

## Mirae Asset China Growth Equity Fund

### A. Summary

This fund complies with **Article 8** of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector. This fund promotes environmental or social characteristics as part of investment objectives.

#### Best-in-class selection:

We apply a best-in-class methodology following which companies must have good Environmental and/or Social characteristics whereby companies must be within the top 50% threshold of Environmental and/or Social scores based on the Mirae Asset ESG Scorecard. In addition, 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. Among others, the environmental pillar includes resource & waste management, biodiversity, emissions, and supply chain management (environmental), the social pillar includes human capital management, health & safety, data security & privacy, while the governance pillar, include corporate governance and business ethics.

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

#### Exclusions:

We exclude investments in companies that have significant (based on revenue thresholds) revenue in weapons, tobacco, fossil fuel, power generation, adult entertainment and cannabis.

#### More about the Mirae Asset's ESG Scorecard:

- Industry-specific—the ESG Scorecard covers 24 industry groups to ensure the ESG analysis is relevant to the company's business activities
- Material ESG topics—the ESG Scorecard is comprised of 14 ESG topics; environmental and social topics are selected for industry groups based on financial and sustainability materiality.
- Qualitative and quantitative parameters—companies are assessed quantitatively through data-driven scoring but also with a qualitative overlay supported by investment analysts' understanding of the company's business plans and industry landscape
- Due diligence —Mirae Asset's ESG scores are internally audited against third-party ESG ratings and when discrepancies are noted investment analysts are required to provide justification.

We carry out shareholders' fiduciary duties and conduct proxy voting and corporate engagement in accordance with the Mirae Asset's Voting & Engagement Policy.

Voting is the fundamental right of a shareholder and we recognize that such rights are imperative for the improvement of an investee company's corporate governance. We actively vote on shareholdings we are responsible for across all markets.

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.

### B. No Sustainable Investment Objective

**Does this financial product have a sustainable investment objective?**

This fund promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

### C. Environmental or Social Characteristics of the Financial Product

**What environmental or social characteristics are promoted by this financial product?**

This fund aims at investing in companies with good Environmental and/or Social characteristics based on our proprietary ESG Scorecard (the "**Mirae Asset ESG Scorecard**"). Among others, the environmental pillar includes resource & waste management, biodiversity, emissions, and supply chain management (environmental), the social pillar includes human capital management, health & safety, data security & privacy, while the governance pillar includes corporate governance and business ethics.

Lastly, the fund refrains from investing in business activities that are deemed harmful to the environment and society.

**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes, this fund considers principal adverse impacts (PAI) on sustainability factors. The list of PAIs considered, with reference to Annex I of the SFDR RTS, are as follows:

| PAI Indicator |  | Actions taken or planned to mitigate PAI  |
|---------------|--|---|
| Table 1, #4   | Exposure to companies active in the fossil fuel sector   | The fund excludes investment in companies involved in the exploration, mining, extraction, distribution or refining of hard coal and lignite; companies involved in the exploration, extraction, manufacturing or distribution of oil fuels; companies that involved in the exploration, extraction, manufacturing or distribution of gaseous fuels.  |
| Table 1, #10  | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Companies with violations to Global Norms (i.e., United Nations Global Compact principles (UNGC) and The Organization for Economic Cooperation and Development (OECD)) are subject to direct or collaborative engagement.<br><br>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 of the Principle Investment Manager will then decide whether to put a buy restriction on these companies. |
| Table 1, #14  | Exposure to controversial weapons  | The fund excludes investment in companies that have significant revenue in controversial weapons.   |

### D. Investment Strategy

**What investment strategy does this financial product follow?**

(i) ESG Scorecard

The Principal Investment Manager has developed the Mirae Asset ESG Scorecard to ensure ESG scores are tailored to the companies in the fund's portfolio based on the sectors and markets they operate in. This in-house ESG scoring system assesses a company's ESG performance using company data as well as alternate data. Please refer to (ii) *Best-in-class methodology* of this section for more

information on how the Mirae Asset ESG Scorecard is applied in the investment strategy. Please also refer to sections *G. Methodologies* and *H. Data sources and processing* for more information on the Mirae Asset ESG Scorecard.

(ii) Best-in-class methodology

We apply a best-in-class methodology following which companies must have good Environmental and/or Social characteristics whereby companies must be within the top 50% threshold of Environmental and/or Social scores based on the Mirae Asset ESG Scorecard. In addition, 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.

