

**MIRAE ASSET**

Global Investments

# POLICY ON RESPONSIBLE INVESTING



## 1. Philosophy

At Mirae Asset, we believe that we must invest in companies with long-term, sustainable competitiveness to best capture growth opportunities in any market. For companies to achieve sustainable competitiveness that translates to stable, long-term earnings growth, they must in turn practice good corporate governance and act as responsible members of our society. By doing so, we believe these companies stand a better chance of producing earnings growth and attractive valuations.

This philosophy has been at the core of our investment process since the firm's establishment in 1997, long before we became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in April 2015. Since our establishment, our investment staff has focused on directly engaging with company management to ensure that good corporate governance is being practiced. Entrusted by our clients to grow their assets, we have a duty to act in their best interests and exercise prudent and thorough due diligence. For us, this is an inherent component of any successful investor and we believe that it simply makes good business sense.

## 2. ESG Integration

At Mirae Asset, 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 a positive impact 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 impact, but also encourage ESG-poor companies to improve for long-term business resilience and value creation.

### **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 the 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.

Pillars	Topics
Environmental	<ul style="list-style-type: none"> <li>Emissions</li> <li>Resources &amp; Waste Management</li> <li>Climate Change</li> <li>Biodiversity</li> <li>Supply Chain Management (Environmental)</li> </ul>
Social	<ul style="list-style-type: none"> <li>Human Capital Management</li> <li>Health &amp; Safety</li> <li>Data Security &amp; Privacy</li> <li>Product Liability &amp; Responsible Marketing</li> <li>Stakeholder Engagement</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Supply Chain Management (Social)</li> <li>Corporate Governance</li> <li>Business Ethics</li> </ul>
SDG Impact	<ul style="list-style-type: none"> <li>Environmental and Social Opportunities</li> </ul>

Companies are scored against ESG topics that are material to the industry group they are in. Environmental and Social topics are chosen based on financial materiality and sustainability materiality. Governance topics apply to all sectors covering a company's corporate governance and business ethics. Qualitative and quantitative parameters are used for scoring based on a 1 to 5 rating (1-rating indicating poor performance and 5-rating indicating excellent performance). For each industry group, scores have different weights for Environmental, Social, Governance pillars based on materiality before arriving at an aggregated ESG score.

Sector analysts are responsible for completing the Mirae Asset ESG Scorecard for all stocks in their Recommendation List. ESG scores for all active holdings are updated on an annual basis. Should there be material ESG controversies or events, sector analysts or portfolio managers are also required to update a stock's ESG score within 3 months. The ESG Specialist is responsible for updating the scoring methodology and material topics underpinning the Mirae Asset ESG Scorecard on an annual basis, to be on top of market trends and industry changes.

We have taken a sector-specific approach to ESG analysis because there is no one-size-fits-all for ESG; the way ESG issues impact companies / the impact companies have on society and the environment are all different. As such, we currently do not have firm-wide policies on specific ESG issues such as biodiversity, water use, pollution & waste or gender & diversity. The said ESG issues are included as part of the ESG scorecard, please refer to the Annex for more information on the composition of the ESG Scorecard. We conduct ESG analysis, using sector-specific ESG scorecards, to assess a company's impact or the impact it has on ESG issues that are material to them. Examples of ESG scorecards are provided on the website. We review the relevance and necessity to establish firm-wide policies on specific ESG issues regularly, spearheaded by the ESG Specialist, with oversight from the Investment Committee.

As a Task Force for Climate-related Financial Disclosures (TCFD) Supporter, we have a firm-wide policy on climate change which sets out our position and approach to integrating climate change into our investment decisions. Please refer to the **Position Statement on Climate Change** published on the website.

ESG issues such as taxation, oppressive regimes and death penalty are deemed not relevant to the Asian equities landscape. Moreover, as our investment strategies are primarily equity strategies, certain ESG issues like forward contracts on agricultural commodities are deemed not relevant.

