

2022 Responsible Investment Report

Mirae Asset Global Investments (Hong Kong) Limited
June 2023

Contents

Message from the CIO.....	3
2022 Highlights.....	5
Governance	6
ESG Integration	7
Climate Integration (TCFD Report).....	12
Stewardship	18
Corporate ESG	21
ESG Thought Leadership	23
Annex 1: Portfolio Carbon Footprints at the Fund-level.....	24

Message from the CIO

This year, we saw a significant transformation in sustainable investing, primarily driven by regulations, the conflict-driven energy crisis and more mature approaches to integrating environmental, social and governance (ESG) factors into investment decision making. Globally, ESG inflows decelerated in 2022 due to challenging market conditions, including longer-than-expected zero-Covid policy in China, high commodity prices, and sensitivity to geopolitical tensions etc. Nevertheless, demand for sustainable investments remains strong, with ESG equity funds seeing inflows in all regions except in America during Q4 of 2022¹.

Sustainability-related regulations are coming into force or under consultation across many jurisdictions. In the European Union (EU), the Sustainable Financial Disclosure Regulation (SFDR) level 2 Regulatory Technical Standards (RTS) came into effect on 1st January 2023, outlining disclosure requirements for Article 8 and Article 9 funds. Additionally, the Corporate Sustainability Reporting Directive (CSRD) has been implemented this year, aiming to enhance corporate financial and ESG reporting obligations. These regulations as well as developments, such as proposals from the ISSB (International Sustainability Standards Board) and the Task Force on Nature-related Financial Disclosures (TNFD), reflect a growing trend towards increased regulatory oversight of sustainable finance practices.

Mirae Asset Global Investments (Hong Kong) (Mirae Asset or MAGI HK) are proud to further expand our ESG product offerings to provide more investment solutions that align with responsible investment principles this year. The firm now has 7 SICAV mutual funds that comply with the SFDR Article 8, representing the majority of MAGI HK's UCITS product range. In addition to Mirae Asset's 3 ETFs that are SFC-authorized green and ESG funds. The firm's ESG product offerings now represent 28% of the firm's total AUM (as of 31 March 2023)².

We acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play their part to help deliver the goals of the Paris Agreement and ensure a just transition. Therefore, we are delighted to announce that MAGI HK has joined the Net Zero Asset Managers Initiative and commit to supporting investing aligned with net zero emission by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. This report is our first disclosure of our initial net zero commitments and detailed net zero targets for our investments.

We believe investors have a key role to play in financing climate mitigation and we are committed to allocating capital in a net-zero-aligned manner. Many of our funds have already achieved significant decarbonisation; some of our funds' portfolio carbon footprints are as low as a quarter that of the benchmark. Just transition is particularly important in Asia as an emerging market that is still urbanising. We take pride in the nuanced approach we've taken to set our net zero targets, considering the regional focus of our Asia-ex Japan investment universe. We particularly value actively engaging with companies that have not yet aligned their business models with a net zero transition, as that is where we hope to influence change in the real economy.

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

¹ Source: Bernstein ESG Research, February 2023

² Source: Mirae Asset HK, March 2023

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.

Looking into 2023, we see significant upside potential for Asian equities from the reopening of China's economy and tailwinds from the removal of China's zero-Covid policy. We remain firmly committed to fulfilling our ESG commitments and are exploring opportunities to expand our ESG product offerings. Together with our clients and the investment community, we will work to support the just transition towards a sustainable future.

