

PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS STATEMENT



1. Summary

The concept of Principal Adverse Sustainability Impacts (PAI) is defined by the EU’s Sustainable Finance Disclosure Regulation (SFDR) as “negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.”¹

As of 1 July 2022, Mirae Asset Global Investments (Hong Kong) Limited (Mirae Asset) considers the principal adverse impacts of its investment decisions on sustainability factors. From January 2023 onwards, this present statement will be presented following the template in SFDR regulated technical standards, to report on our consolidated principal adverse sustainability impacts over subsequent reference periods.

2. Description of principal adverse sustainability impacts

On an entity level for our actively managed SICAV funds² that comply with SFDR Article 8 or 9, we have identified and prioritized mandatory and additional PAI indicators, as listed in the SFDR regulated technical standards, relevant and for integration to Mirae Asset’s overall investment research and risk monitoring process. We will review the relevance and availability of data and consider adding more PAI indicators in the future.

List of PAIs considered by Mirae Asset

Adverse sustainability indicator		SFDR RTS Annex 1
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
GHG Emissions	GHG Emissions	Table 1, #1
	Carbon Footprint	Table 1, 2
	GHG Intensity of Investee Companies	Table 1, 3
	Exposure to Companies in active fossil fuel sector	Table 1, 4
	Share of non-renewable energy consumption and production	Table 1, 5
	Energy consumption intensity per high impact climate sector	Table 1, 6
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Table 1, 7
Water	Emissions to water	Table 1, 8
Waste	Hazardous Waste Ratio	Table 1, 9
Emissions	Investments in companies without carbon emission reduction initiatives	Table 2, 4
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Table 1, 10

¹ Sustainalytics, November 2021

² As of July 2022, SFDR Article 8 Funds include Mirae Asset Sustainable Asia Sector Leader Equity Fund, Mirae Asset Sustainable India Sector Leader Equity Fund, Mirae Asset Sustainable Asia Pacific Equity Fund. 5 more SICAV funds are in the pipeline for conversion, anticipated to be complete in Q3 2022.

	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Table 1, 11
	Unadjusted Gender Pay Gap	Table 1, 12
	Board Gender Diversity	Table 1, 13
	Exposure to controversial weapons	Table 1, 14
Social and employee matters	Lack of a supplier code of conduct	Table 3, 4
Anti-corruption and anti-bribery	Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery	Table 3, 16

3. Description of policies to identify and prioritize principal adverse sustainability impacts

Governance

Governance of principle adverse sustainability impacts of our investments is in line with Mirae Asset’s oversight of strategic decisions and implementation of the company’s ESG initiatives. The Investment Committee is responsible for determining Mirae Asset’s direction for responsible investment, and how Mirae Asset integrates ESG factors (including principal adverse sustainability impacts) into investment decisions.

The Head of Equity Risk Management monitors compliance with ESG requirements (including principal adverse sustainability impacts) 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.

Our Approach to Identifying and Prioritizing Principal Adverse Sustainability Impact

PAI indicators are selected and prioritized by the ESG Specialist and approved by the Investment Committee, based on data availability and relevance to our investment universe.

Our Approach to Assessing Principal Adverse Sustainability Impacts

Mirae Asset integrates the consideration of principal adverse impacts into our existing approaches to responsible investing. Please refer to our [Policy on Responsible Investing](#) for more information.

Below, we summarise our responsible investing approaches and examples of how principal adverse impact indicators are considered:

Our Proprietary ESG Scorecard (The Mirae Asset 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. 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.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: Biodiversity - Activities negatively affecting biodiversity-sensitive areas (Table 1, #7)

In Practice: For industry groups where we deem business activities may have material impacts on biodiversity (e.g. energy, materials, utilities, food & beverage & tobacco and transportation), we assess the company through the following aspects, supported by quantitative third-party data where possible:

- Are the company’s operating locations in regions with fragile / protected ecosystems / biodiversity-sensitive areas?
- Does the company have in place restoration or rehabilitation programs to minimise disturbances to areas of operations? Does the company conduct biodiversity / environmental impact assessments prior to commencing operations in new areas?
- (Specific to palm oil producers) Are you a member of the Roundtable of Sustainable Palm Oil (RSPO)? What percentage of land is RSPO-certified for palm oil cultivation?