### **ESG Risk Management**

The risk team independently audits the ESG scores that analysts provide against independent third-party ESG scores (MSCI ESG ratings). Regular alerts are set on low ESG scores such that should there be material discrepancies or low scorers (e.g. an MSCI rating of CCC or below), the respective analyst will need to provide supplementary information as to where the divergence stems from. We work to strike a cordial balance between our sector analysts and third-party vendors on their assessment of various ESG related issues to mitigate individual bias.

We aim to reduce our portfolio's exposure to companies with poor ESG performance over the longer run. Companies with low ESG scores (e.g. 2-rating or below or CCC MSCI ESG ratings) or violations to Global Norms (e.g. United Nations Global Compact principles, United Nations Guiding Principles for Business and Human Rights, International Labour Organization's fundamental principles) will fall in the ESG Restrictive List<sup>1</sup>. Portfolio Managers and relevant sector analysts are required to document remedial plans based on discussions with the company on a bi-annual basis. The Investment Committee will then decide whether to put a buy restriction on these companies.

<sup>1</sup> More information and data used to screen for the ESG Restrictive List is provided in the Annex.

At the portfolio level, the risk team will monitor the ESG performance (using holdings' MSCI ESG ratings averaged by portfolio weight) as well as carbon footprint (using weighted average carbon intensity) of each fund, compared against the benchmark, on a monthly basis.

Principal adverse impacts of investment decisions on sustainability factors are not currently considered due to the lack of available and reliable data. However, we will review and adjust our approach accordingly going forward.

### **Specific to SFDR Article 8 Funds<sup>2</sup>**

Mirae Asset's SFDR Article 8 funds adopt a best-in-class methodology whereby companies must be within the top 50% threshold of environmental, social and 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 SFDR Article 8 funds' net assets.

### **ESG Restrictive List**

On a firm-wide level, 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. Investment restrictions are placed on weapons, adult entertainment, tobacco, thermal coal and unconventional oil & gas. ESG restrictions that apply to SFDR Article 8 Funds are more stringent than that applied firm-wide. Please refer to the Annex for sector-specific policies for the ESG Restrictive List.

Companies that fall in the ESG Restrictive List are monitored and reviewed in monthly risk meetings and Investment Committee meetings. Criteria within the ESG Restrictive List will be reviewed and discussed with regards to the potential of tightening or introducing new restrictions with the Investment Committee regularly.

## **3. Active Ownership**

Our **Stewardship Code** sets out our approach to 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 is the fundamental right of a shareholder and we recognize that such rights are imperative to for the improvement of an investee company's corporate governance. We actively vote on shareholdings we are responsible for across all markets. Our Investment Committee works with sector analysts and takes note of proxy voting recommendations from proxy voting advisory firms (where applicable).

<sup>2</sup> As of December 2021, SICAV funds in the process of converting to SFDR Article 8 Funds include Asia Sector Leader Equity Fund, India Sector Leader Equity Fund, Asia Pacific Equity Fund

We have engaged third-party external partners to provide proxy voting recommendations for our key markets. In 2021, we have engaged ISS (Institutional Shareholder Services) to cover our holdings in China, Hong Kong, Taiwan, South Korea and SES (Shareholder Empowerment Services) for our holdings in India.

### **Corporate Engagement**

As an active owner, our analysts and portfolio managers consistently interact with companies, through 1-on-1 or group meetings, email correspondence, or site visits, to understand companies in their entirety. We believe that such meetings will provide an additional layer of understanding that we cannot achieve purely from accessing sell-side research alone.

ESG scorecards and MSCI ESG ratings provide an excellent backdrop on the strengths of the company and highlight critical issues. We particularly target engaging companies that we view as risky (based on our ESG assessment) with objectives to discuss ways to improve their ESG scores. We also actively partake in corporate engagement activities to reduce reliance on fossil fuels and to encourage companies to lower their operational carbon footprints.

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

## **4. ESG Reporting**

Mirae Asset practices a transparent approach to reporting our activities to clients. We work towards publishing an annual ESG report to document our ESG integration and stewardship efforts, as well as annually completing the UNPRI assessment report. Upon request, we respond to client queries in a timely manner and can provide reports detailing voting rights exercised at shareholder meetings.

