Position Statement on Climate Change

Overview

Fossil fuels are major contributors to global warming and investments in fossil fuels are at high risk of becoming “stranded assets”[1], particularly in the face of a decarbon- ising global economy. Fossil fuels include thermal coal mining, conventional and unconventional oil & gas, and power generation from fossil fuels.

- Thermal coal mining includes companies involved in the mining of thermal coal (including lignite, bitumi- nous, anthracite and steam coal) and its sale to external parties, and contract mining services.
- Conventional oil & gas includes companies involved in shale oil & gas, oil sands production, as well as production related to hydrocarbon liquids and gas found in conventional reservoirs, extracted using traditional drilling techniques.
- Unconventional oil & gas includes companies involved in shale oil & gas, oil sands production, as well as production related to hydrocarbon liquids and gas found in conventional reservoirs, but extracted using unconventional drilling techniques (i.e. horizon- tal drilling, hydraulic fracking etc.)
- Coal-powered generation includes companies that generate electricity from thermal coal, and those who have installed capacity attributed to thermal coal, and those who derive revenue from thermal coal-based power generation.

[1] The term “stranded assets” is commonly used to describe assets that, at a time prior to the end of their economic life, are no longer able to generate returns, as a result of changes associated with the transition to a low-carbon economy (Carbon Tracker Initiative, August 2017).

MIRAE ASSET
Global Investments

Our Position

Mirae Asset Global Investments (Hong Kong) Limited supports the Task Force for Climate-Related Financial Disclosures (TCFD), and is a member of the Asia Investor Group on Climate Change (AIGCC). We recognise that climate change has and will bring about significant risks as well as opportunities to the global society. Our portfolio's exposure to physical and transition risks are factored into investment decision making and risk management processes. We also encourage our invest- ee companies to consider their business plans' alignment to Paris Agreement goals and to enhance transparency of climate disclosures.

We carefully consider the ESG and financial implications of fossil fuel companies when making investment decisions.

- Thermal coal is the highest carbon-emitting source of energy in the global fuel mix (U.S. Energy Informa- tion Administration, June 2021). Coal mining is dangerous as coal particles and pollutants could cause respiratory damage for coal miners. As coal is often buried deep within earth surfaces, coal mining also disrupts the natural environment and ecosys- tems. The sector is also increasingly exposed to stringent regulations as countries worldwide make carbon reduction pledges and as part of national decarbonisation plans are transitioning fuel mix away from fossil fuels.
- Conventional oil & gas is key to a low-carbon transition. Natural gas has the lowest carbon inten- sity out of all fossil fuels (U.S. Energy Information Administration, June 2021) and oil is still used significantly used in transportation and industrials sectors. However, considering Paris agreement goals and low carbon policies worldwide, oil demand will likely peak in the next decade. We therefore encourage oil & gas companies to reduce activities in fossil fuel exploration and shift to low-carbon energy sources such as renewables.
- Unconventional oil & gas resources are located in geologic locations that are inaccessible and require advanced extraction tools and techniques such as hydraulic fracturing or "fracking'. Not only is uncon- ventional oil & gas extraction more costly than conventional oil & gas but also has significant environmental impacts particularly with regards to contamination and land impacts. Chemicals used in fracking are potentially hazardous; water contamina- tion in surrounding water sources may give rise to public health issues. Moreover, fracking is consid- ered to trigger seismic events such as earthquakes due to fractures and injections to sedimentary layers of geologic formations during operations.
- Coal-powered generation emits a large amount of greenhouse gases such as carbon dioxide (CO_2), nitrous oxide (N_2O) during coal combustion. These emissions are contributors of global warming. Also, the burning of coal causes severe environmental impacts such as acid rain and smog, which also have negative impacts on human health like lung damage.

Our Approach

Specific to fossil fuels, Mirae Asset's active traditional investments refrain from investing in companies that have significant revenue from thermal coal mining and unconventional oil & gas, amongst other sectors.

Climate change has, and will bring about signifi- cant risks as well as opportunities for global society. As stewards of capital, we play an active role in encouraging greater ESG commit- ments among companies that we invest in.

