonisation of global economies is no longer old news; this low-carbon trajectory needs to accelerate to keep global warming to 1.5°C as re-emphasised at COP26. The financial implications of climate change - those that arise from risks due to extreme climate events or stranded assets as well as those that arise from low carbon opportunities – need to be considered as part of investment decisions. In 2021, Mirae Asset became a supporter of the Task Force for Climate-related Financial Disclosures (TCFD).

GOVERNANCE

The Board discharges responsibilities with regards to responsible investing to the Investment Committee. The Board is informed of climate-related issues at quarterly ESG Board meetings. The Investment Committee has oversight of ESG integration, which includes climate integration, in our investment and risk processes. Climate-related risks of MAGI HK actively managed funds are monitored and reported at monthly risk meetings. For more information on Mirae Asset's governance structure please refer to the Governance section of this report.

Mirae Asset has published a [Position Statement on Climate Change](#) where we set out our position on fossil fuels and our investment policy to phase out our exposure through divestment, best-in-class selection or engagement. As a corporate, we have established an action plan to reduce our operational carbon emissions. For more information on Mirae Asset's corporate ESG activities and commitments please refer to the Corporate ESG section of this report.

STRATEGY

Our firm-wide ESG Restrictive List for MAGI HK actively managed mutual funds explicitly commits to refrain from investing in thermal coal mining and unconventional oil & gas companies, using revenue thresholds to determine business exposure. For some parts of our portfolio, we also have in place decarbonisation strategies whereby we further exclude companies in thermal coal power generation and conduct best-in-class selection for oil & gas companies to ensure companies' decarbonisation commitment is aligned to a 1.5°C scenario.

We integrate climate-related issues as part of bottom-up fundamental research for MAGI HK actively managed mutual funds:

Qualitative approach:

Climate change is a topic within the Mirae Asset ESG Scorecard, and is assessed for companies in sectors where climate change is a material topic. This materiality assessment was determined based on discussions with investment analysts and references to standards such as the SASB's Climate Risk Technical Bulletin. Companies are assessed based on their exposure to climate risk and management of climate risks and opportunities.

Quantitative approach:

We integrate climate data from third-party data providers as part of the Mirae Asset ESG Scorecard to facilitate data-driven scoring. Climate data is used particularly to inform company exposure to physical climate risks and estimated financial losses under different climate scenarios.



IN PRACTICE

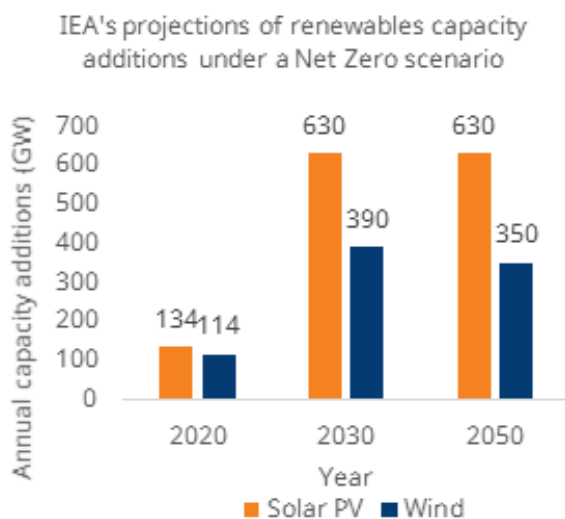
Illustrative examples of climate change parameters in the Mirae Asset ESG scorecard:

Quantitative parameters:	Quantitative parameters:
<ul style="list-style-type: none"> Are the company's operating locations exposed to climate-vulnerable regions or countries exposed to carbon regulations? Does the company have in place / planned initiatives to adapt and mitigate the impacts of climate change? Has the company produced climate disclosures, e.g. TCFD report? 	<ul style="list-style-type: none"> What is the score provided by the third-party data provider regarding the company's overall carbon risk, exposure to physical risk, and temperature score (to what extent the company is aligned to a 1.5-2°C scenario?)

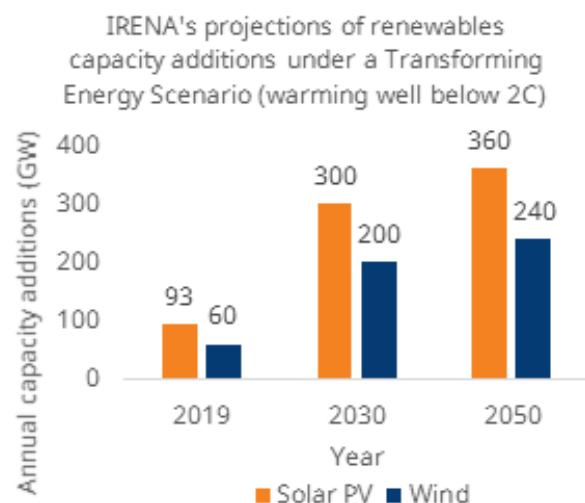
We also identify opportunities that arise from a low carbon transition. For example, we leverage key research inputs, such as projections of renewables capacity for different climate scenarios, to inform future investment decisions.