(iii) Exclusions

We exclude investments in companies that have significant (based on revenue thresholds) revenue in weapons, tobacco, fossil fuel, power generation, adult entertainment and cannabis. Companies that fall in these industries are monitored in the ESG restrictive list of the Principal Investment Manager (the “ESG Restrictive List”) that is reviewed in monthly risk meetings and meetings with the Investment Committee of the Principal Investment Manager. Please refer to the Annex of the [Policy on Responsible Investing](#) for sector-specific policies for the ESG Restrictive List that applies to our Article 8 Funds.

Companies with low ESG scores (e.g. 2-rating or below or CCC MSCI ESG ratings) or violations to Global Norms (i.e., United Nations Global Compact principles (UNGC) and The Organization for Economic Cooperation and Development (OECD)) also fall in the ESG Restrictive List. 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 of the Principle Investment Manager will then decide whether to put a buy restriction on these companies.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy include that:

- Companies must be within the top 50% threshold of the Mirae Asset ESG Scorecard to be eligible for investment, and
- The fund refrains from investing in companies that fall in the ESG Restrictive List.

Of the ESG criteria described above, the best-in-class methodology is binding for a minimum of 70% of the portfolio whilst exclusions apply to 100% of the portfolio (excluding cash and other ancillary assets).

**What is the policy to assess good governance practices of the investee companies?**

Good governance practices are assessed as part of the ESG Scorecard in the Governance pillar. Stocks’ governance practices are assessed based on Corporate Governance and Business Ethics. Within Corporate Governance, stocks are assessed on their shareholder and ownership structure, board composition, remuneration, and accounting and audit. Within Business Ethics, stocks are assessed on their transparency, governance reliance, and business integrity.

## E. Proportion of Investments

**What is the asset allocation planned for this financial product?**

At least 70% of the assets in the fund are allocated to investments used to attain environmental or social characteristics promoted by the fund.

## F. Monitoring of Environmental or Social Characteristics

**What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

1. The % distribution of the fund’s net assets to ESG scores (based on the Mirae Asset ESG Scorecard) on a scale of 1 to 5
2. The % of portfolio companies that are not aligned with exclusions

More information on the ESG data and methodologies are provided in the sections below.

**How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?**

The Mirae Asset ESG Scorecard is completed by sector analysts for all recommended stocks to commute ESG scores. The % distribution of the fund’s net assets to ESG scores (on a scale of 1 to 5) is monitored by the risk management unit every month.

Our ESG Restrictive List sets out exclusions applied to the fund, for business activities Mirae Asset deems harmful to the environment and society, to promote minimal environmental and social standards. SFDR Article 8 Funds’ exposure to exclusions within the ESG Restrictive List is monitored every month: temporary breaches will be treated in the same way as our current compliance procedure for passive breach violations; Portfolio Managers are required to rectify the position for the corresponding fund within 15 business days.

Companies with violations of the Global Norms (i.e., United Nations Global Compact principles (UNGC) and The Organization for Economic Cooperation and Development (OECD)) would also fall on the ESG Restrictive List. Should violations be identified, 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.

## G. Methodologies

The Mirae Asset ESG Scorecard assesses a company’s ESG performance using company data as well as alternate data. More about the Mirae Asset’s ESG Scorecard:

- **Industry-specific**—the ESG Scorecard covers 24 industry groups, within 11 sectors, to ensure the ESG analysis is relevant to the company’s business activities
- **Material ESG topics**—the ESG Scorecard is comprised of 14 ESG topics categorized under three pillars further described in the below table; environmental and social topics are selected for industry groups based on financial and sustainability materiality.
- **Qualitative and quantitative parameters**—companies are assessed quantitatively through data-driven scoring but also with a qualitative overlay supported by investment analysts’ understanding of the company’s business plans and industry landscape. The scoring is based on a 1 to 5 rating (1-rating indicating poor performance and 5-rating indicating excellent performance).

- **Due diligence** —Mirae Asset’s ESG scores are internally audited against third-party ESG ratings and when discrepancies are noted investment analysts are required to provide justification

Further, under the Sustainable Development Goals (SDG) pillar, environmental and social opportunities are also reviewed, with regard to alignment with the United Nations SDG.