We also regularly publish articles and videos on our own website and elsewhere, to share our insights into ESG issues.

## **5. Industry Collaboration**

In April 2015, Mirae Asset (HK) became a signatory to the PRI, the UN-backed network of international investors established in 2006. Our investment philosophy naturally adheres to good ESG practices and we believe this aligns us well with the UNPRI Principles.

As a signatory to the UNPRI Principles, we applaud and encourage initiatives to improve corporate governance and, ultimately, shareholder value. Thus, while we are not an authorized asset manager in either Japan or the United Kingdom, we support the key principles that drive both the UK and Japanese Stewardship Codes, both in our investment philosophy and in practice.

In August 2021, Mirae Asset (HK) officially became a TCFD supporter, demonstrating our commitments to work towards the implementation of the recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD).

In August 2021, we also became a member of AIGCC (Asia Investor Group on Climate Change), an investor network that collaborates on investment activity, analysis, risk management, engagement and policy related to climate change. We actively partake in AIGCC's meetings, working groups and projects, as well as regional and international initiatives to collaboratively drive solutions to climate risks and opportunities in the Asia region.

# ANNEX

## The Mirae Asset ESG Scorecard

### Composition of the Mirae Asset ESG Scorecard

Governance topics apply to all sectors covering a company's corporate governance and business ethics. Corporate governance includes the company's shareholding and ownership structure, board composition, remuneration, and accounting and audit practices. Business ethics includes transparency, government reliance and business integrity.

For each industry group, Environmental and Social topics are chosen based on financial materiality (do the activities related to this topic impact a company's P&L?) and sustainability materiality (do the activities related to this topic have positive/negative impacts on the environment/society?). A rigorous ESG research exercise that involved a desktop review of a range of literature, from sources including MSCI, SASB, S&P Global Corporate Sustainability Assessment and other industry research, formed the backbone of the materiality assessment to select sector-specific ESG topics. The final sector-specific ESG topics were validated through multiple discussions with sector analysts.

Qualitative and quantitative parameters are used for scoring based on a 1 to 5 rating (1-rating indicating poor performance and 5-rating indicating excellent performance). Our in-house ESG scoring system assesses a company's ESG performance using company data as well as alternate data. For example, a company may be scored based on its Scope 1 and Scope 2 emissions based on its year-on-year trend. Another example is that a company may be scored based on the water stress vulnerability at its operating locations, based on alternate data such as World Resources Institute Aqueduct.

We apply a weighting to Environmental, Social, Governance pillars for each industry group based on materiality to arrive at an aggregated ESG score.

Our sector analysts are responsible for completing the Mirae Asset ESG Scorecard for all stocks in their Recommendation List. Moreover, as sector analysts are the key contact points with investee companies, they can act as effective enforcers of ESG engagement to influence companies to improve their ESG performance if required. ESG scores for all active holdings are updated on an annual basis. Should there be material ESG controversies or events, sector analysts or portfolio managers are also responsible to update a stock's ESG score within 3 months if required.

We chose to rely on our own proprietary ESG scorecard as the key ESG assessment tool to define sustainable characteristics for our ESG funds because of a few reasons. Firstly, despite our subscription to third-party ESG scores (e.g. MSCI ESG ratings), MSCI does not always



cover all stocks in our portfolio because part of the portfolio would be invested in young, growth companies in emerging markets. Secondly, we have a regional focus on the Asia Pacific market, and therefore the landscape and applicability of ESG topics and metrics may slightly differ from the developed markets. Lastly, ESG is a fast-evolving subject – there may be a lag in the update of MSCI ESG Ratings methodology whereas our own proprietary ESG scorecard could be updated in a timelier manner. Our in-house ESG Specialist is responsible for updating the scoring methodology and material topics underpinning the Mirae Asset ESG Scorecard on an annual basis to be on top of market trends and industry changes.

## Mirae Asset ESG Taxonomy

The table below lists out the assessment scope for ESG topics that are included in our ESG analysis.