IN PRACTICE

We compared assumptions for renewables capacity growth, under different decarbonising and warming scenarios, from different scenario sources to evaluate investment opportunities from renewables:



Source: Mirae Asset analysis, IEA, May 2021.



Source: Mirae Asset analysis, IRENA, April 2020.

CASE STUDY:

Captures opportunities in energy transition GLOBAL X CHINA CLEAN ENERGY

The Global X China Clean Energy ETF seeks to invest in companies that are positioned to benefit from further advances in and increased adoption of clean energy in China including solar, wind, nuclear and hydro energy. This includes companies whose principal business is in supplying materials and components for power plant operation as well as independent power and renewable electricity producers. With China being the world's largest carbon emitter and importer of crude oil, the Chinese government has pledged carbon neutrality by 2060 and is expected to significantly boost the country's reliance on renewables to achieve this target.

The ETF is aligned with one of the 17 United Nations Sustainable Development Goals - "Affordable and Clean Energy", which focuses on access to affordable, reliable, sustainable and modern energy. As stated in Sustainable Development Goal 7, United Nations target to substantially increase the share of renewable energy in the global energy mix by 2030. The United Nations Sustainable Development Goals are designed to be the blueprint to achieve a better and more sustainable future for all.

The fund's holdings cumulatively generated more than **362,000GWh of renewable energy** and **327,000GWh of nuclear energy** in 2021 (ISS ESG, June 2022).

Examples from the portfolio:

Xinyi Solar Holdings is the world's latest PV glass producer and has 100% revenue exposure to renewable energy with the total installation capacity to have exceeded 4GW in 2021. Xinyi Solar Holdings also strives to increase the share of renewable energy use operating its solar farms: in 2021, Xinyi Solar Holdings increased its investments in renewable energy by 48% (Xinyi Solar Holdings, June 2022).

Xinyi was awarded as one of the TOP 100 Global Sustainable Development Corporate in 2022 (ranked 42th in the world and 1st in mainland China) by Corporate Knights, a Canada media and investment research company (Xinyi Solar Holdings, June 2022).

China Yangtze Power is China's largest hydropower generation company and has 100% revenue exposure to renewable energy with total installation capacity of 45.595 GW. Its 45.595 GW of domestic hydropower installed capacity accounts for 12.32% of the total hydropower installed capacity in China (China Yangtze Power, August 2021).

In 2020, China Yangtze Power's cumulative power generation reached 226.930 TWh which is equivalent to reducing the consumption 69.5314 million tons of standard coal and reducing carbon emissions by 190 million tons. The Three Gorges hydropower plant alone generated 11.802 TWh in 2020, setting a new world record for annual power generation by a single hydropower station (China Yangtze Power, August 2021).

RISK MANAGEMENT

We carried out a climate relevance and materiality assessment on all funds managed by MAGI HK to determine which funds are deemed relevant and material to climate-related risks. To assess climate relevance, we reviewed the nature of each investment strategy, four investment strategies were deemed irrelevant to climate-related risks:

Irrelevant strategies	Rationale
Full replication index tracking ETFs	<ul style="list-style-type: none"> Full replication index tracking requires the ETF to buy all index constituents
Separately Managed Accounts (SMAs)	<ul style="list-style-type: none"> Out of scope as discretionary accounts are excluded
Managed futures and swaps	<ul style="list-style-type: none"> Physical and transition risks are not risks considered when looking for arbitrage created by mispricing and/or undertaking a pure technical analysis
Private equity (PE) ⁷	<ul style="list-style-type: none"> PE vehicles where the General Partners of the Fund has investment discretion are not deemed relevant PE vehicles that are BVI business companies are not CIS hence also excluded

To assess climate materiality, we used a proprietary climate materiality assessment framework which evaluates a portfolio's level of materiality based on portfolio holdings' materiality to climate risks by sector and location. This framework is adjusted accordingly, to use different data sources and scoring weightings, if the portfolio includes sovereign bonds.

A **portfolio climate materiality** score is computed based on the weighted average of its holdings' **climate materiality** scores which considers:

- Sector-specific climate materiality:** The company's materiality to climate-related **transition risk, regulatory risk, and physical risks** are assessed with reference to SASB's Climate Risk Map. (See overleaf / include as Annex)
- Location-specific climate materiality:** If climate-related physical risks are deemed material in the above step, the company's exposure to physical risks (based on its operating locations) is assessed using the **Physical Risk Score** from a third-party data provider

The climate relevance and materiality assessment concluded **41** funds, **39%** of MAGI HK AUM, to be relevant and material to climate-related risks.