Rahul Chadha
Chief Investment Officer



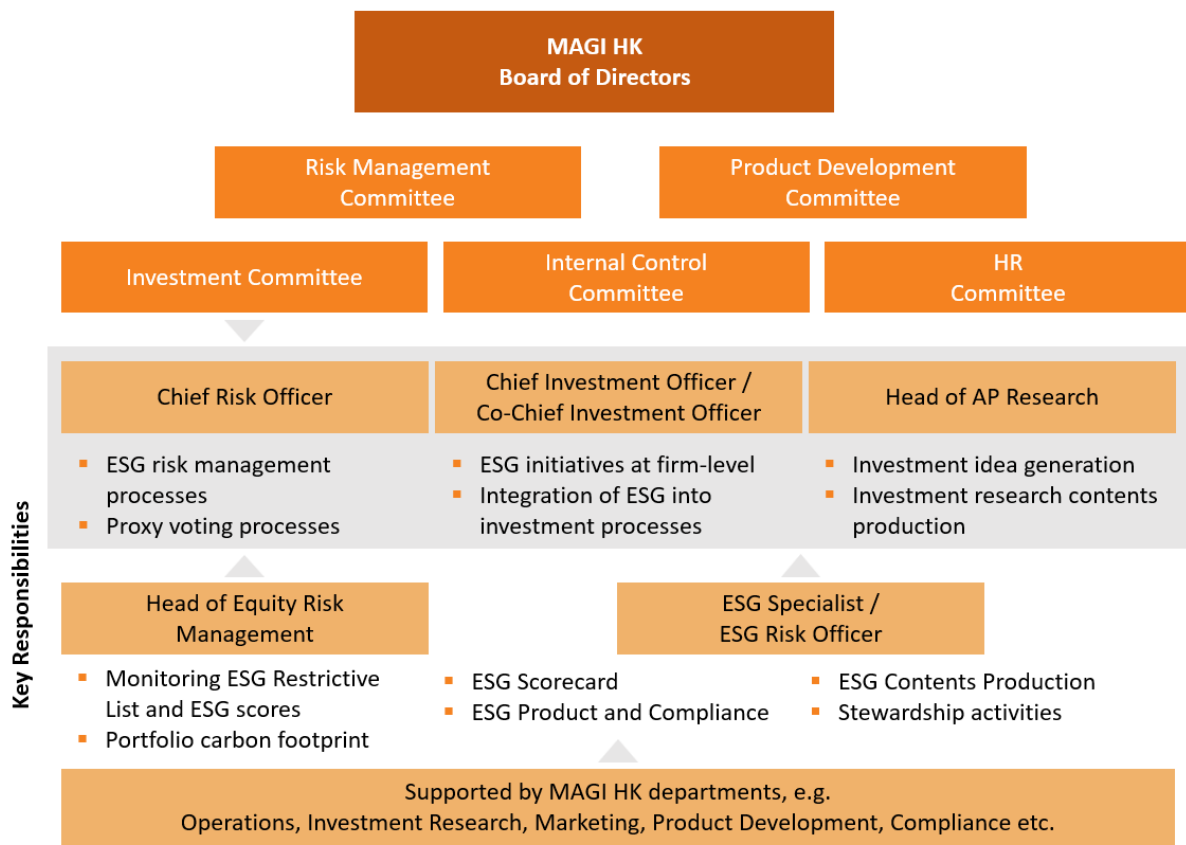
2022 Highlights

157 ESG scorecards	28% AUM ³ are ESG funds
1,799 company meetings	4,760 proxies voted
29% recycling rate	49% female staff

³ MAGI HK AUM as of 31 March 2023

Governance

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 par with best practices and proposes changes to the Investment Committee regularly. This year, we welcomed an ESG Risk Officer to the team, who works closely with the ESG Specialist and the risk team to execute ESG investing initiatives within the company.

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 regard to contributions to the United Nations Sustainable Development Goals.

This year we completed **157** 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
- Adult Entertainment
- Cannabis (Article 8 Funds only)
- Thermal Coal Power Generation (Article 8 Funds only)
- 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

Since 2021, we have launched ESG products and are committed to continue expanding our ESG product offerings to provide more investment solutions that align with responsible investment principles. Investors around the world are becoming more aware of the need to include sustainability

considerations in their investment portfolios. The demand and awareness will continue to grow as governments and regulators continue to implement policies to facilitate a just transition to a low carbon economy.

Following the transition of three of our UCITS funds into SFDR Article 8 funds in January 2022, we further converted 4 more UCITS funds in January 2023. The firm now has 7 UCITS funds that comply with the SFDR Article 8, as well as 3 ETFs that are SFC-authorised green and ESG funds. The firm's ESG product offerings now represent 28% of the firm's total AUM (as of 31 March 2023)⁴.



Mirae Asset ESG Asia Sector Leader Equity Fund, Mirae Asset ESG India Sector Leader Equity Fund, and Mirae Asset ESG Asia Pacific Equity Fund were also awarded the Febelfin “Towards Sustainability” label last year⁵.

Target for ESG product offerings

We are working to meet the increasing appetite and demand for ESG investment products and are proud to have achieved our target of having ESG products account for 25% of total AUM by 2024⁶. We are also actively exploring the feasibility and possibility of setting net-zero-aligned targets for our investments in the future.

CASE STUDY:

Environmental, Social, and Governance characteristics of the Mirae Asset ESG Asia Great Consumer Equity Fund

Mirae Asset ESG Asia Great Consumer Equity Fund (the Fund) complies with Article 8 of the EU Sustainable Finance Disclosure Regulation (SFDR). The Fund promotes ESG characteristics as part of its investment objectives:

Best-in-class selection

- Companies must be within the top 50% threshold of environmental and/or social scores based on the Mirae Asset ESG Scorecard

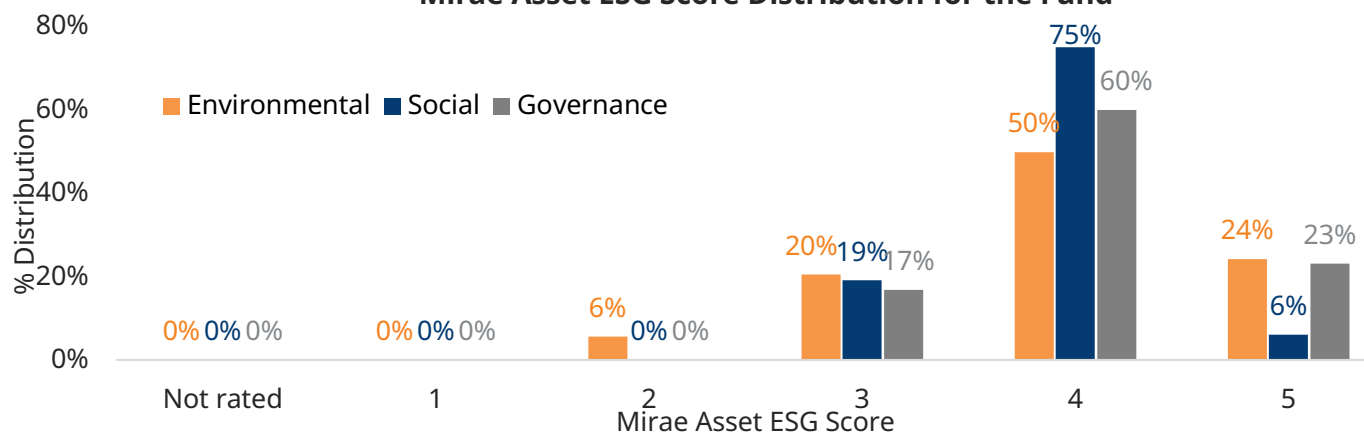
⁴ Source: Mirae Asset HK, January 2023

⁵ Source: Towards Sustainability, April 2022

⁶ Funds in scope are those managed by Mirae Asset Global Investments (Hong Kong)

- 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
- This best-in-class ESG criteria is binding for investments made by a minimum of 70% of the Fund's net assets

Mirae Asset ESG Score Distribution for the Fund



Exclusions

The Fund excludes investments in companies that have significant revenue in weapons, tobacco, adult entertainment, cannabis, thermal coal mining, unconventional oil & gas, thermal coal, and nuclear power generation.