PILLARS	TOPICS	DESCRIPTION
ENVIRONMENTAL	Emissions	<ul style="list-style-type: none"> <li>• <b>Carbon emissions / GHG emissions:</b> Scope 1 and Scope 2 GHG emissions of the company's operations and their efforts to reduce their carbon footprint.</li> <li>• <b>Energy management:</b> Direct and indirect energy consumption from the company's operations and their efforts to reduce energy usage / adopt cleaner sources of energy.</li> <li>• <b>Air pollution:</b> Air pollutants generated from the company's operations (stationary sources e.g. power plants and factories and mobile sources e.g. company vehicles).</li> </ul>
	Resources & Waste Management	<ul style="list-style-type: none"> <li>• <b>Water management:</b> Water consumption and wastewater generation/treatment from the company's operations and their efforts to manage water usage. Water stress related aspects covered as part of Climate Change.</li> <li>• <b>Waste management:</b> Hazardous and non-hazardous waste generated by the company and their efforts to treat, store, dispose, reduce and recycle responsibly. Also includes toxic emissions generated due to waste generated.</li> <li>• <b>Materials use:</b> Raw materials used in the company's product manufacturing and their efforts to manage supply and reduce life-cycle environmental impacts.</li> </ul>
	Climate Change	<ul style="list-style-type: none"> <li>• <b>Climate change mitigation and adaptation:</b> Exposure of the company's assets and operations to climate change (physical risks e.g. droughts and rising sea level, and transition risks e.g. carbon pricing and carbon regulations) and their efforts to mitigate and adapt their business model.</li> </ul>
	Biodiversity	<ul style="list-style-type: none"> <li>• <b>Land use / ecological impacts:</b> The impact of the company's operations on ecosystems and biodiversity and their efforts to mitigate / preserve natural habitats.</li> </ul>
	Supply Chain Management (Environmental)	<ul style="list-style-type: none"> <li>• <b>Supply chain environmental standards:</b> The company's management of their supply chains to enhance transparency and quality of environmental standards of suppliers</li> </ul>
SOCIAL	Human Capital Management	<ul style="list-style-type: none"> <li>• <b>Talent attraction and retention:</b> The company's ability to attract, retain as well as upskill its workforce</li> <li>• <b>Labour practices:</b> The company's ability to uphold commonly accepted labour standards in the workplace and their efforts to maintain so</li> <li>• <b>Workplace diversity:</b> The company's approach to provide</li> </ul>

	<p>equal opportunities in its hiring process and to prohibit discrimination in the workplace</p>
	<p><b>Health &amp; Safety</b></p> <ul style="list-style-type: none"> <li>• <b>Occupational health and safety:</b> The company's ability to maintain a safe and healthy workplace, free of work-related injuries, fatalities and illness</li> </ul>
	<p><b>Data Security &amp; Privacy</b></p> <ul style="list-style-type: none"> <li>• <b>Data security / cybersecurity:</b> The company's approach to managing cybersecurity risks and collecting, retaining, and use of sensitive, confidential information, e.g. IT infrastructure and other capabilities or mechanisms to ensure security of data</li> <li>• <b>Customer privacy:</b> The company's approach to responsible use of personal identifiable information (PII) collected as part of business operations.</li> </ul>
	<p><b>Product Liability &amp; Responsible Marketing</b></p> <ul style="list-style-type: none"> <li>• <b>Product quality and safety:</b> The company's quality management of products sold and exposure to recalls and product safety concerns.</li> <li>• <b>Product labelling and selling practices:</b> The company's approach to conducting transparent, accurate and comprehensive product labelling and marketing statements</li> <li>• <b>Responsible investment:</b> For financial institutions, the integration of environmental, social and governance factors into investment decision making for long-term value creation</li> </ul>
	<p><b>Stakeholder Engagement</b></p> <ul style="list-style-type: none"> <li>• <b>Community relations:</b> The company's approach to engage with local communities and their efforts to main relations / distribute benefits to local communities</li> <li>• <b>Tenant engagement:</b> Particularly for real estate companies, the company's approach to engage with tenants to promote sustainable practices</li> </ul>
	<p><b>Supply Chain Management (Social)</b></p> <ul style="list-style-type: none"> <li>• <b>Supply chain social standards:</b> The company's management of their supply chains to enhance transparency and quality of social standards of suppliers</li> </ul>
<b>GOVERNANCE</b>	<p><b>Corporate Governance</b></p> <ul style="list-style-type: none"> <li>• <b>Shareholding and ownership structure:</b> The company's ownership structure and track record of controlling shareholders' execution and alignment of interests with minority shareholders</li> <li>• <b>Board composition:</b> The effectiveness of the Board in overseeing management and protector investor value, as well as composition of the Board taking into account sufficient industry experience, independent, diversity and tenure.</li> <li>• <b>Remuneration:</b> The alignment of management pay with corporate strategy and shareholder interests</li> <li>• <b>Accounting and audit:</b> The transparency, independence,</li> </ul>

