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# Mirae Asset Securities

## Environmental & Social Policy Statement

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ESG Implementation Team

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# 1. Purpose

Mirae Asset Securities proactively implements policies to manage environmental and social risks. This Environmental and Social Policy (ESP) Statement articulates the principles, specific standards, and implementation processes for controlling environmental and social risks that Mirae Asset Securities applies to all of the areas in which it does business, alongside its management of market, credit, liquidity, and operational risks.

It is becoming increasingly important to identify the environmental and social risks arising from investment activities, traditionally regarded as non-financial risks. Against this backdrop, Mirae Asset Securities seeks to become the first investment bank in Korea to establish and implement ESP principles. For a financial institution, ESP principles can be reflected directly in performance from investments, and in the long run can affect the firm's reputation and even survival. Environmental risks include the pollution of air, water, and soil, deforestation, ecosystem degradation, loss of biodiversity, carbon emissions, global warming, and depletion of natural resources. Social risks include the destruction of local communities, the violation of labor rights, the exploitation of forced labor and child labor, health and safety vulnerability in industries and local communities, and low levels of public security.

Climate change, in particular, is widely recognized as a severe threat and thus is a familiar subject to all stakeholders. The frequency of extreme climate events has increased sharply in recent years, and related hazards are now a common sight in countries around the world. Reflecting this sense of crisis, the EU presented the European Green Deal at the end of 2019 and made carbon neutrality by 2050 a top priority. Likewise, the US reentered the Paris Agreement and pledged to achieve carbon neutrality by 2050, and Korea followed suit. Governments around the world are committing to transition to a carbon-neutral society, not just through declarations and recommendations but also through policies and institutional frameworks.

To clearly reflect these unfolding changes in the operating environment and preemptively identify non-financial risks related to its operations, Mirae Asset Securities has established

an environmental and social risk control system enabling rapid and proactive responses. Mirae Asset Securities aims to implement socially responsible investments that engage individuals and local communities as a whole, comprehensively review the future risks and opportunities that can arise from its investment approach, and clarify exclusion criteria based on non-financial risk factors.

Mirae Asset Securities, fully recognizing its social obligation as an investment bank amid the global transition to a low-carbon economy, is committed to helping to curb climate change and strengthen resilience to social and environmental risks through proactive financial interventions. By striving for a healthier planet and future, we hope to ensure a comfortable retirement for all stakeholders.

## 2. Procedure

The ESP principles are applied to all areas of business in which Mirae Asset Securities is active, encompassing investments, underwriting, brokerage, and advisory (hereinafter collectively referred to as investments). When making investment decisions, Mirae Asset Securities takes into account not only industry, business, and financial analyses but also the objectives of investments, analyses of investees and transaction counterparties, and in-house classifications of environmental and social risk (ESR).

### 1) Pre-investment due diligence

### 2) ESR classification

### 3) Assessment of environmental and social impacts

### 4) Post-investment monitoring

#### 1) Pre-investment due diligence

Mirae Asset Securities reviews whether investments align with its ESP principles and inspects proposed projects in detail (type, objective, geographical location, etc.).

#### 2) ESR classification

After conducting pre-investment due diligence, Mirae Asset Securities classifies the level of environmental and social risks associated with investment projects into three levels (high, moderate, and low) by taking into account the characteristics of investees and their environmental and social impacts.

- ① High ESR: Environmental and social risks are likely to be significant, and irreversible negative impacts spanning a wide area are a possibility. Reputational risks are a constant concern.

- ② Moderate ESR: Environmental and social risks are likely to be limited, and mitigation of negative impacts is possible through risk management. Negative impacts are easily reversible.
- ③ Low ESR: Almost no environmental and social risks are expected.

### 3) Assessment of environmental and social impacts

If a proposed project falls into the high or moderate ESR category, Mirae Asset Securities assesses its specific environmental and social risks and prepares a review opinion. Review opinions are to be produced on the basis of either independent assessments of environmental and social impacts made by outside experts or the transition plans and willingness of the investee companies in eliminating the risk in concern. Supplementary measures shall be reflected in investment conditions when necessary to mitigate or resolve environmental and social risks.

### 4) Post-investment monitoring

After executing investments, Mirae Asset Securities monitors the implementation of mitigation measures aimed at reducing environmental and social risks.