Exposure to Excluded Sectors	NAV %
Weapons	0.00
Tobacco	0.00
Adult entertainment	0.00
Cannabis	0.00
Thermal coal mining	0.00
Unconventional oil & gas	0.00
Thermal coal power generation	0.00
Nuclear power generation	0.00

We highlight examples from some of our portfolio holdings that demonstrated significant improvements in their ESG performance:

Asian Paints Ltd. – MSCI ESG Rating upgrade to 'AA' from 'A'

- Demonstrated improvement in governance practices- fewer longer-tenured directors and had independent board majority.
- 100% of its operation are from less carbon-intensive business lines relative to peers. Carbon intensity is 94% lower than the industry average.
- All of its sites are certified to ISO 14001 standards. In addition, it conducts environmental impact assessments, enforced with regular environmental audits, in line with industry best practices.
- Robust efforts to minimize potential harm from chemical substances of concern. Its initiatives to reduce toxic emissions and waste include aggressive targets.

Source: Asian Paints, 2022

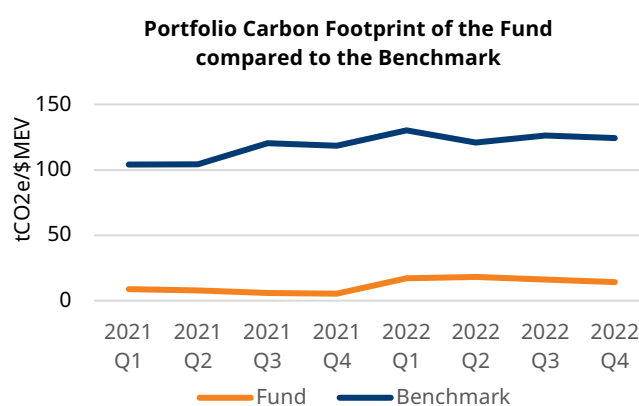
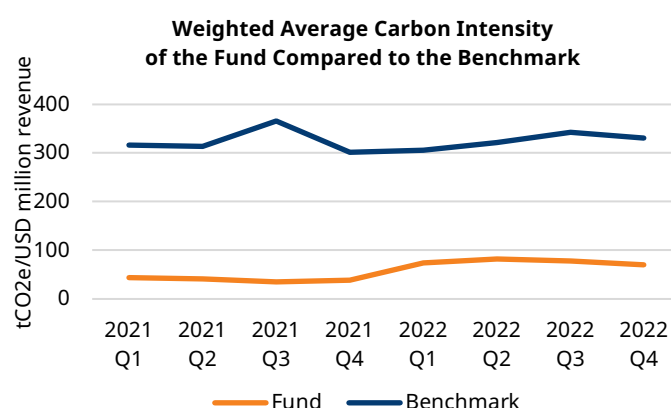
NAVER Corp. – MSCI ESG Rating upgrade to 'AAA' from 'A'

- Unlike most peers, it has adopted a single share class structure with the 'one share, one vote' principle, which helps align shareholders' economic interests and voting power.
- It exhibits strong human capital management practices, leading to an employee turnover rate of 3.4% in 2020- substantially lower than the industry average of 15%.
 - Skill development training and additional on-the-job opportunities boost employee productivity and build loyalty.
 - Offers stock options to all employees with a tenure of over 1 year, to help with talent retention.
- Leads peers in instituting a C-Suite committee to oversee data security concerns. It has obtained ISO 27001 certification and enforces a 'privacy by design' approach.

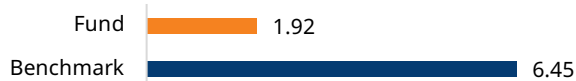
Source: NAVER, 2022

Carbon Profile

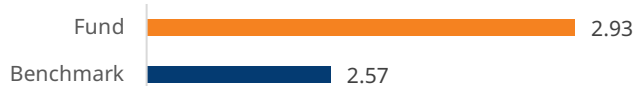
We summarise below the Fund's exposure to climate-related risks and opportunities relative to its benchmark.



% Portfolio Exposure to Fossil Fuels



Aggregated Warming Potential by 2050 (°C)



Source: ISS, FactSet, February 2023

Principal Adverse Impact (PAI)

We consider and disclose the principal adverse impacts of our investments, as defined but the EU's SFDR. Below we summarise the estimation of select PAI metrics for this Fund. More for information, please refer to our [PAI Statement](#).

% portfolio with UNGC/OECD Guideline Violations



% portfolio with companies that negatively affect biodiversity sensitive areas



Ratio of Female to Male Board Members



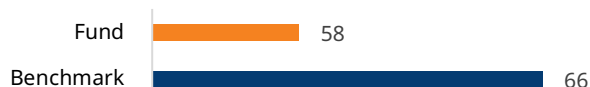
% portfolio with companies with lack of supplier code of conduct



% portfolio with companies with insufficient action taken to address anticorruption



% portfolio with companies without carbon emissions reduction initiatives



Source: ISS, FactSet, February 2023

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.