For each industry group, environmental and social topics are chosen based on financial materiality (impact of an activity on a company’s profit and losses account) and sustainability materiality (positive or negative characteristics of activities on the environment/society).

| Pillars       | Topics                                    |
|---------------|---|
| Environmental | Emissions                                 |
|               | Resources & Waste Management              |
|               | Climate Change                            |
|               | Biodiversity                              |
|               | Supply Chain Management (Environmental)   |
| Social        | Human Capital Management                  |
|               | Health & Safety                           |
|               | Data Security & Privacy                   |
|               | Product Liability & Responsible Marketing |
|               | Stakeholder Engagement                    |
|               | Supply Chain Management (Social)          |
| Governance    | Corporate Governance                      |
|               | Business Ethics                           |
| SDG           | Environmental and Social Opportunities    |

## H. Data Sources and Processing

|   |   |
|---|---|
| <b>Data sources used to attain each of the environmental or social characteristics promoted by the financial product:</b> | <p>The key data source is our proprietary ESG scorecard (the Mirae Asset ESG Scorecard) which the Principal Investment Manager has developed to ensure ESG scores are tailored to the companies in the fund’s portfolio based on the sectors and markets they operate in. Commonly disclosed ESG data are leveraged from ESG data providers, such as MSCI and ISS ESG, as inputs to the Mirae Asset ESG Scorecard, supplemented by proprietary research from our sector analysts.</p> <p>We also use external third-party ESG data to perform screening, based on company revenue exposure, to monitor our exclusions applied to the fund.</p>  |
| <b>Measures taken to ensure data quality:</b>   | <p>Our ESG scores are internally audited against and compared with external third-party ESG scores (such as MSCI ESG Ratings) to guarantee quality and control whilst ensuring scores are reflective of the company’s ESG performance based on our first-hand knowledge and expertise.</p> <p>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.</p>   |
| <b>How data is processed and the proportion of data that is estimated:</b>  | <p>Our sector analysts, who are highly knowledgeable about the respective industries they cover, are responsible for completing the Mirae Asset ESG Scorecard for all recommended stocks. 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.</p> <p>ESG scores for all active holdings are updated on an annual basis. Should there be material ESG controversies or events, the Principal Investment Manager is also responsible to update a stock’s ESG score within 3 months if required.</p> <p>Estimated data are only used in the absence of quality corporate disclosures for key inputs to the Mirae Asset ESG Scorecard, such as carbon emissions, and are based on the methodologies of external third-party ESG data providers.</p> <p>For more information on the Mirae Asset ESG Scorecard please refer to our <a href="#">Policy on Responsible Investing</a>.</p> |

## I. Limitations to Methodologies and Data

We understand the landscape of external third-party ESG ratings has the following limitations:

- Third-party ESG scores do not always cover all stocks in which the fund may invest because parts of the portfolio may be invested in young, growth companies in emerging markets
- The fund has a regional focus in the Asia Pacific market, therefore the landscape and applicability of ESG topics and metrics may slightly differ from the broad and developed markets usually covered by external third-party ESG ratings
- As ESG is a fast-evolving subject, there may be a lag in the update of external third-party rating methodology whereas our proprietary ESG Scorecard can be updated in a timelier manner

Due to the above reasons, we chose to rely on our proprietary ESG Scorecard to define environmental and social characteristics of the fund.

## J. Due Diligence

The risk team independently audits the ESG scores analysts provide against independent third-party ESG ratings (MSCI ESG ratings). Regular alerts are set on low ESG scores such that should there be material discrepancies or low scorers, 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 external third-party ESG ratings on their assessment of various ESG related issues to mitigate individual bias.

With regard to external third-party ESG data providers, we carry out due diligence on all potential data providers as part of our vendor selection process. We review potential data providers on their performance factors e.g. service quality and subject matter knowledge, and risk factors e.g. industry reputation and credibility.

## K. Engagement Policies

Voting is the fundamental right of a shareholder and we recognize that such rights are imperative 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). We engage third-party external partners to provide proxy voting recommendations for our key markets.

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](#).

L. Designated Reference Benchmark

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|--|--|
| <b>Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental or social characteristics that it promotes?</b> | <p>The reference index, MSCI China All Shares Index, is a general market index that represents the investment universe and is not used as a benchmark to measure whether the fund has attained the environmental or social characteristics it sets out to promote.</p> <p>However, we endeavour to better with regard to ESG ratings and carbon footprint compared to that of the Benchmark.</p> |
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