For these funds deemed relevant and material to climate-related risks, we include climate-related risks as part of our risk management processes on quarterly basis. Examples of climate-related risk metrics we monitor include:

- Potential financial implications of physical risks such as floods, droughts, or storms, under the assumptions of a 4°C scenario
- Potential risks to stranded assets by projecting potential future emissions from the portfolio's exposure to fossil fuels
- The portfolio's aggregated warming potential to assess alignment to a 1.5°C or 2°C scenario

7. Mirae Asset Alpha Growth Fund OFC is relevant however there has been no investment activity within the reporting period (as of 31 March 2022) therefore this PE vehicle is not deemed in scope for this report. However, we will monitor the investment activities of this fund accordingly and integrate climate-related risks into the investment process in due course.

Climate change is also one of our engagement priorities for 2022, where we focus our engagement efforts to encourage our portfolio holdings to enhance emissions disclosures, set ambitious carbon reduction targets, and report according to the Task Force for Climate-related Financial Disclosures (TCFD). We prioritise our climate engagement efforts for companies that are the top contributors to our financed emissions and those that are exposed to the highest physical and transition climate risks within our investments. We also strive to conduct collaborative engagements with other investors, for more information please refer to the Stewardship section of this report.

METRICS AND TARGETS

For our operations, we have set decarbonisation targets to reduce our indirect carbon emissions. For example, we aim to reduce our electricity usage by 20% by 2024 compared to 2021. For more information, please refer to the Corporate ESG section of this report.

For our investments, we monitor portfolio carbon footprints of all funds deemed relevant and material to climate-related risks and we work to better that of the benchmark. Our financed emissions from our portfolios as of 31 March 2022 is summarised below. Please refer to the Annex for a breakdown of portfolio carbon footprints at the fund level and details of the calculation methodology.

	MAGI HK 2021 Financed Emissions
Portfolio AUM (to the nearest million USD) Reported in this report	7,692,000,000 1,096,000,000
Absolute Emissions (tCO ₂ e)	138,214
Weighted Average Carbon Intensity (tCO ₂ e/ USD million revenue)	3,028
Carbon Footprint (tCO ₂ e/USD million EVIC)	1,242

Data above represents unaudited estimates that reflect coverage of 14% of MAGI HK's total AUM as of 31 March 2022. Emissions and financials (revenue and EV) data are provisioned by third-party data providers ISS ESG and FactSet. A sum of carbon metrics across MAGI HK's funds (those deemed relevant and material to climate-related risks, and of which MAGI HK is responsible for the overall operations of the fund) was computed for an estimated total value for disclosure in this report.

As an illustrative example, we use Mirae Asset Sustainable Asia Sector Leader Equity Fund as a case study to demonstrate how we integrate climate change into our investment processes

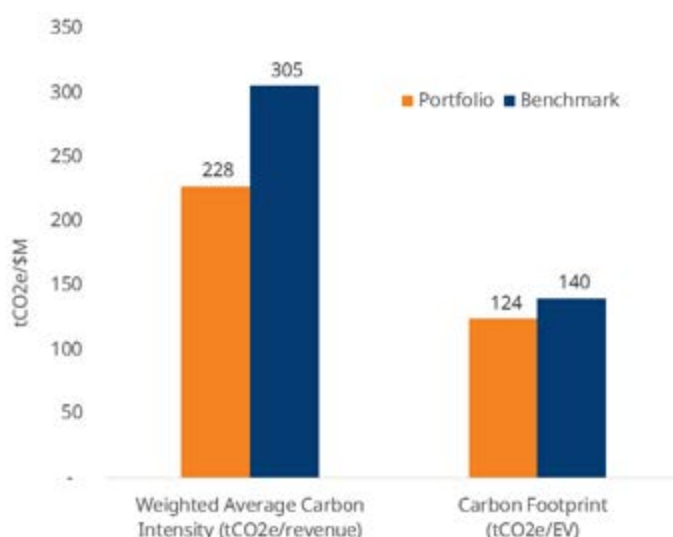


CASE STUDY:

Climate analysis for

MIRAE ASSET SUSTAINABLE ASIA SECTOR LEADER EQUITY FUND

Portfolio Carbon Footprint: As of 31 March 2022, the portfolio had significantly less exposure to carbon emissions than that of the benchmark. The portfolio's carbon footprint was 11% lower than the benchmark, and 25% lower when considering the weighted average carbon intensity where carbon emissions are normalised per unit of revenue of the portfolio company.



Source: Mirae Asset analysis, ISS ESG, March 2022.

Transition Risk Analysis: To keep global warming below 2°C per the Paris Agreement, ideally, 1.5°C as re-affirmed in COP26, about 80% of the world's fossil fuel reserves need to stay in the ground (Nature, 2015). We recognize that some companies may own some fossil fuel reserves but may not have significant revenue exposure to fossil fuels. To this end, we select fewer emissions-intense issuers in our portfolio construction and prioritise those with clear transition paths out of fossil fuels. The portfolio has significantly less exposure to fossil fuel reserves compared to the benchmark, hence exposing the portfolio to lower risks of stranded assets.

Transition climate risk analysis, on stranded asset risks from potential future greenhouse gas emissions from fossil fuel reserves.

	% Investment Exposed to Fossil Fuel Reserves	Total Potential Future Emissions (ktCO2e)
PORTFOLIO	6.9%	174
BENCHMARK	6.5%	1,534

Source: ISS ESG, FactSet, Mirae Asset analysis, March 2022.

