

Mirae Asset Global Investments (HK)

Policy on Responsible Investing

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Our Philosophy on Responsible Investing

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 to produce 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.

Integrating our Philosophy into Daily Practice

ESG incorporation starts at the top...

We believe investing in responsibly-managed companies and being an active owner - with particular emphasis on governance issues - makes good business sense and has the potential to protect and enhance economic value for shareholders. Our philosophy of actively investing in companies with long-term, sustainable and competitive business models naturally adheres to good Environmental, Social and Governance factors. We also believe that the starting point for ESG is our own governance, which then filters through to the whole organization. By incorporating ESG Principals at the Board Level, we can then easily apply them to our investments.

... and is practiced daily at the investment level.

Our research analysts create ESG Scorecards for each company that they include in their Recommendation List. These Scorecards are used in tandem with our Sustainable Competitiveness Scorecards, which help us rate a company's investment potential. Our analysts rate a company across 20 factors, on a scale of 1 to 5, that address a company's governance and the social and environmental impacts of its business. A 1 rating is the highest level of controversy/ poor track record and a 5 rating indicates no controversy/ excellent record. Ratings are then tabulated on our proprietary ESG Scorecards, which are an intricate part of a company's overall research rating. The lower its ESG rating, the more likely it will be on either the Negative List or the Watch List. ESG ratings from an external provider are included in the research process to complement our own analysts' ratings. In addition, our Investment Committee holds an annual session to update and review the ESG Negative and Watch Lists.

ESG Scorecards are created in tandem with our Sustainable Competitiveness Scorecards, and cover numerous factors that address a company's corporate governance and the social and environmental impacts of its business.

These factors are:

- Anti-competitive Practices
- Bribery & Fraud
- Climate Change
- Contribution to Clean Technology and Energy
- Disclosure of ESG Information
- Effort to Reduce Environment Pollution
- Governance Structure
- Government Reliance
- Human Capital Management/ Human Rights Violations/ Labor Disputes
- Impact on Local Community
- Internal Standards
- Product Safety, Privacy Security and Censorship
- Public Relationship
- Reporting/ Accounting
- Resource Scarcity
- Safety/ Health of Employees and Code of Contact through the Supply Chain
- Shareholder Rights/ Controversial Investments
- Support to Controversial Regimes
- Toxic Emission/ Material
- Workplace Diversity

The Negative List

Our Negative List includes companies whose main business is proven or expected to have serious harmful impact to mankind. In a broad sense, the List has two main criteria:

- Seriousness - How serious harm does the business make to mankind?
- Control - Whether individuals have self-control on consuming the product or whether society has meaningful method to reduce indirect influence.

There are certain industries whose gross investment exposure is capped at 0%. For example, these include companies involved in the creation, transportation and sales of controversial weapons.

Other industries, such as the tobacco industry, are capped at 2% of gross investment exposure. While our ESG policy is not all-encompassing, we believe it is flexible enough for accommodate clients wishing to exclude certain industries based on their principles.

The Watch List

Companies are placed on our Watch List after receiving either:

- An ESG score of 1 in one and more factors
- An ESG score of 2 in two or more factors

Examples of companies on the Watch List may include those conducting corporate actions against minority shareholders, that have a poor track record with regard to employee safety and benefits or policies in place that harm the environment. Every year, analysts must formally update the ESG ratings for their respective companies and report their efforts to engage companies. While we don't put any buy restrictions on companies on ESG Watch List, the List is reviewed annually by the Investment Committee to ensure that there is progress.

Stewardship & Active Ownership

We are investors who wholly accept our fiduciary duties and actively engage managements and boards of the companies we invest in on behalf of our clients. While we tend to support the management teams of invested companies, shareholder return is our ultimate goal and the onus is on us to ensure that our clients are well-represented when there are differences in expectations. In such instances, we will review what the best outcome would be for our investors – engagement in hopes of improving shareholder value or outright liquidation of our shares in that company.

In addition, we have a Proxy Voting Policy that requires us to vote on client proxies in the best interest of its clients. There are guidelines regarding common voting issues, such as election of Directors, executive compensation and anti-takeover measures. We are not required to vote on every client proxy and we may abstain from a vote when the cost of voting the proxy outweighs the potential benefits to our clients associated with the vote. We use *ProxyEdge* as our voting platform. Our preference is for management who demonstrate good corporate citizenship through their governance, environmental and social responsibility standards. Where there are concerns around this, the investment team will actively engage management.

Engagement

Our ESG Scorecards are an integral part of our research process. We engage companies that we view as risky (based on our ESG assessment) on ways to improve their ESG scores. Companies that have historically and consistently earned a low rating will be placed on our Negative List. Companies on our Watch List will garner more engagement from our investment team to address ESG-related issues and, when relevant, our analysts seek appropriate disclosure and investigate issues. Ultimately, companies that improve their ESG scores to an acceptable level will be viewed as stronger candidates within our investment universe.

Reporting of Activities

Mirae Asset practices a transparent approach to reporting our activities to clients. Upon request, we can provide reports detailing voting rights exercised at shareholder meetings, reports highlighting any updates to our ESG Watch and Negative Lists, as well as communicate any ESG-related and engagement activity.

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 addition, Mirae Asset aims to become a more active, international proponent of good corporate governance standards within our industry and is on an ongoing basis seeking to engage not only the boards of companies we invest in, but also regulators and stock exchanges of countries in which we seek to improve both governance requirements and transparency of reporting. As specialists in managing Emerging Market equities, we believe that there are numerous opportunities for investors to benefit from the growth in these markets. And, while active investing and strong, fundamental bottom-up driven research can recognize companies with potential to add value to our clients' portfolios, we would prefer that overall governance standards within all EM nations improve and allow for a more mature, homogeneous and safer investment environment. To facilitate this, our goal is to become active members and collaborate in relevant forums and associations that would directly impact and markedly improve corporate governance standards in Emerging Markets.