	<p>timeliness of the company's audit and financial reporting practices</p> <p><b>Business Ethics</b></p> <ul style="list-style-type: none"> <li>• <b>Transparency:</b> The transparency of the company's tax practices and ESG disclosures</li> <li>• <b>Government reliance:</b> The company's political relationships with the government, participation in policy lobbying and extent of policy influence</li> <li>• <b>Business integrity:</b> The company's oversight and management of business ethics issues e.g. fraud, executive misconduct, anti-bribery, anti-money laundering, anti-trust</li> </ul>
<p><b>SDG IMPACT</b></p>	<p><b>Environmental and Social Opportunities</b></p> <ul style="list-style-type: none"> <li>• Market trends / business opportunities, specific to the sector, that generates environmental and social value either from a corporate social responsibility angle or new business stream related to ESG</li> <li>• Possible environmental and social opportunities that generate impact on the United Nations Sustainable Development Goals (SDGs), e.g. Access to Communications, Sustainable Cities, Clean and Renewable Energy, Circular Business, Access to Food, Access to Education, Clean and Smart Technology, Access to Healthcare</li> </ul>

# Mirae Asset's ESG Materiality Matrix

		Environmental					Social					Governance		
Sector	Industry Group	Emissions	Resources & Waste Management	Climate Change	Biodiversity	Supply Chain Management (Environmental)	Human Capital Management	Data Security & Privacy	Product Liability & Responsible Marketing	Health & Safety	Supply Chain Management (Social)	Stakeholder Engagement	Corporate Governance	Business Ethics
Communication Services	Telecommunications Services		✓	✓			✓	✓					✓	✓
	Media & Entertainment						✓	✓	✓				✓	✓
Real Estate	Real Estate	✓		✓		✓	✓			✓		✓	✓	✓
Consumer Discretionary	Automobiles & Components	✓					✓		✓				✓	✓
	Consumer Durables & Apparel	✓				✓	✓		✓				✓	✓
	Consumer Services	✓					✓		✓	✓			✓	✓
	Retailing	✓					✓	✓					✓	✓
Energy	Energy	✓		✓	✓					✓		✓	✓	✓
Materials	Materials	✓		✓	✓		✓		✓	✓		✓	✓	✓
Information Technology	Software & Services						✓	✓		✓			✓	✓
	Technology Hardware & Equipment	✓					✓	✓		✓	✓		✓	✓
	Semiconductors & Semiconductor Equipment	✓		✓			✓			✓			✓	✓
Utilities	Utilities	✓		✓	✓		✓		✓			✓	✓	
Financials	Banks			✓			✓	✓	✓				✓	✓
	Diversified Financials			✓			✓	✓	✓				✓	✓
	Insurance			✓			✓	✓	✓				✓	✓
Consumer Staples	Food & Staples Retailing	✓	✓				✓	✓	✓		✓		✓	✓
	Food Beverage & Tobacco	✓	✓	✓	✓	✓			✓	✓			✓	✓
	Household & Personal Products	✓	✓			✓	✓	✓	✓				✓	✓
Industrials	Capital Goods	✓	✓						✓	✓	✓		✓	✓
	Commercial & Professional Services	✓	✓				✓	✓		✓			✓	✓
	Transportation	✓		✓	✓		✓		✓	✓			✓	✓