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: GHG Emissions (Table 1, #1)

In Practice: For all industry groups, we assess the year-on-year trend of the company’s Scope 1 & Scope 2 GHG Emissions. Scope 3 GHG emissions are also included if deemed material to that industry group. The company’s reported emissions are used where available, and estimated emissions (from third-party data providers) where reported data is not available. Guidance for recommended scoring is as follows:

Scoring (1 to 5)	The 3-year trend of GHG emissions
1	GHG emissions increased by >5%
3	GHG emissions remained relatively flat
5	GHG emissions reduced by >5%

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.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: Social and employee matters – Exposure to controversial weapons (Table 1, #14)

In Practice: On a firm-wide level for actively managed funds, investment restrictions are placed on companies with any ties to controversial weapons.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: GHG Emissions – Share of investments in companies active in the fossil fuel sector (Table 1, #4)

In Practice: On a firm-wide level for actively managed funds, investment restrictions are placed on companies with significant business (>5% revenue) in thermal coal mining and unconventional oil and gas. For our SFDR Article 8 funds, exclusions are further extended to thermal coal power generation as well.

Climate Integration

As a TCFD Supporter, we have a firm-wide policy on climate change which sets out our position and approach to integrating climate-related risks and opportunities into our investment decisions. We intend to publish a TCFD Report on an annual basis to monitor and communicate the climate-related risks and opportunities of our investments.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: GHG Emissions – Carbon Footprint (Table 1, #2)

In Practice: Every quarter, the risk team monitors the climate-related risks of our investment portfolios, including the portfolio carbon footprints of each fund. Portfolio Managers aim to better the benchmark.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: Emissions – Investments in companies without carbon emission reduction initiatives (Table 2, #4)

In Practice: Every quarter, the risk team monitors climate-related risks of our investment portfolios, including the aggregated warming potential of the portfolio which assesses how aligned the portfolio is to climate scenarios like the IEA's Sustainable Development Scenario (Paris-aligned scenario which assumes emissions trajectory is well within those assumed of a 1.5°C scenario). Portfolio Managers aim to better the benchmark.

Voting & Engagement

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. As active owners, our analysts and portfolio managers consistently interact with companies, through 1-on-1 or group meetings, email correspondences, or site visits, to understand companies in their entirety.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: Social and employee matters – Board Gender Diversity (Table 1, #13)

In Practice: We engage third-party external partners and opt for voting guidelines that consider sustainability factors to provide proxy voting recommendations. On Board Gender Diversity, we generally intend to vote against/withhold from the Chair of the Nominating Committee if the board lacks at least one director of an underrepresented gender identity e.g. female.

Examples of how Principal Adverse Impacts are Assessed:

PAI Indicator: Social and employee matters – Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (Table 1, #10)

In Practice: Violations to the 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 be flagged for discussion with the Investment Committee at monthly risk meetings. Portfolio Managers and relevant sector analysts are required to document remedial plans based on discussions with the company on a bi-annual basis.

Should violations to the Global Norms remain after 1 year and/or Portfolio Managers and relevant sector analysts deem up to 3 engagement attempts with the company to be unsuccessful or remedial actions insufficient, we will vote against the reappointment of directors or respective management committees at the company's subsequent AGM. Should the situation remain unchanged a year following this, the Investment Committee will hold a meeting to discuss whether to put a buy restriction on the company.

Data

As highlighted above, we consider principal adverse impacts through our existing approaches to responsible investing. The data sources used vary for different responsible investing approaches. Third-party ESG and climate data, from vendors such as MSCI ESG and ISS ESG, are utilized as inputs to the Mirae Asset ESG scorecard and for climate integration. Our proxy voting decisions are also

consulted based on research and recommendations from proxy advisors such as ISS Governance and SES Governance.

4. Engagement policies

As highlighted above, we believe corporate engagement provides an additional layer of understanding that we cannot achieve purely from research alone. Our ESG scorecards and third-party ESG ratings provide an excellent backdrop for the strengths of the company and highlight critical issues. We particularly target engaging companies that we view as risky (based on our ESG and PAI assessment) with objectives to discuss ways to improve their ESG scores and to reduce their principal sustainability adverse impacts.

We also actively partake in collaborative engagement groups; we are members of two Climate Action 100+ initiatives where we join with other investors to collaboratively engage with high carbon emitters in the region.

Please refer to our Voting & Engagement Policy for more information.

5. References to international standards

Mirae Asset's consideration of PAI within our responsible investing approaches builds on relevant international conventions and norms, including but limited to:

- United Nations Global Compact principles
- United Nations Guiding Principles for Business and Human Rights
- International Labour Organization's fundamental principles
- Convention on Cluster Munitions
- Paris Agreement under the United National Framework Convention on Climate Change

With regard to alignment with the objectives of the Paris Agreement, climate and emissions-related PAI are considered as part of the Mirae Asset ESG Scorecard and climate integration at the portfolio level. Please refer to the above sections or the Policy on Responsible Investing for more details.

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

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