Climate analysis for

MIRAE ASSET SUSTAINABLE ASIA SECTOR LEADER EQUITY FUND

We actively monitor and engage with portfolio holdings with exposure to fossil fuel reserves. For example, we are part of two collaborative engagement groups, organised by Climate Action 100+ and UNPRI, to work with our portfolio holdings on this.

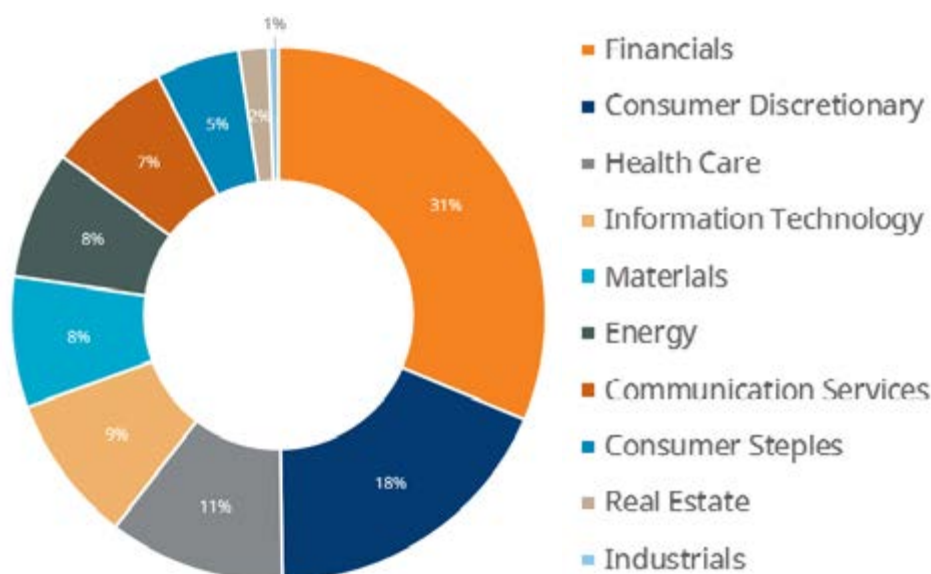
On the flip side, we also consider the opportunities that arise from low carbon transition such as companies that contribute to clean or renewable energy. For example, Tongwei was ranked top in solar cell shipment whilst LONGi was ranked top in solar module shipment in 2021 (PV InfoLink, January 2022).

Comparing current and future portfolio emissions with the carbon budgets of the IEA's climate scenarios, the portfolio has a potential temperature increase of $<3^{\circ}\text{C}$ by 2050, lower than that of the benchmark. Climate change is a focus area for our engagement efforts in 2022; we strive to work with our portfolio companies towards the common goal of keeping global warming to 1.5°C .

Physical Risk Analysis: Climate hazards, such as floods, droughts and storms, will continue to intensify particularly in a business-as-usual world where low carbon transition does not accelerate. To reflect a business-as-usual world, where climate hazards would be most exposed in the absence of sufficient low carbon transition actions, we use a 4°C climate scenario to stress test our portfolios against climate physical risks.

Under a 4°C world, floods and tropical cyclones are likely going to be the most financially impactful climate hazards on the portfolio. For example, the increased frequency and severity of floods and tropical cyclones may decrease production capacity, due to transportation difficulties and supply chain interruptions, which in turn may reduce revenues. Such potential financial impacts may correspondingly affect the value of a company and the portfolio.

Sectoral breakdown of potential financial implications on the portfolio due to physical climate risks under a 4°C scenario



Source: ISS ESG, FactSet, Mirae Asset analysis, March 2022

STEWARDSHIP

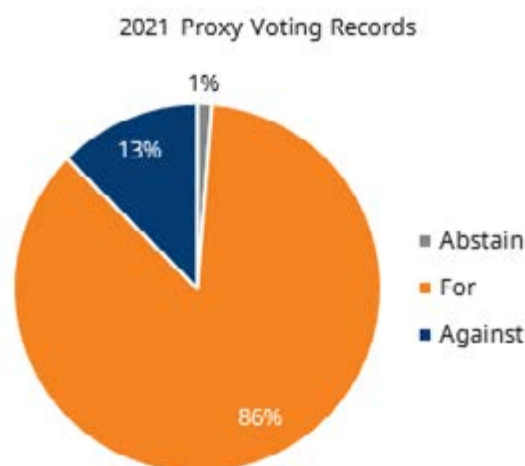
Our **Stewardship Code** sets out our approach in defining the Principles of Responsible Ownership indicated by the Securities & Futures Commission Hong Kong. Our 7 Stewardship Principles oversee our stewardship responsibilities to enhance investor engagement and transparency in consideration of clients' best interests.