## ESG Restrictive List - Policy on Weapons

<b>MIRAE ASSET'S POSITION:</b>	<p>Weapons are used to kill and wound individuals. In particular, nuclear weapons can cause mass destruction of humankind. The production and use of certain weapons, such as cluster munitions, is deemed unacceptable under international conventions. Civilian firearms and other weapons are illegal in some jurisdictions. Military weapons cause severe harm to civilians during conflicts and war. Moreover, international arms trade is exposed to risks of corruption and money laundering, and may finance terrorism.</p> <p>Mirae Asset supports the Convention on Cluster Munitions, therefore prohibits investment in the use, stockpiling, production and transfer of cluster munitions.</p>
<b>DEFINITIONS:</b>	<p><b>Controversial Weapons:</b> Companies that have any ties (including manufacturing, using, repairing, putting up for sale, selling, distributing, importing or exporting, transporting) to cluster munitions, landmines, biological / chemical / nuclear weapons, depleted uranium weapons, blinding laser weapons, incendiary (white phosphorus) weapons, and/or non-detectable fragments.</p> <p><b>Conventional Weapons:</b> Companies that derive revenue from weapons systems, components, and support systems and services for conventional weapons.</p>
<b>SCOPE:</b>	Firm-wide
<b>REVENUE THRESHOLD:</b>	0% for Controversial Weapons 5% for Conventional Weapons
<b>RESTRICTIONS:</b>	0% investment cap

## ESG Restrictive List - Policy on Tobacco

<b>MIRAE ASSET'S POSITION:</b>	<p>Tobacco consumption is a public health issue. Tobacco products are addictive and science has proven tobacco has negative health impacts on individuals who smoke. Not only is there no safe level of cigarette smoking, but smoking also has indirect negative effects on surrounding individuals through second-hand smoking. There is increasing global regulation and growing consumer awareness on the health impacts and dangers of smoking.</p> <p>On a firm-wide basis, we have capped restrictions to 2% of NAV as we see emergence of alternative tobacco products such as electronic cigarettes that may have less adverse health impacts and could potentially be used as smoking cessation aids. However, there is inconclusive scientific evidence and therefore we will continue to monitor regulations and scientific conclusions in this space.</p>
<b>DEFINITIONS:</b>	<p>Companies that derive revenue from the production and distribution / wholesale trading of tobacco products.</p>
<b>SCOPE:</b>	<p>Firm-wide</p>
<b>REVENUE THRESHOLD:</b>	<p>Firm-wide: 15% Article 8 funds: 5%</p>
<b>RESTRICTIONS:</b>	<p>Firm-wide: 2% investment cap Article 8 funds: 0%</p>

## ESG Restrictive List – Policy on Thermal Coal

<b>MIRAE ASSET'S POSITION:</b>	<p>Thermal coal is the highest carbon-emitting source of energy in the global fuel mix. 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 ecosystems.</p> <p>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. Moreover, thermal coal investments are at risk of becoming stranded assets.</p> <p>We negatively screen for companies with business exposure to thermal coal-related activities based on revenue threshold, and exclude from our portfolios. If companies have exposure but do not meet the revenue threshold, we monitor accordingly to ensure the company's business exposure is not increasing.</p>
<b>DEFINITIONS:</b>	<p>Companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal; companies that derive revenue from thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.</p>
<b>SCOPE:</b>	<p>Firm-wide</p>
<b>REVENUE THRESHOLD:</b>	<p>Firm-wide: 15% Article 8 funds: 5%</p>
<b>RESTRICTIONS:</b>	<p>Firm-wide: 2% Article 8 funds: 0%</p>