Governance

The Board discharges responsibilities with regard 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 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 from electricity usage at our Hong Kong office. For more information on Mirae Asset's corporate ESG activities and commitments please refer to the Corporate ESG section of this report.

Strategy

We integrate climate-related issues as part of bottom-up fundamental research for MAGI HK's actively managed mutual funds. For companies in sectors where climate change is a material topic, we assess the company's exposure and management of climate risks and opportunities within the Mirae Asset ESG Scorecard. We integrate climate data from third-party data providers to facilitate data-driven scoring. Climate data is used particularly to inform company exposure to climate risks and estimated financial losses under different climate scenarios.

Within our stock picking process, we also consider a company's exposure to solutions that facilitate climate mitigation as well as climate adaptation and resilience.

RESEARCH HIGHLIGHTS:

Technologies for Climate Adaptation and Resilience

Even if governments can meet their carbon reduction pledges made at COP26, the IEA thinks the world is still heading towards 1.8°C of global warming⁷, or potentially even 2.7°C according to the Climate Action Tracker⁸. Such climate scenarios predict weather events will become more severe and more frequent. For example, predictions suggest China will see a 1°C increase in temperature in the 2030s, a 0.09m sea level rise, and more rainfall in coastal areas; associated urban damage could cost up to US\$77bn annually⁹.

⁷ Source: IEA, November 2021

⁸ Source: Climate Action Tracker, November 2021

⁹ Source: Morgan Stanley Research, September 2022

As such, we see corporate action towards climate adaptation and resilience as just as important as climate mitigation. Some examples of our portfolio holdings and their contribution to climate adaptation and resilience technologies:

- **Air conditioning to meet increased cooling demands in higher temperatures**

Gree Electric Appliances is one of the leaders in energy-efficient products, primarily focusing on the design and manufacture of air conditioners; Gree took up 29% and 33% market share of energy-efficient air conditioners sold online and offline respectively in 2020. The company has a full range of products including residential and commercial air conditioners as well as large chiller systems designed for large buildings. In 2021, air conditioning contributed to 69% of the company's revenues.

- **Resilient power grids to ensure energy supply stability to prevent climate-driven power outages**

NARI Technology is a leading supplier of hardware and software products for power and automation technologies in China. NARI's products are used to improve the power grid's operational safety, reliability and stability to cope with any strains on the grid system due to climate events, surges in power demands or after connecting and accommodating more intermittent renewable energy.

We also reflect our positive outlook for climate investments through our provision of climate thematic products.

CASE STUDY:

Global X Bloomberg MSCI Asia ex Japan Green Bond ETF Facilitates Capital Allocation for Low Carbon Projects

In order to achieve the United Nations Sustainable Development Goals (UN SDGs) by 2030, Asia is projected to need investments of up to US\$ 1.5 trillion every year¹⁰. UN SDG 7 (Affordable and Clean Energy) and UN SDG 13 (Climate Action) are areas that require the most investments, to support the decarbonization of energy systems to meet carbon neutrality goals set by Asian countries like South Korea, China, and India for 2050, 2060, and 2070 respectively.

The Global X Bloomberg MSCI Asia ex-Japan Green Bond ETF invests in a diversified portfolio of high-quality green bonds issued by governments, supranational organizations and corporates in the Asia region. The fund applies a rigorous screening process to ensure constituents meet the International Capital Market Association (ICMA) Green Bond Principles and thus capital is allocated to fund projects with direct environmental benefits.

It is estimated that investing US\$10M in Asia USD Green Bonds compared to investing US\$10M in Asia USD Bonds saves **558 tons of carbon emissions**, which is equivalent to:

- **21,539** Trash bags of waste recycled instead of landfilled¹¹
- **83,700** Tree seedlings grown for one year¹¹
- **2,509,051** Square meters of forests in one year¹¹
- **1,272,204** Miles driven by an average passenger vehicle¹¹

¹⁰ Source: United Nations Economic and Social Commission for Asia and the Pacific, June 2019

¹¹ Source: MSCI, Mirae Asset analysis, January 2023

- **61,576,610** Number of smartphones charged¹¹
- **33,544** Homes' electricity use for one day¹¹

An example of a bond issuer within the portfolio is the MTR Corporation (MTR), contributing towards CLEAN TRANSPORTATION:

MTR Corporation provides public transport services in Hong Kong. The Company owns and operates the Mass Transit Railway and develops, sells, and manages residential and commercial properties. MTR established a Green Bond Framework in 2016 to guide its green bond issuances and a Green Finance Framework in 2018 to add green loans and other credit facilities as its green financing instruments.

The majority of financing raised was used in refinancing completed rail projects (which have long asset lifespan of usually 20-30 years), for example:

Kwun Tong Line (KTL) Extension	South Island Line (SIL)
<ul style="list-style-type: none"> • 2.6 km extension of KTL with 2 new stations • Commenced operation in October 2016 • Total Project Investment Estimate: \$885M; Green Bond Proceeds Allocated: \$734M • Impact: avoided the emission of 21 200 tonnes of greenhouse gases 	<ul style="list-style-type: none"> • 7 km metro line with 4 new stations • Commenced operation in December 2016 • Total Project Investment Estimate: \$2,205M; Green Bond Proceeds Allocated: \$1,978M • Impact: prevent the emission of 20 700 tonnes of greenhouse gases

Source: MTR, July 2022

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 purely technical analysis
Private equity (PE)	<ul style="list-style-type: none"> • PE vehicles where the General Partners of the Fund have 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:

1. **Sector-specific climate materiality:** The company's materiality to climate-related **physical and transition risks** is assessed with reference to SASB's Climate Risk Map and the IIGCC's Net Zero Investment Framework.
2. **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 **12** funds, **10%** 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 every quarter. 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

Climate change remains one of our engagement priorities for 2023, 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 Hong Kong office operations, we have set decarbonisation targets to reduce our indirect carbon emissions from purchased electricity. For example, we aim to reduce our electricity usage by 20% by 2024 compared to 2021 in the Hong Kong office. For more information, please refer to the Corporate ESG section of this report.

