



# STEWARDSHIP CODE

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Mirae Asset Global Investments (Hong Kong) Limited



# 1. INTRODUCTION

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This Code is to specify the approach taken by Mirae Asset Global Investments (HK)Limited (Mirae Asset (HK)) in defining the Principles of Responsible Ownership indicated by the Securities & Futures Commission Hong Kong. The purpose of the Stewardship Code is to enhance investor engagement and transparency in consideration of clients' best interests. Mirae Asset (HK) encourages the highest standards of corporate governance and strives to enhance the economic value of the companies in which we invest in.

## 2. SCOPE

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Mirae Asset (HK)'s approach to adopt the Stewardship Code and its recommendations are set out below. These recommendations are applicable for all actively managed collective investment schemes managed under Mirae Asset (HK).

## 3. PHILOSOPHY

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- 3.1 Mirae Asset (HK)'s main objective is to maximize long-term investment value for our clients. Mirae Asset (HK) has an environmental, social and corporate governance (ESG) framework, including a proprietary ESG scorecard comprising of 20 parameters and subscriptions to third party ESG ratings, to evaluate the sustainability performance of investee companies. We also created a ESG Watch List for negative screening to limit or ban exposure to certain businesses like weapons and tobacco.
- 3.2 Corporate Governance policies may vary internationally, however our priority is to exceed that of minimum standards and adopt an utmost stringent framework through our philosophy on corporate governance.
- 3.3 The Stewardship Principles set out below oversee our approach in adopting good corporate governance practices. We strongly believe that shareholders should have the right to be able to vote on business decisions that are material but not limited to their investment. Through our engagement with investee companies we are better positioned to address any fundamental issues we deem to affect the best interests of our clients.

## 4. STEWARDSHIP PRINCIPLES

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### 4.1 Principle 1: Establish and report policies on the discharging of stewardship responsibilities to stakeholders.

4.1.1. Mirae Asset (HK) has in place a Voting Policy that provides legal and regulatory guidance as well as specific guidelines regarding execution of voting rights in different scenarios.

4.1.2. Mirae Asset (HK) has implemented a Prevention of Conflict of Interest policy in order to proactively prevent conflicts of interests and conduct its business according to the principle that it must manage conflicts of interest fairly and maintain independence in objectivity.

4.1.3. Mirae Asset (HK) will regularly monitor and review these policies and, if necessary, revise them. The Investment Committee shall be in charge of shareholder engagement activities and voting rights, and may utilize corporate monitoring materials provided by the analysts, portfolio managers and proxy advisory firms (where applicable). Separately, the Investment team and the compliance team shall monitor the potential conflicts of interests according to the Market Sounding Policy, which may arise during the course of carrying out the stewardship activities.

4.1.4. This Stewardship Code is reviewed regularly to ensure the applicability and effectiveness to support our stewardship activities. Updates to this Code will be disclosed accordingly when changes are made.

### 4.2 Principle 2: Monitor investee companies regularly and engage with them when appropriate.

4.2.1. Mirae Asset (HK)'s portfolio managers and research analysts meet with the Chief Investment Officer and Head of AP Research on a weekly basis to exchange investment ideas. During these structured meetings, company information, including ESG issues that may have impact on the long term sustainability of a company, is shared and discussed. The meetings allow open discussions, ideas sharing and debate on stock selection views from different perspectives.

## 4. STEWARDSHIP PRINCIPLES (CONT')

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4.2.2. In addition, in the Monthly Risk Meeting, the Risk Management Committee while discussing portfolio performance, risk characteristics, also reviews ESG issues on a Firm & Portfolio level. Companies on the Analyst Recommendation Lists are reviewed for ESG issues when analysts present their sector updates to the Investment Committee on a quarterly basis. The discussion entails analyst's response on issues raised alongwith sharing the company's remedial action. In line with maintaining high levels of disclosures, the Investment team produces a comprehensive ESG engagement report on an annual basis, while the Risk team produces a independent ESG Risk Assessment Report annually.