※ This four-step procedure is integrated into Mirae Asset Securities' risk assessment and review standards and ESG Code.

### 3. Criteria for Exclusion/Designation of Sensitive

As part of its effort to tightly control environmental and social risks across all operations, Mirae Asset Securities designates areas of social and environmental exclusion and sensitivity abiding by, mutatis mutandis, the IFC\_ PS<sup>1)</sup> as well as considering any incidents and controversies that can exert negative influence to the investee companies in mid-to long term.

#### ○ Environmental Risks

- Environmental pollution (air pollution, soil and water contamination, etc.) (IFC\_PS3)
- Carbon emissions and climate change (IFC\_PS3)
- Deforestation (IFC\_PS3)
- Biodiversity conservation and ecosystem management (IFC\_PS6)
- Depletion of natural resources (IFC\_PS3)

#### ○ Social Risks

- Exploitation of child labor (IFC\_PS2)
- Forced labor (IFC\_PS2)
- Poor working conditions (IFC\_PS2)
- Preservation of local communities/health, safety, and security (IFC\_PS4)
- Protection of native/indigenous peoples (IFC\_PS7)
- Conservation of cultural heritage (IFC\_PS8)

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<sup>1)</sup> IFC PS (International Finance Corporations Performance Standards): environmental and social performance standard for measuring sustainability as instituted by the IFC.

## 4. Environmental and Social Exclusion List

Mirae Asset Securities adds areas with high exposure to environmental and social risks to its environmental and social exclusion list.

### 1) Energy

#### ① Coal-fired Power Generation

Coal-fired power plants are the primary source of air pollution, generating a large amount of carbon dioxide and fine particulate matter during power generation.

Mirae Asset Securities adds investments associated with coal-fired power plants and related infrastructure to its environmental and social exclusion list. That said, for existing long positions, Mirae Asset Securities reviews whether to extend contracts in consideration of investee companies' commitment to gradually scale back their exposure to coal-fired power generation, planning and implementation thereof, and detailed action plans for conversion to low-carbon energy sources. Investment and financing activities may be proceeded, however, only if the use of proceeds match ESG related activities or the activity does not contravene coal-fired power generation business which is confirmed by credible global initiatives.

### 2) Oil & Gas

#### ① Arctic Resource Development

The Arctic region is particularly sensitive to the effects of climate change, such as the rise in sea levels from melting glaciers. In addition, development activities such as oil drilling can pose a severe threat to the region's biodiversity and ecosystems.

Mirae Asset Securities adds investments associated with greenfield development of arctic oil and gas in upstream, midstream, and downstream stages to its environmental and social exclusion list.

### 3) Mining

Mirae Asset Securities adds investments associated with coal mining to its environmental and social exclusion list.



## 4) Biodiversity & Ecosystems

### ① Forestry

Mirae Asset Securities adds investments associated with illegal logging and collection of wood resources to its environmental and social exclusion list.

### ② Fishery

Mirae Asset Securities adds investments associated with destructive fishing practices using dynamite and chemicals, along with illegal fishing activities such as whaling, to its environmental and social exclusion list.

### ③ Water

Mirae Asset Securities designates investments associated with illegal activities involving the release of harmful substances into the oceans as belonging to the ESP exclusion list

## 5) Conservation of Biodiversity and Protected Areas (primary habitats of endangered species, UNESCO World Heritage Sites, and Community Conserved Areas)

Mirae Asset Securities adds investments linked to primary habitats of endangered species<sup>2)</sup>, UNESCO World Heritage Sites (except in cases where there have been prior consultations with local authorities and UNESCO and it has been agreed that the integrity of the affected areas will not be jeopardized), and locations where the human rights of local communities may be infringed to its environmental and social exclusion list.

## 6) Other

- ① Activities/operations that directly or indirectly involve child labor, forced labor, human trafficking, or modern slavery
- ② Activities/operations that might infringe on the rights of indigenous peoples
- ③ Transactions involving illegal products and services (illegal gambling, drugs, weapons, etc.)

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<sup>2)</sup> Endangered Species: Living beings evaluated as belonging to “Critically endangered (CR)” or above in the definitions of Red List of Threatened Species established by the IUCN (International Union for Conservation of Nature)



## 5. Environmentally or Socially Sensitive Areas

Mirae Asset Securities designates areas with relatively high sensitivity to environmental and social risks as environmentally or socially sensitive.