Rahul Chadha,
Chief Investment Officer of Mirae Asset Global Investments (Hong Kong)

For some of our funds, we further exclude investments in companies in coal-powered generation, and internally monitor and phase out our portfolio exposure to conven- tional oil & gas. We adopt a best-in-class selection approach to investing in conventional oil & gas compa- nies that are best within their peer group in transitioning their business. We particularly look for companies that have a credible transition pathway towards low carbon or renewable energy.

We actively partake in corporate engagement activities to reduce reliance on fossil fuels and to encourage compa- nies to lower their operational carbon footprints. Priorities for our ESG engagement efforts are as follows:

- Enhance carbon reduction efforts and targets setting, with reference to Paris Agreement goals
- Promote quality and transparency of climate disclo- sures, with reference to the Task Force for Climate-related Financial Disclosures (TCFD)
- Partake in collaborative engagements on climate action
- Invest in companies that enable low-carbon transi- tion

For more information on our stewardship activities, please refer to our Voting & Engagement Policy and the Stewardship Code.

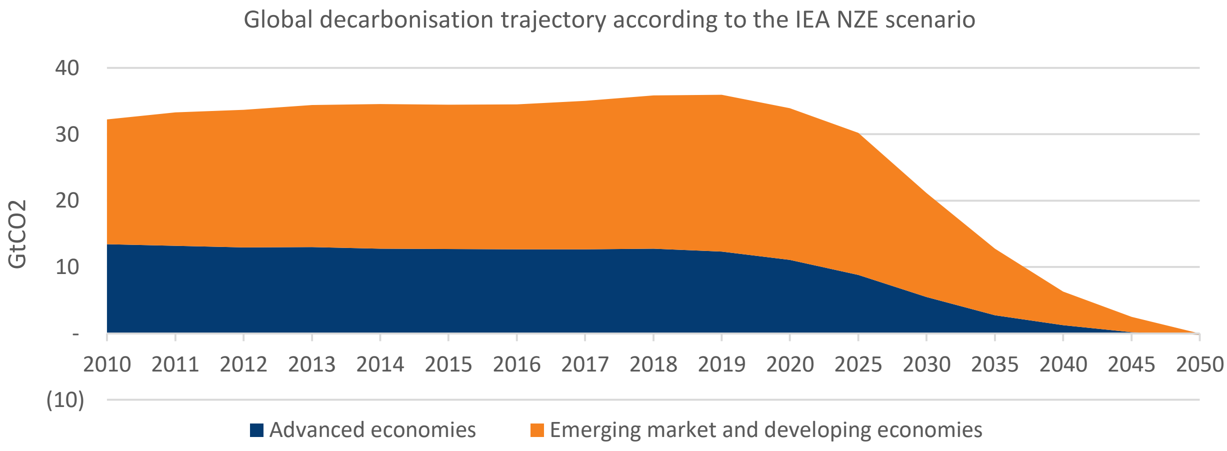
Our Net Zero Targets

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 work 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.

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

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. This range of products are those that meet the most stringent ESG investing standards within the firm, as such we have put them in scope first. We will reassess this scoping on an annual basis and aim to ratchet upward to include other active investments such as our Korean domiciled funds and active ETFs if possible.

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.



Source: IEA, Mirae Asset analysis, 2021

[2] As of 2021, as base year for net zero targets

We adopt IIGCC's Paris Aligned Investment Initiative (PAII) Net Zero Investment Framework (NZIF) and have set 2 interim net zero targets as follows:

1. Portfolio decarbonisation reference target

TARGET: 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.

We adopt a point-in-time emissions reduction approach following the decarbonization pathway set out in the IEA's NZE2050 scenario for emerging markets and developing economies. Funds in scope of the target will by default adopt a self-decarbonization approach to target setting at the minimum, but funds that have already achieved significant decarbonisation relative to the benchmark at the base year will adopt the benchmark-relative approach.

2. Engagement threshold

TARGET: 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

TARGET: 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

[3] Portfolio carbon footprints include Scope 1 & Scope 2 GHG emissions, collected and estimated (where data is not available) by third party ESG data provider. Scope 3 will be considered at a later stage when data availability and measurement methodologies are more mature

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