Proxy Voting

Voting rights are the fundamental rights of a shareholder and we recognize that such rights are imperative to the improvement of an investee company's corporate governance. We actively vote on shareholdings we are responsible for across all markets. Our portfolio managers work with sector analysts and take reference to proxy voting recommendations from proxy voting advisory firms. Our **Voting Policy** sets out guidelines on legal and regulatory guidance as well as specific guidelines regarding the execution of voting rights in different scenarios.

2021 Proxy Voting Statistics

Mirae Asset voted at **136** shareholder meetings this year where we voted on **6,185** resolutions and opposed management (voting against or abstain) approximately **14%** of the time.



Source: Mirae Asset Global Investments (Hong Kong), January 2022

HIGHLIGHTS

Voting in support of rebuilding communities post the COVID-19 pandemic

- We **supported** a proposal from a major Chinese bank to increase the authorization limit for special donations for poverty alleviation and donation of materials for epidemic prevention and control.
- We approved the new authorization limit to be CNY 199.08 million, as opposed to the current CNY 100 million.

Voting against the lack of board independence

- We voted **against** a proposal from an Indian hospital on revising the remuneration of a full-time director because we expect good governance practice from the company - to separate the position of Chairman from an executive position.
- We voted **against** three proposals from an Indian oil & gas company on re-appointing directors due to lack of independent directors on the Board.

CORPORATE ENGAGEMENT

The investment team regularly engage with companies and ESG engagement is a key KPI for analysts’ annual performance evaluation. This year, we conducted **1,271** company meetings. Of ESG focused engagements conducted, **41%** covered environmental-related topics, 28% social-related topics and **23%** governance-related topics.

As part of our ESG integration and risk management process, we particularly engage companies with low ESG scores and violations of the Global Norms. In addition to that, we established an **ESG engagement plan for 2022** with a priority on focusing our engagement efforts to drive impactful outcomes:

Board Independence	Social Responsibility	Climate Change
The provision of effective, independent boards demonstrates good corporate leadership that in turn drives business performance.	Responsible businesses prioritise good relationships with internal and external stakeholders.	Transparent corporate disclosures and clear plans to reduce carbon footprints are crucial in a decarbonising world.



ENGAGEMENT STORIES

Case Study #1:

CHINA RESOURCES CEMENT (CR CEMENT) - A CHINESE CEMENT COMPANY

Issue: The company's ESG rating lagged behind that of international peers. Environmental externalities are significant for the company due to the nature of its business activities as a clinker and cement producer.

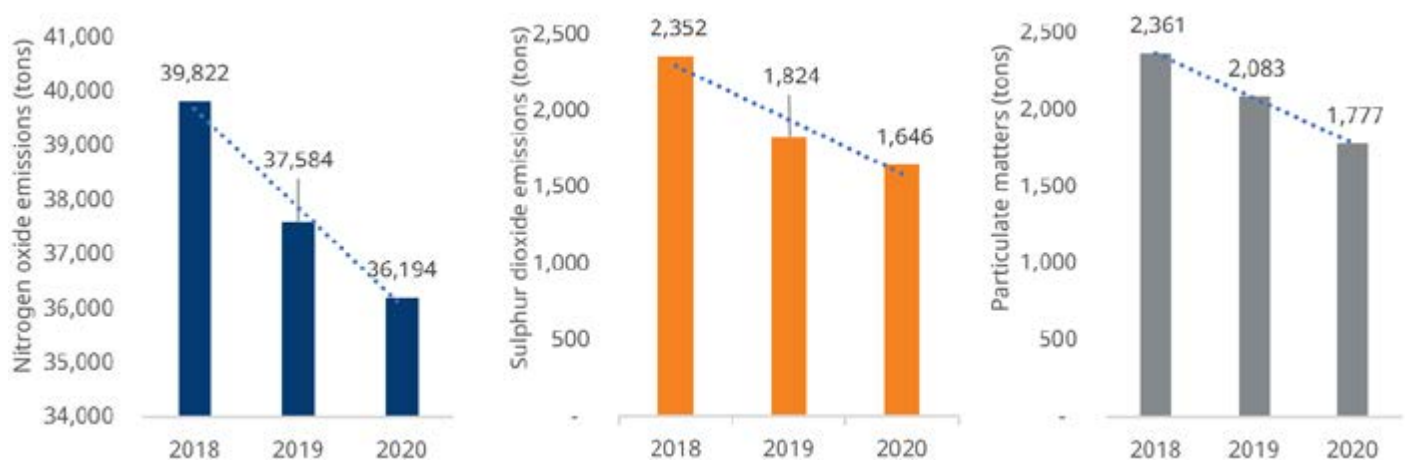
Action: Analysts in Mirae Asset's investment team engaged with the company, speaking with management representatives including the CEO, CFO and IR, to enquire why ESG activities are not on par with international standards and what plans are in place to improve their ESG performance.

Management explained that its cement product mix is high-end products that are of better quality, which is the reason for consuming more energy and emissions as compared to overseas peers. Moreover, management also explained that architecture requirements for cement products also vary for different types of buildings across the globe.