For our investments, we monitor the portfolio carbon footprints of all funds deemed relevant and material to climate-related risks and we work to better that of the benchmark where applicable. Our financed emissions from our portfolios as of 31 March 2023 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 2022 Financed Emissions

Portfolio AUM (to the nearest million USD)	6,805,000,000	
Reported in this report		1,871,000,000
Absolute Emissions (tCO₂e)	163,913	
Weighted Average Carbon Intensity (tCO₂e/USD million revenue)	2,588	
Carbon Footprint (tCO₂e/USD million EV)	994	

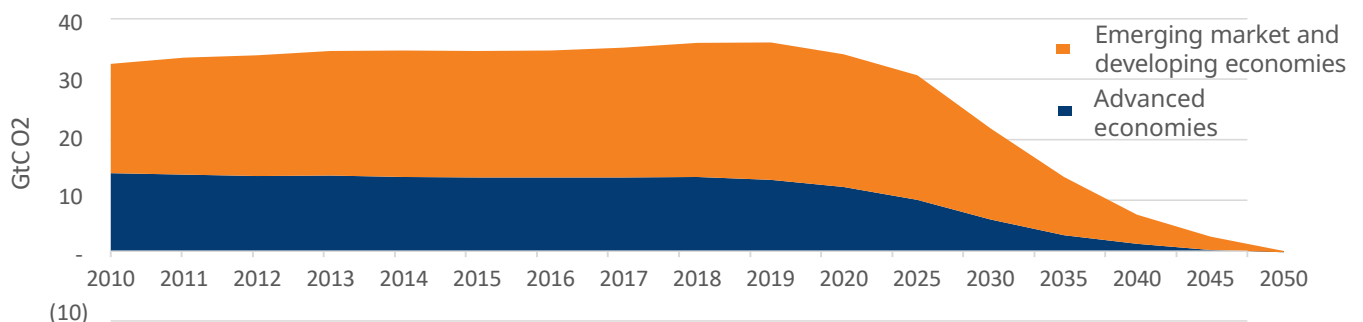
Data above represents unaudited estimates that reflect coverage of 27% of MAGI HK's total AUM as of 31 March 2023. Emissions and financials (revenue and EV) data are provisioned by third-party data providers ISS ESG and FactSet. A sum of carbon metrics across MAGI HK's funds (those deemed relevant and material to climate-related risks, and of which MAGI HK is responsible for the overall operations of the fund, as well as those in-scope of net zero targets) was computed for an estimated total value for disclosure in this report.

Aligning the world to 1.5°C and achieving net zero emissions is a global commitment and a global challenge, but we understand and advocate that the path towards it differs between regions. Asia is home to some of the world's largest and most rapidly developing economies, including China and India. China has pledged to reach net zero by 2060, while India is targeting net zero by 2070; China anticipates carbon emissions will not peak until 2030 and India not until 2040-45¹².

The challenges faced by Asia in achieving net-zero emissions are different from those in other regions. While energy consumption in Europe and the US will remain broadly flat or decline, energy demand in Asia will continue to increase due to population growth and industrialization. Therefore, the focus for Asia is not only about changing the energy mix to cleaner sources but also about meeting future demand. Roughly 70% of the energy mix is represented by oil and coal in Asia, whereas this is less than 50% in Europe and the US¹³. As such, there is much more to do to transform the energy mix to low carbon in Asia.

Against this backdrop, we tailor our net zero targets to cater according to Asia's decarbonisation pathway, in a way that makes reasonable regional and investment sense. When setting our portfolio decarbonization reference targets, we chose to use the IEA's NZE2050 scenario which sets out a regional breakdown of decarbonization pathways for advanced economies vs emerging market and developing economies. IEA projects carbon emissions in advanced economies will fall to net zero by 2045 and whilst emissions in some individual emerging market and developing economies also fall to net zero well before 2050, there are around 0.2 Gt CO₂ remaining emissions in aggregate that are offset by CO₂ removals¹⁴.

Global decarbonisation trajectory according to the IEA NZE scenario



Source: IEA, Mirae Asset analysis, May 2021

¹² Source: Climate Action Tracker, March 2023

¹³ Source: Bernstein Research, March 2023

¹⁴ Source: IEA, May 2021

MAGI HK'S NET ZERO TARGETS

We acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play their part to help deliver the goals of the Paris Agreement and ensure a just transition. As Net Zero Asset Managers Initiative (NZAMI) Signatories, we are committed to working in partnership with our clients to reach net zero emissions by 2050 or sooner. We have set net zero targets for our investment portfolios in line with the global decarbonisation trajectory to keep global warming to 1.5°C.