## ESG Restrictive List - Policy on Conventional Oil & Gas

<p><b>MIRAE ASSET'S POSITION:</b></p>	<p>Oil &amp; Gas is key to a low carbon transition but oil demand will likely peak in the next decade considering Paris agreement goals and low carbon policies worldwide.</p> <p>We screen for companies with business exposure to conventional oil and gas-related activities based on revenue threshold. We monitor our portfolio exposure to this sector and ensure selected companies are best-in-class with clear low carbon transition paths away from fossil fuels. For example, the companies need to have either set ambitious carbon reduction targets (i.e. science-based targets) or have more than 15% of committed CapEx to the United Nations Sustainable Development Goals or environmental activities*.</p> <p><small>*Environmental activities include Climate Change Mitigation, Climate Change Adaptation, Sustainable Use and Protection of Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control, Protection and Restoration of Biodiversity and Ecosystems</small></p>
<p><b>DEFINITIONS:</b></p>	<p>Companies involved in the exploration, extraction, refining and transportation of conventional oil and gas; companies that derive revenue from conventional oil and gas production, deep-water, shallow water and other onshore/offshore.</p>
<p><b>SCOPE:</b></p>	<p>Article 8 funds</p>
<p><b>REVENUE THRESHOLD:</b></p>	<p>5%</p>
<p><b>RESTRICTIONS:</b></p>	<p>Companies with &gt;5% revenue exposure in conventional oil and gas must be within the 25% highest ESG rating of their domestic peers. Also, the company must have public disclosure and/or engagement records demonstrating a credible transition pathway towards low carbon or renewable energy.</p> <p>Companies are also subject to a phase-out margin. The total portfolio exposure of all companies subject to a phase-out margin may not exceed 5%.</p>

## ESG Restrictive List – Policy on Unconventional Oil & Gas

<b>MIRAE ASSET'S POSITION:</b>	<p>Unconventional oil &amp; gas reserves are found in geologic locations that are inaccessible and require advanced extraction tools and techniques such as hydraulic fracturing or “fracking”. Not only is unconventional oil &amp; gas extraction more costly than conventional oil &amp; gas but also has significant environmental impacts particularly with regards to contamination and land impacts. Chemicals used in fracking are potentially hazardous; water contamination in surrounding water sources may give rise to public health issues. Moreover, fracking is considered to trigger seismic events such as earthquakes due to fractures and injections to sedimentary layers of geologic formations during operations.</p> <p>Similar to thermal coal, unconventional oil &amp; gas investments are at risk of becoming stranded assets.</p> <p>We negatively screen for companies with business exposure to unconventional oil and gas-related activities based on revenue threshold, and exclude from our portfolios. If companies have exposure but do not meet the revenue threshold, we monitor accordingly to ensure the company’s business exposure is not increasing.</p>
<b>DEFINITIONS:</b>	<p>Companies involved in the exploration or extraction of unconventional oil and gas; companies with revenue exposure to oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore.</p>
<b>SCOPE:</b>	<p>Firm-wide</p>
<b>REVENUE THRESHOLD:</b>	<p>Firm-wide: 15% Article 8 Funds: 5%</p>
<b>RESTRICTIONS:</b>	<p>Firm-wide: 2% investment cap Article 8 Funds: 0% investment cap</p>