Outcome: The company had been working on its ESG issues for two years. Recent commitments include setting targets to reduce the emissions of nitrogen oxides, sulphur dioxide and particulate matters by 2025 as compared with 2015. Moreover, the company plans to launch technological research and application of carbon dioxide capture for potential adoption to lower its operational footprint in the future.

The company's efforts were reflected when its MSCI ESG rating rose from CCC to BB in August 2021. Particularly, MSCI rated the company as a leader on the topic of Toxic Waste and Emissions.

The total amount of pollutants emitted by CR Cement from 2018 to 2020



Source: CR Cement, December 2021



Case Study #2:**LUXSHARE - A CHINESE SEMICONDUCTOR COMPANY**

Issue: The company's ESG rating lagged behind that of international peers. There were some concerns, particularly around corporate governance such as board independence.

Action: Analysts in Mirae Asset's investment team engaged with the company to enquire about the cause of such corporate governance concerns and whether the company had remedial actions for such issues. The company responded to explain that they had pro-actively communicated with MSCI on each of the issues raised, and will continue to improve on other areas.

Outcome: The company improved ESG disclosures, particularly indicating enhanced practices in chemical safety management, which is essential given manufacturing operations in China where chemical regulations are stringent. Moreover, the company enhanced disclosures around its business ethics practices with a detailed anti-corruption policy, and descriptions of audits and employee training on business ethics.

The company's efforts were reflected when its MSCI ESG rating rose from CCC to BB in October 2021. Particularly, MSCI rated the company as a leader on the topic of Corporate Behaviour, Chemical Safety and Controversial Sourcing.

Case Study #3:**HINDALCO - AN INDIAN METALS AND MINING COMPANY**

Issue: Due to the emissions-intensive nature of its business, we regularly engage with Hindalco on its plans for decarbonisation. Managing Director Satish Pai of Hindalco Industries was invited as a panel speaker at Mirae Asset's inaugural ESG Summit to share views on how a company like Hindalco is coping with the transition to a low-carbon economy.

Action: Hindalco has been approaching ESG holistically, not just focusing on managing its carbon footprint but also other environmental aspects like circular economy initiatives through metals recycling, as well as social and governance aspects. Hindalco is a leader in closed-loop recycling: its subsidiary Novelis is the world's largest recycler of aluminium and has plans to continue to expand its recycling capacity. Hindalco has set ambitious 2050 targets, including but not restricted to net carbon neutrality, zero waste to landfill, water positive in mining locations, no net loss on biodiversity etc. Hindalco also included Scope 3 emissions and circular economy initiatives in its decarbonisation roadmap.

Outcome: Hindalco was again ranked as the world's most sustainable aluminium company by S&P Dow Jones Sustainability Indices 2021. The company's efforts were reflected when its MSCI ESG rating rose from BB to BBB in 2020. Particularly, MSCI rated the company above the industry average on the topic of Carbon Emissions, Water Stress, Toxic Emissions & Waste.

Collaborative Engagement

This year, we joined as members of the Climate Action 100+ and Asia Investor Group on Climate Change (AIGCC). We were also part of the 457 investors representing over USD 41 trillion in assets to become a signatory of the [2021 Global Investor Statement to Governments on the Climate Crisis](#).

CORPORATE ESG

This year, we established a corporate ESG framework that sets out our operational ESG priorities as a company:

- **ENVIRONMENTAL** - to be environmentally conscious at our offices
- **SOCIAL** - to maintain a good workplace and community
- **GOVERNANCE** - to enhance transparency in our operations

We have set targets to help track the progress of our corporate ESG activities and will review and revise these operational targets regularly.

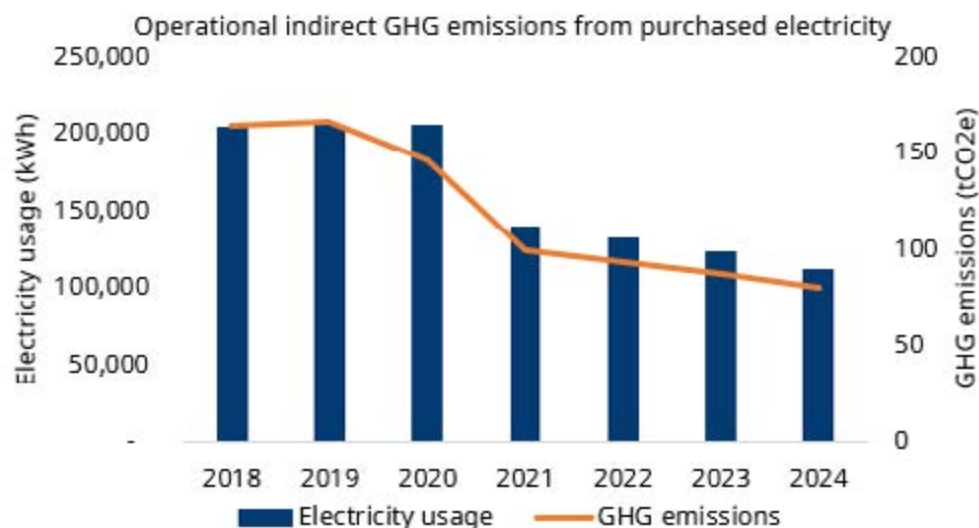
Environmental

• Energy saving

In 2021, we relocated our office and installed automatic lighting systems and energy-efficient server systems. More efficient and energy-saving operations resulted in 47% electricity saving this year.