AUM Committed

We initially commit to manage **26%** of MAGI HK AUM* to be in line with net zero

Portfolio Decarbonisation Reference Target

- **Net zero by 2050** against 2021 baseline
- Reduce portfolio carbon footprints by 2030 against 2021 baseline, as measured by **Weighted Average Carbon Intensity (tCO₂e/\$million revenue)**, in a way that is consistent with a **fair share contribution of the 50% global reduction** in carbon emissions to limit global warming to 1.5°C

Engagement Threshold

- By **2025**, companies that contribute to at least **70% of financed emissions** in material sectors to have achieved/aligned net zero or are subject to direct/collaborative engagement and stewardship actions
- By **2030**, companies that contribute to at least **90% of financed emissions** in material sectors to have achieved/aligned net zero or are subject to direct/collaborative engagement and stewardship actions

Net Zero Target Methodology and Emissions Coverage

- We adopt IIGCC's Paris Aligned Investment Initiative (PAII) **Net Zero Investment Framework (NZIF)**
- Portfolio carbon footprints include **Scope 1 & Scope 2 GHG emissions**. Scope 3 will be considered at a later stage when data availability and measurement methodologies are more mature

*Based on MAGI HK AUM as of 2021 (the base year of net zero targets). The current proportion of AUM in-scope of net zero targets includes our traditional investments in mutual funds, such as our UCITS product range, which we have direct investment discretion over. Other products such as passive, fixed income and sovereign ETF products, are excluded for now due to challenges in data estimations and limited investment discretion. We will periodically review the feasibility to include more AUM in-scope of our targets.

Stewardship

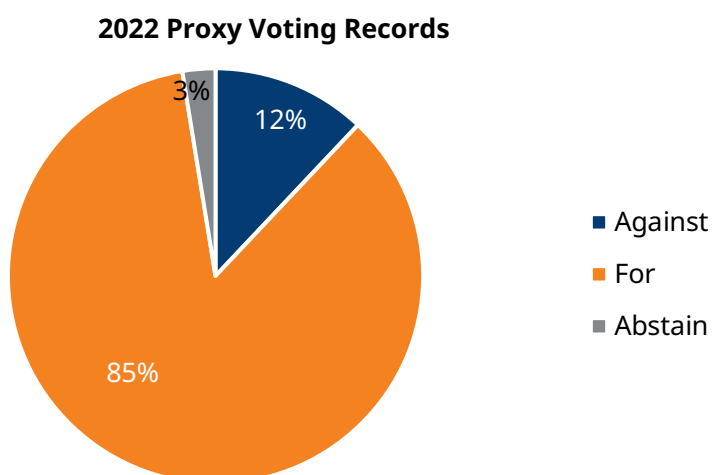
Our Stewardship Code¹⁵ sets out our approach to define the Principles of Responsible Ownership indicated by the Securities & Futures Commission Hong Kong. Our 7 Stewardship Principles oversee our stewardship responsibilities to enhance investor engagement and transparency in consideration of clients' 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 Policy¹⁶ sets out guidelines on legal and regulatory guidance as well as specific guidelines regarding the execution of voting rights in different scenarios.

2022 Proxy Voting Statistics

Mirae Asset voted at **389** shareholder meetings this year where we voted on **4,760** resolutions and opposed management (abstaining or voting against) approximately **12%** of the time.



Source: Mirae Asset Global Investments (Hong Kong), January 2023

Highlights

1. Financing low carbon projects

We **supported** a proposal from a Chinese electrical appliance manufacturer to approve a bond issuance to finance the company's green projects such as:

- Design and development of environmentally friendly and energy-efficient products
- Low-carbon and energy-saving upgrade of manufacturing equipment
- Green upgrade of the energy structure
- Increase in the purchase of renewable energy

¹⁵ More information on our Stewardship Code please refer to http://investments.miraeasset.com.hk/docs/Stewardship_Code.pdf

¹⁶ More information on our Voting Policy please refer to http://investments.miraeasset.com.hk/docs/21-01_Voting_Policy_Pack_4_final_HK.pdf

2. Encouraging high standards for net zero pathways

We **voted against** a proposal from a multinational banking and financial services company to approve its net zero pathway.

The company has committed to a net zero by 2050 ambition with the provision of short-, medium- and long-term term targets. However, there are apparent gaps in the company's climate reporting, e.g. the reporting of scope 3 emissions remains underdeveloped, and lack of science-based target setting.

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 **1,799** company meetings. Of ESG-focused engagements conducted, **48%** covered environmental-related topics, **19%** social-related topics and **33%** 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 continue to follow the below three ESG priorities from last year 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 Case Studies

CASE STUDY #1: Riyue Heavy Industry - A Chinese Machine Industry Company

Issue: The company's ESG rating lagged behind that of international peers, particularly regarding corporate governance issues as a 'family firm' whereby the Fu family is the major controlling shareholder.

Action: Analysts in Mirae Asset's investment team engaged with the company to enquire about the company's capital market action as well as the company's strategy to lower operational carbon emissions.

Outcome: The Board Secretary explained that the new share placement reflects management's confidence in the business and is an act to support the company's future CAPEX plan. This equity dilution ultimately lowered the Fu family's voting power from approximately 76% in March 2022 to approximately 57% in July 2022. This reduces concerns related to the controlling shareholder holding disproportionate voting shares of the company. Furthermore, the newly elected Independent Director had relevant financial capabilities, and thus will be able to bring financial expertise to Board committees such as the Audit Committee and Remuneration Committee.

Although the company's MSCI ESG Rating remained unchanged at BB, the company was seen to have made some adjustments to its corporate governance practices which improved the company's overall ESG score.

CASE STUDY #2: Li Ning - A Chinese Sportswear and Sports Equipment Company

Issue: The company received allegations of forced labour by the US authorities.