### 1) Energy

#### ① Coal-fired Power Generation

Mirae Asset Securities designates investee companies that derive more than 30% of total revenue from coal-fired power generation as environmentally or socially sensitive. Investment decisions are made in consideration of investee companies' commitment to gradually scale back their exposure to coal-fired power generation, planning and implementation thereof, and detailed action plans for conversion to low-carbon energy sources.

#### ② Hydropower

Once constructed, a hydroelectric power plant produces almost no direct waste. Therefore, hydropower represents an important low-carbon energy resource that meets clean energy demand. That said, the construction of a new hydroelectric power plant may, depending on its location, exact structure, and scale, cause a combination of environmental and social risks in the local community and ecosystem where it is situated. Therefore, Mirae Asset Securities designates hydropower and the construction of related infrastructure as environmentally or socially sensitive.

### 2) Oil & Gas

GHG emissions from industrial oil and gas facilities are responsible for global warming. Therefore, it is necessary to gradually scale back oil and gas production in order to achieve carbon neutrality.

#### ① Oil Sands

Major reserves of oil sands, an unconventional oil resource, are located in Alberta, Canada

and the Orinoco River Basin in Venezuela. The development of oil sands deposits can cause various problems in local communities, such as water contamination, soil and air pollution, and biodiversity loss. Therefore, Mirae Asset Securities designates investments related to oil sands development as environmentally or socially sensitive.

## ② Hydraulic Fracturing

Hydraulic fracturing is a technique used to extract shale gas and oil from rock. It is often associated with negative impacts on the environment and society, including water contamination, soil pollution, GHG emissions, and an increase in the frequency of earthquakes.

Mirae Asset Securities designates projects using hydraulic fracturing methods as environmentally or socially sensitive.

## 3) Mining

### ① Metals/Minerals Mining

While the mining industry has played a key role in driving the global economy since the Industrial Revolution, it is exposed to environmental and social issues related to biodiversity threats, air pollution, safety concerns, and impacts on local communities.

Given these issues, Mirae Asset Securities designates investments related to metals and (conflict) minerals as environmentally or socially sensitive.

### ② Coal Mining

Mirae Asset Securities designates investee companies that derive more than 25% of total revenue from coal mining as environmentally or socially sensitive. Mirae Asset Securities reviews whether to do business with such companies by considering their commitment to gradually reduce their revenue exposure to coal mining and detailed energy conversion plans to reduce carbon.

## 4) Biodiversity & Ecosystems

### ① Forestry

Forest resources help reduce GHG emissions and regulate global warming by absorbing carbon and releasing oxygen. They also provide livelihoods and contribute to the preservation of biodiversity and ecosystems. Therefore, reckless development and deforestation have caused various environmental and social issues.

Mirae Asset Securities designates projects that are expected to cause reckless development and deforestation as environmentally or socially sensitive.

### ② Industrial Agriculture

Soft commodities such as palm oil, natural rubber, tobacco, beans, cacao, tea, sugar cane, cotton, coffee, bananas, and timber are important drivers of economic growth for the developing countries that commercially cultivate them, many of which are located in tropical and subtropical regions. However, industrial agriculture causes a range of social and environmental problems such as deforestation, biodiversity loss, soil degradation, exploitation of labor, and conflicts with local communities.

Given these potential problems, Mirae Asset Securities designates industrial agriculture as environmentally or socially sensitive. Exemption, however, may apply if the investee companies that engages in palm oil and that oil is verified according to specific standards for assuring sustainable production such as RSPO (Roundtable on Sustainable Palm Oil) or equivalent certificate.

### ③ Biodiversity Conservation (conservation of primary habitats, global cultural and natural heritage sites, and Community Conserved Areas)

The preservation of biodiversity and ecosystems around the world is critical for the sustainability of all forms of life. When considering investments or financial support related to marine and terrestrial resources, resource preservation should take precedence over efficient use of resources.

Mirae Asset Securities designates investments/projects in areas that might pose a threat

to natural ecosystems, biodiversity, or cultural and natural heritage sites—in the form of environmental degradation, natural resource depletion, or local community pollution—as environmentally or socially sensitive.

## 6. Public Disclosure

Mirae Asset Securities shall actively disclose its internal processes for incorporating and implementing the ESP principles (ESG PRI Six).