Target:

Reduce total electricity usage by 20% reduction in 2024



Source: Mirae Asset Global Investments (Hong Kong), January 2022

• Resources saving

Over the past few years, we implemented various paperless work processes, such as adopting e-approval and e-record keeping systems, which resulted in 35% paper-saving achieved from 2018 to 2021.

Target: Reduce total paper usage by 20% in 2024.

Increase rate of recycled paper usage by 30% in 2024.

• Waste reduction

With the introduction of the Municipal Solid Waste Charging Scheme in Hong Kong, we strive to enhance our efforts in reducing office waste and encouraging our staff to increase recycling.

Target: Reduce total office waste by 20% in 2024.

Increase recycling rate by 30% in 2024.

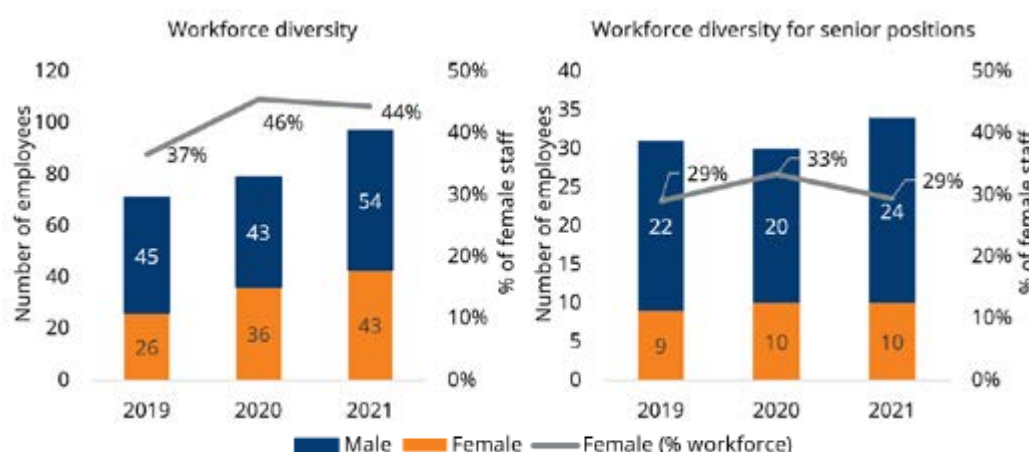
Social

• Workforce diversity

We strive to provide equal opportunities to all in the workplace. In 2021, the ratio of female to male participation rate in our workforce was 45% and 44% for those in senior positions (team head or above). In the investment team, we have a 50% female to male participation rate and we have already met the target of 40% female senior positions within the team.

Target:

Raise female senior positions to 40% by 2024.



Source: Mirae Asset Global Investments (Hong Kong), January 2022

• Community Investment

We are committed to giving back to the community and making positive contributions through social empowerment or environmental conservation activities.

Target:

Encourage 50% of staff participation in corporate social responsibility volunteering activities.

Sponsorship for the HKGNA Charity Concert

We were a proud sponsor of the Hong Kong Generation Next Arts (HKGNA) Music Festival 2021. The concert was held on 21 November 2021 (Sunday) in the Concert Hall of the Hong Kong Cultural Centre in Tsim Sha Tsui.

Pianist Michelle Kim, the Founder and Artistic Director of HKGNA, performed Beethoven's Piano Concerto No.4 with the SAR Philharmonic Orchestra. The programme also included Richard Wagner's Overture to Rienzi, the Last of the Tribunes, WWV 49 performed by the SAR Philharmonic Orchestra with K.K. Chiu conducting.

ESG THOUGHT LEADERSHIP

We value transparency with our clients and have continuously aimed to proactively engage in open dialogue on any concerns or clarifications they seek over the companies we invest in. We send monthly ESG newsletters to clients and actively respond to RFPs and due diligence requests from clients that seek transparency.

We produce a variety of thought leadership content on ESG topics. A summary of ESG contents produced this year:

ESG Sector Reviews and ESG Insights

Our view on the ESG considerations that come at play for different sectors now and in the future:

- [Semiconductors and Hardware](#)
- [Metals and Mining](#)
- [Industrial Capital Goods](#)

Our view on ESG investing strategies

- [The Landscape of ESG Exclusionary Strategies](#)

ESG Videos

Our views and our commitment to ESG:

- [Introduction to ESG](#)
- [Mirae Asset's Commitment to ESG](#)
- [The Landscape of ESG Ratings](#)
- [Mirae Asset's ESG Scorecard](#)

Mirae Asset's ESG Summit

We held our first inaugural virtual ESG event this year. We invited an exciting line-up of speakers who shared their overview of ESG regulatory developments, discussed corporate actions on ESG and explained what market trends have caught their eyes

- [ESG Summit replays](#)

Annex 1: Portfolio Carbon Footprints at the Fund-level

A summary of portfolio carbon footprints of funds deemed relevant and material to climate-related risks, and of which MAGI HK is responsible for the overall operations of the fund, as of 31 March 2022.