Action: Analysts in the investment team had a group call with the CFO seeking updates regarding the company's supply chain management, the company's stance towards Xinjiang cotton issues (i.e. forced labour allegations), and any plans to improve their stakeholder engagement and communications on ESG matters.

Outcome: The company made a public announcement regarding the ESG controversy and has allocated resources and plans to continue improving its ESG agenda.

Collaborative Engagement

We continue to collaborate with other investors, through Climate Action 100+ and Asia Investor Group on Climate Change (AIGCC) initiatives, to engage with high GHG emitters in the region.

This year, we further participated in one other collaborative engagement group, via Advance, to address human rights and other social issues. Advance was launched in December 2022 and at its launch had over 200 participating institutional investors representing US\$30 trillion in assets under management¹⁷.

¹⁷ UNPRI, December 2022

Corporate ESG

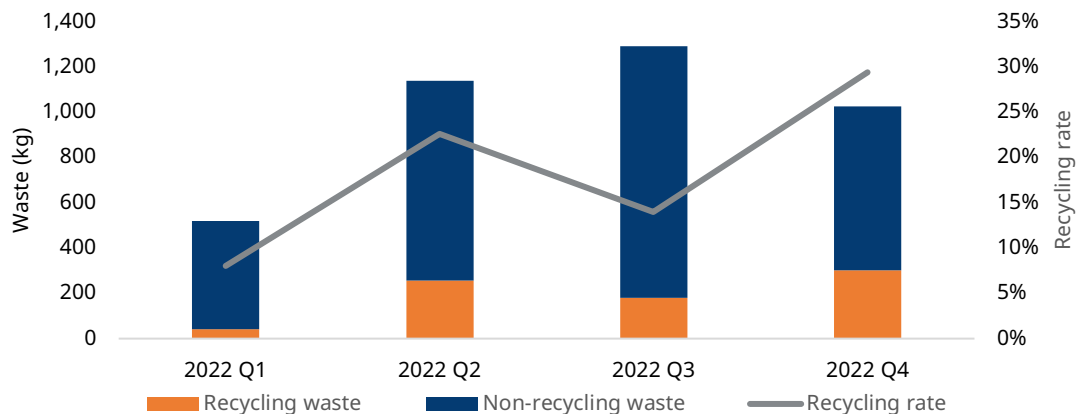
This year, we continued to work towards the corporate ESG framework established last year that sets out our operational ESG priorities as a company:

- **Environmental** – to be environmentally conscious at our offices
- **Social** – to maintain a good workplace and community
- **Governance** – to enhance transparency in our operations

Environmental

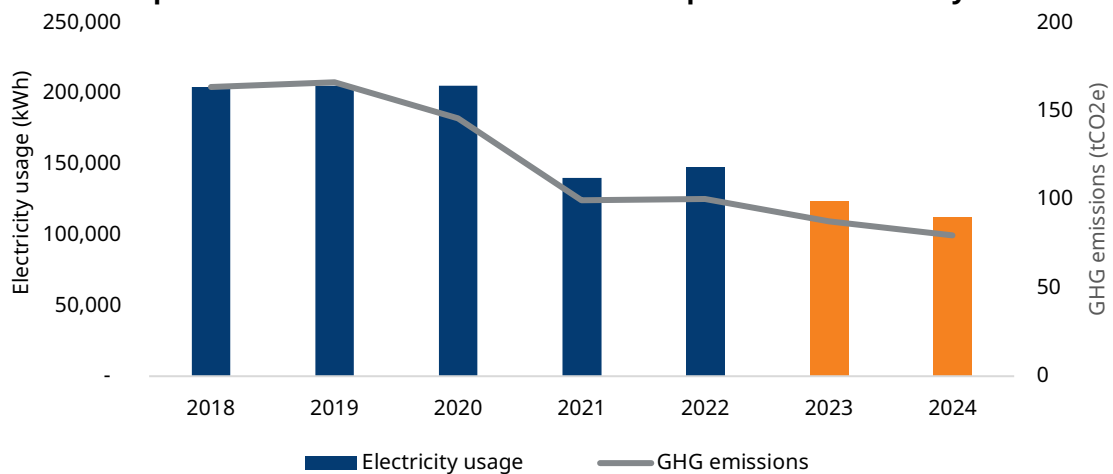
We increased our awareness-raising efforts within the office such as encouraging our staff to recycle plastics and aluminum bottles. We also joined the recycling program organized by the building management office to handle our recyclable office waste. We particularly saw an increase in our recycling rate towards the end of the year after joining the recycling program. We also continue to work towards our target of reducing total electricity usage by 20% in 2024 in the Hong Kong office.