4.2.3. Mirae Asset (HK) actively intervenes with investee companies on a case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility. The circumstances for intervention may, inter alia, include corporate governance related practices, ESG risks, leadership issues, litigation, inequitable treatment of shareholders, poor business strategy, non-compliance with regulations etc. Mirae Asset (HK) engage with investee companies to encourage the development of policies on ESG issues.

4.2.4. Mirae Asset (HK) manages its communications with investee companies so that inside information that has not been disclosed to the market in accordance with Part XIVA of the Securities and Futures Ordinance (Cap. 571)(SFO) is not obtained.

4.2.5. In the event that engagement has led to the receipt of unpublished price sensitive information, the employee has to immediately alert the compliance team according to Mirae Asset (HK)'s Market Sounding Policy. Compliance team will send such request on behalf of the relevant person to the Escalation Committee for review and approval. After the approval from the Committee, the compliance team will implement 'Chinese Walls' such as subsequently placing the concerned stock or its industry peers on restricted (as consulted with the risk management team), or placing a no trade limit for an individual or a group of individuals until the material information is made available publicly.

## 4. STEWARDSHIP PRINCIPLES (CONT')

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### 4.1 Principle 3: Establish policies on escalation of engagement with investee companies.

4.3.1. General meetings with the investee company are conducted in a confidential manner with an objective to enhance shareholder value. If Mirae Asset (HK) is dissatisfied with the investee company's response then a 7-step process to escalate the matter will proceed:

a) Engaging with the investee company. Mirae Asset (HK) will attempt to coordinate one-on-one meetings with the management team to outline the existing issue. Should both parties not reach an agreement then the matter will be escalated to the next phase.

b) Re-engagement with the investee company. Following the first engagement should a resolution not be reached, Mirae Asset (HK) will attempt to meet with the investee company again to address any outstanding unresolved issues.

c) Should the investee company still fail to satisfy the Firm's concerns then Mirae Asset (HK) may act in collaboration with other minority shareholders', regulators, or other entities it deems necessary for collective engagement, otherwise known as join representation against the investee company.

d) Further escalation will proceed should the above three steps indicate no progress with the investee company. Formal written communication outlining the issue at hand will be addressed to the investee company. Mirae Asset (HK) may further consider exiting the investment should a solution not be met.

e) Mirae Asset (HK) may seek legal recourse should it deem necessary instead of exiting the investment.

f) Mirae Asset (HK) may consider enacting a blanket ban on the investee company if there is no engagement improvement or a resolution is not met.

g) Mirae Asset (HK) may consider a complete exit of its investment with the investee company should the above steps not reach an appropriate solution.

## 4. STEWARDSHIP PRINCIPLES (CONT')

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### 4.4 Principle 4: Have clear guidelines on voting and always vote in the best interests of clients.

4.4.1. Voting rights are the fundamental rights of a shareholder and Mirae Asset (HK) recognizes that such rights are imperative to improvement of an investee company's corporate governance. Mirae Asset (HK) seeks to vote all shares held in a company, to cast for, abstain or against votes in relation to any issues put forth by the investee company.

4.4.2. Mirae Asset (HK) votes in favour of resolutions required for business continuity and shareholder interests like adoption of financial statements, declaration of dividend, repurchase of shares or appointment of auditors as detailed in the Voting Policy.

4.4.3. For resolutions that do not appear to benefit the interests of shareholders (such as extending significant loans or investing in an associate company without adequate reasoning, pursuing unrelated/expensive acquisition, significant change in executive compensation either variable or fixed without adequate reasoning, divestiture of business or part of the business at a material discount to the fair value, pursuing an business expansion that is detrimental to the interests of the company or its minority shareholders, or reappointment/continuity of key personnel whose actions haven't been in the best interests of the company or its minority shareholders), Mirae Asset (HK) will follow course of action as detailed in the Voting Policy.