SICAV Funds	Data coverage (% NAV)	Absolute Emissions (tCO ₂ e)	Weighted Average Carbon Intensity (tCO ₂ e/USD million revenue)		Carbon Footprint (tCO ₂ e/USD million EV)	
			Portfolio	Benchmark	Portfolio	Benchmark
Mirae Asset Korea Equity Fund	89	108	202	202	102	152
Mirae Asset China Sector Leader Equity Fund	93	911	119	283	27	169
Mirae Asset India Sector Leader Equity Fund	94	31,706	274	613	153	222
Mirae Asset Asia Pacific Equity Fund	93	3,483	222	294	122	130
Mirae Asset GEM Sector Leader Equity Fund	93	105	229	332	133	153
Mirae Asset Asia Growth Equity Fund	90	11,312	218	305	61	140
Mirae Asset Asia Sector Leader Equity Fund	92	22,302	228	305	124	140
Mirae Asset Next Asia Pacific Equity Fund	98	689	91	226	36	108
Mirae Asset China Growth Equity Fund	95	1,670	134	283	19	169
Mirae Asset India Mid Cap Equity Fund	86	60,311	664	707	260	226
Mirae Asset Emerging Markets Fund	95	5,292	267	109	151	24

Source: ISS ESG, FactSet, June 2022

ETFs	Data coverage (% NAV)	Absolute Emissions (tCO ₂ e)	Weighted Average Carbon Intensity (tCO ₂ e/USD million revenue)		Carbon Footprint (tCO ₂ e/USD million EV)	
			Portfolio	Benchmark	Portfolio	Benchmark
Global X Electric Vehicle and Battery Active ETF	89	16	115	165	12	55
Global X China Innovator Active ETF	91	275	143	283	23	169
Global X Asia Innovator Active ETF	93	35	122	305	21	140

Source: ISS ESG, FactSet, June 2022

Notes:

1. Data above represents unaudited estimates that reflect coverage of 14% of MAGI HK's total AUM as of 31 March 2022. Funds included for disclosure in this report are those deemed relevant and material to climate-related risks, and of which MAGI HK is responsible for the overall operations of the fund.
2. Emissions and financials (revenue and enterprise value) data are provisioned by third-party data providers ISS ESG and FactSet. Carbon emissions data of funds' underlying portfolio companies includes Scope 1 & 2 Greenhouse Gas (GHG) emissions and are collected by ISS ESG based on corporate disclosures such as Sustainability or Annual Reports, or Carbon Disclosure Project (CDP) disclosures. Where corporate disclosures are unavailable, carbon emissions are modelled by ISS ESG.
3. We recognise the availability and quality of ESG corporate disclosures, particularly on emissions data, varies. We have started to include an indicative assessment of the data quality of each company's emissions data for our internal monitoring and will disclose information accordingly in the future, to provide insight on the level of estimation involved for our financed emissions.
4. Absolute emissions were estimated following the calculation methodology recommended by Partnership for Carbon Accounting Financials (PACF) for "financed emissions" whereby emissions are estimated using an equities ownership approach: we attribute our share of financed emissions by multiplying a portfolio company's absolute carbon emissions by the shareholding ratio of our investment in the company.
5. Weighted Average Carbon Intensity is a representation of carbon emissions normalised by portfolio company's revenue and expressed in carbon emissions per million dollars revenue.
6. Portfolio carbon footprint is a representation of carbon emissions normalised by the portfolio's market value (enterprise value) and expressed in carbon emissions per million dollars invested. Enterprise Value of the company may fluctuate with change in the stock's market capitalization.
7. A limitation of the above reported emissions data is the omission of Scope 3 carbon emissions. The data availability of Scope 3 carbon emissions is limited due to challenges for corporates to collect the data and hence we often need to rely on modelled estimates that are very assumptions driven. Nonetheless, we have started to include Scope 3 emissions in our internal monitoring of portfolio carbon footprints and will disclose accordingly in the future.

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The Company's Prospectus and the KIIDs can be obtained from www.am.miraeasset.eu/fund-literature. The Prospectus is available in English, French, German, and Danish, while the KIIDs are available in one of the official languages of each of the EU Member States into which each sub-fund has been notified for marketing under the Directive 2009/65/EC (the "UCITS Directive"). Please refer to the Prospectus and the KIID before making any final investment decisions.

A summary of investor rights is available in English from www.am.miraeasset.eu/investor-rights-summary.

The sub-funds of the Company are currently notified for marketing into a number of EU Member States under the UCITS Directive. FundRock Management Company can terminate such notifications for any share class and/or sub-fund of the Company at any time using the process contained in Article 93a of the UCITS Directive.

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