Total waste generated by our office in 2022



Source: Mirae Asset Global Investments (Hong Kong), March 2023

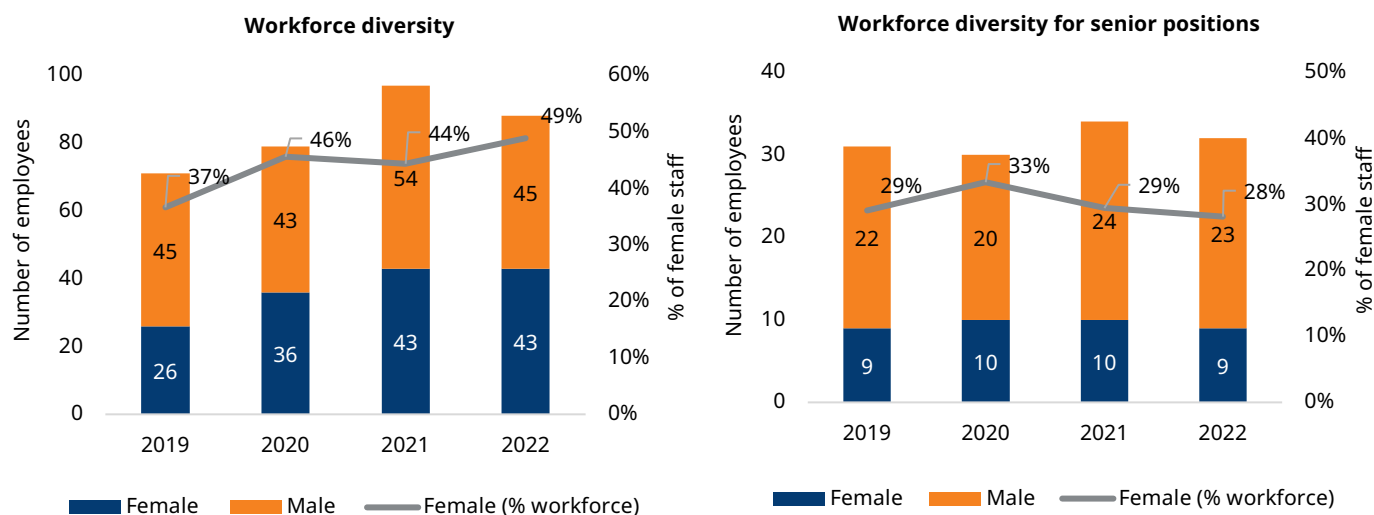
Operational indirect GHG emissions from purchased electricity



Source: Mirae Asset Global Investments (Hong Kong), March 2023

Social

We strive to provide equal opportunities to all in the workplace, with targets set to raise female senior positions to 40% by 2024. In 2022, the ratio of female to male participation rate in our workforce was 49% and 28% 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.



Source: Mirae Asset Global Investments (Hong Kong), March 2023

We introduced various changes to our office policies to improve employee wellness, for instance we implemented a work-from-home policy and upgraded employees' medical insurance benefits. We also organized multiple social activities to maintain a good workplace and working community.

For example, we organized an ice cream tasting event where we worked with XTC Gelato and set up an ice cream truck at our office for an afternoon, offering bottomless tasting opportunities for our staff including ice cream flavours such as black sesame, coffee stracciatella, green tea, vanilla, mango, and strawberry. Another example is a coffee-tasting event where we let our staff taste coffee beans across 3 coffee brands. We had a very positive turnout; we consumed nearly 6 kgs of coffee beans in 3 mornings! After the event, we invited all of our staff to vote on their favourite coffee brands to replace that in our office pantry. We received 90 votes in total with more than a third of votes in favour of the FairTrade blend from The Coffee Academics which we started using in the pantry in early 2023.

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:

- [ESG Sector Review: Nuclear Power](#)
- [ESG Sector Review: How the Gig Economy is Changing the Labour Market](#)
- [ESG Views: Gambling](#)
- [Carbon Emissions and the Cloud](#)
- [The Life Cycle Environmental Impacts of Solar Panels](#)
- [Evaluating the Implications of Forced Labour Legislations on the Solar Supply Chain](#)
- [Key Takeaways of COP27](#)

ESG Videos

Our views and our commitment to combating climate change:

- [Physical Climate Change](#)
- [Transition Climate Change](#)

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 well as funds that are in-scope of net zero targets. Data as of 31 March 2023.

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 ESG China Sector Leader Equity Fund	97	784	85	261	25	196
Mirae Asset ESG India Sector Leader Equity Fund	90	46,265	326	586	126	254
Mirae Asset ESG Asia Pacific Equity Fund	97	2,284	225	266	89	150
Mirae Asset GEM Sector Leader Equity Fund	100	69	265	324	105	183
Mirae Asset ESG Asia Growth Equity Fund	91	17,400	170	281	90	164
Mirae Asset ESG Asia Sector Leader Equity Fund	96	18,410	264	281	102	164
Mirae Asset ESG Asia Great Consumer Equity Fund	98	13,871	96	281	16	164
Mirae Asset Next Asia Pacific Equity Fund	97	603	78	205	27	125
Mirae Asset ESG China Growth Equity Fund	90	2,927	72	261	27	196
Mirae Asset India Mid Cap Equity Fund	86	60,244	671	577	293	252

Source: ISS ESG, FactSet, March 2023

ETFs	Data coverage (% NAV)	Absolute Emissions (tCO2e)	Weighted Average Carbon Intensity (tCO2e/USD million revenue)		Carbon Footprint (tCO2e/USD million EV)	
			Portfolio	Benchmark	Portfolio	Benchmark
Global X Electric Vehicle and Battery Active ETF	93	234	117	177	32	37
Global X China Innovator Active ETF	90	768	116	261	34	196
Global X Asia Innovator Active ETF	92	54	103	281	29	164

Source: ISS ESG, FactSet, March 2023

Notes:

1. Data above represents unaudited estimates that reflect coverage of 27% of MAGI HK's total AUM as of 31 March 2023. 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 the 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 changes 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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A Prospectus is available for the Mirae Asset Global Discovery Fund (the "Company") a *société d'investissement à capital variable* (SICAV) domiciled in Luxembourg structured as an umbrella with a number of sub-funds. Key Investor Information Documents ("KIIDs") are available for each share class of each of the sub-funds of the Company.

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").

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

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