4.4.4. Mirae Asset (HK) may seek advice of independent advisory firms for proxy voting in order to effectively carry out its stewardship responsibilities. Such advice will be able to prevent potential conflicts of interest and provide independent, professional expertise, and Mirae Asset (HK) will consider the advice reflecting assessment of the issues before voting its shares.

### 4.5 Principle 5: Be willing to act collectively with other investors where appropriate.

4.5.1. Mirae Asset (HK) recognises that collaboration with other investors for collective engagement may at times be most effective. Mirae Asset (HK) works with other asset managers to promote responsible investment and engage investee companies on corporate governance, social and environmental matters.

## 4. STEWARDSHIP PRINCIPLES (CONT')

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### 4.6 Principle 6: Communicate to stakeholders, via periodic disclosures, the execution of the discharging of stewardship responsibilities.

4.6.1. Mirae Asset (HK) reports at least annually to stakeholders on how we have discharged stewardship responsibilities, including details of company engagement and voting results. Mirae Asset (HK) will consider disclosure of some materials on the corporate website where applicable.

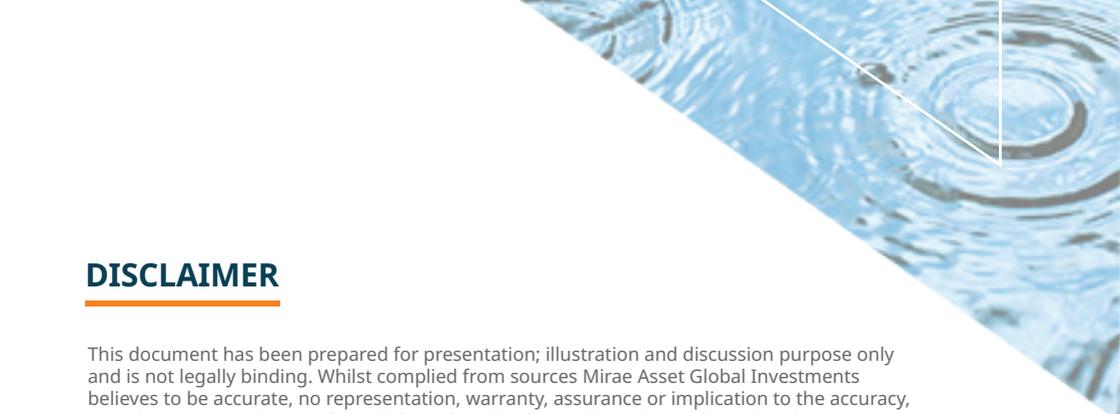
### 4.7 Principle 7: Manage and disclose conflicts of interests to ensure fair dealing, independence and objectivity when investing on behalf of clients.

4.7.1. With clients' best interests as core; Mirae Asset (HK) has a fiduciary duty to the assets instilled to us. We are also aware of the possibility of conflicts of interests between interested parties in the course of carrying out stewardship responsibilities. In order to ensure strict management of these pre-empted issues, we have enforced a separate Prevention of Conflict of Interest policy.

4.7.2. Such possibilities include if a nominee of Mirae Asset (HK) has been appointed in a key managerial position of the investee company. Other situations may arise when an investee company or an associate is appointed as a service provider or a distributor for Mirae Asset (HK). Any services engaged with investee companies including associates would be transacted on arm's length basis and be in the best interests of Mirae Asset (HK)'s clients.

4.7.3. Individual employees that hold stocks within the investee company may also be subject to jeopardizing their maintenance of objectivity. Mirae Asset (HK), implements internal procedures to ensure all staff must disclose such conflicts of interests and their directorships in other companies.

4.7.4. The protection of clients' interest and complying with local regulations is key to our internal policies and procedures. Mirae Asset (HK)'s compliance team reviews quarterly and annual disclosures that are a compulsory declaration from all employees in Mirae Asset (HK). Internal measures are in place to ensure that personal trading is secondary to trading for clients; that is, Mirae Asset (HK) and the clients it serves must have priority over transactions in securities.



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