## ESG Restrictive List – Power Generation

<p><b>MIRAE ASSET'S POSITION:</b></p>	<p>Power generation using fossil fuels produces large amounts of greenhouse gases such as carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O) during coal combustion. These emissions are contributors to global warming. Also, the burning of coal causes severe environmental impacts, such as acid rain, smog that also has negative impacts on human health like lung damage.</p> <p>Despite nuclear power being a reliable and low-carbon energy source, there are considerable health and safety risks as well as varied policy support associated. Waste generated by nuclear reactors remains radioactive for thousands of years. Nuclear power plant accidents such as Chernobyl and Fukushima released radiation into the environment, causing damage and loss of life in surrounding areas.</p> <p>We negatively screen for companies with business exposure to thermal coal or nuclear power generation based on revenue threshold, and exclude from our portfolios. If companies have exposure but do not meet the revenue threshold, we monitor accordingly to ensure the company's business exposure is not increasing.</p> <p>We actively monitor our portfolio holdings to ensure the company have either set ambitious carbon reduction targets (i.e. science-based targets) or have more than 50% and increasing committed CapEx or derived revenues to the United Nations Sustainable Development Goals or environmental activities*.</p> <p><small>*Environmental activities include Climate Change Mitigation, Climate Change Adaptation, Sustainable Use and Protection of Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control, Protection and Restoration of Biodiversity and Ecosystems</small></p>
<p><b>DEFINITIONS:</b></p>	<p>Companies involved in fossil fuel (thermal coal, liquid fuel and natural gas) based power generation and nuclear energy-based power generation.</p>
<p><b>SCOPE:</b></p>	<p>Article 8 funds</p>
<p><b>REVENUE THRESHOLD:</b></p>	<p>5%</p>
<p><b>RESTRICTIONS:</b></p>	<p>Coal power generation: 0% Nuclear power generation: 0%</p> <p>Oil &amp; gas power generation: Companies with &gt;5% revenue exposure in oil and gas power generation and have not set ambitious carbon reduction targets (i.e.</p>

science-based targets) or have more than 50% and increasing committed CapEx or derived revenues to the United Nations Sustainable Development Goals or environmental activities\* must be within the 25% highest ESG rating of their domestic peers. Also, the company must have public disclosure and/or engagement records demonstrating a credible transition pathway towards low carbon or renewable energy.

Companies are also subject to a phase-out margin. The total portfolio exposure of all companies subject to a phase-out margin may not exceed 5%.

## ESG Restrictive List - Policy on Cannabis

<b>MIRAE ASSET'S POSITION:</b>	<p>Cannabis, also commonly known as marijuana, is a cannabinoid drug. The main ingredient of cannabis, tetrahydrocannabinol (THC), attaches to a user's brain cannabinoid receptors and can lead to delusions, disorganised thinking and speech. In addition, cannabis also takes a toll on a user's physical health. Smoking cannabis on a regular basis could increase the chance of having cancer, recurrent lung infections and decrease in bone density.</p> <p>Cannabis is decriminalized and allowed for medical use in several regions of North America, Africa, Australia, Europe and South America. But it remains prohibited in Middle Eastern countries and Asia.</p>
<b>DEFINITIONS:</b>	<p>This sector includes companies engaged in the production, retailing or pharmaceutical research of cannabis. Cannabis products and derivatives usually come from the dried leaves and flowers of the Cannabis sativa or Cannabis Indica plant. It has a psychoactive substance that can be used for both medicinal, recreational use. Tetrahydrocannabinol (THC) is one of its major chemical compositions and it is effective against vomiting and nausea during medical treatments. Additionally, it can also induce a euphoric high, which lets users experience a state of relaxation.</p>
<b>SCOPE:</b>	<p>Article 8 funds only</p>
<b>REVENUE THRESHOLD:</b>	<p>5%</p>
<b>RESTRICTIONS:</b>	<p>0% investment cap</p>

## ESG Restrictive List - Policy on Adult Entertainment

<b>MIRAE ASSET'S POSITION:</b>	<p>The adult entertainment sector is widely criticised and denounced for the adverse impacts it has on society as well as its consideration as a sin by most religions in the World.</p> <p>Adult entertainment is banned by law in many countries in the World (in most of Africa, the Middle-East, East-Asia and Southeast Asia). It is also subject to regulation in India, Australia, Russia, South-Africa and in the UK.</p> <p>The sector is also deemed a privately-owned industry with very limited number of publicly-listed producers.</p>
<b>DEFINITIONS:</b>	<p>This sector includes companies that are involved in the production, distribution or retailing of adult entertainment products. Adult entertainment products are defined as material in which the dominant theme is “sexually explicit” conduct, specifically the depiction or description of sexual or excretory activities in a lascivious way.</p>
<b>SCOPE:</b>	<p>Firm-wide</p>
<b>REVENUE THRESHOLD:</b>	<p>0%</p>
<b>RESTRICTIONS:</b>	<p>0% investment cap</p>

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