



Case Study: Mirae Asset Global Investments (South Korea) Investor Climate Action Plan

ICAPs Expectations Ladder Focus Area: Investments

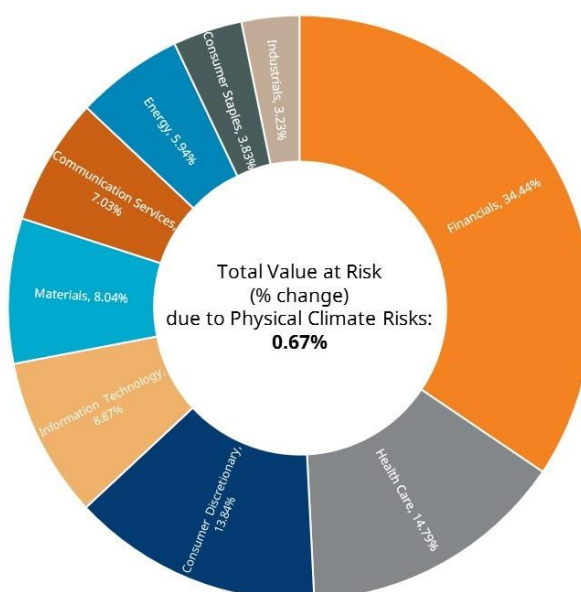
Mirae Asset Global Investments (Mirae Asset) was founded in Asia and now operates worldwide across 12 markets, where it takes a collaborative approach in managing a fully diversified investment platform. Mirae Asset invests in multiple asset classes through exchange-traded funds (“ETF”), mutual funds and alternatives and currently invest over US\$218bn on behalf of clients, giving it the scale and experience to identify opportunities in a changing world (AUM as of September 2021).

Decarbonisation of global economies is no longer old news; this low carbon trajectory needs to accelerate in order to keep global warming to 1.5C as re-emphasised at the latest COP26. The financial implications of climate change - those that arise from risks due to extreme climate events or stranded assets as well as those that arise from low carbon opportunities – need to be considered as part of investment decisions. Mirae Asset is a supporter of the Task Force for Climate-related Financial Disclosures (TCFD) and also participates in collaborative climate engagement through Climate Action 100+.

Investments

Mirae Asset integrates climate change into its traditional investment strategies through thematic investing, divestments and engagement. In its [Position Statement on Climate Change](#), Mirae Asset set out its position on fossil fuel sectors and its investment policy to phase out exposure through divestment, best-in-class selection or engagement. For example, the firm-wide ESG Restrictive List for the traditional investment business explicitly commits to refrain from investing in thermal coal mining and unconventional oil & gas companies, using revenue thresholds to determine business exposure. For some parts of its portfolio, Mirae Asset also has in place decarbonisation strategies whereby it further excludes companies in thermal coal power generation, and conduct best-in-class selection for oil & gas companies to ensure companies’ decarbonisation commitment aligned to a 1.5C degree scenario.

Mirae Asset assesses climate-related risks as part of its risk management processes for traditional investment strategies. On a monthly basis, Mirae Asset monitors portfolio carbon footprints and targets emissions below the benchmark for portfolios. For some portfolios, it also conducts climate scenario analysis to stress test the impacts of physical and transition risks (image below). For example, Mirae Asset assess the portfolio’s climate value at risk due to physical risks such as floods, droughts, or storms, and provide the portfolio’s value at risk by sector to facilitate more informed investment decision making. By projecting potential future emissions from the portfolio’s exposure to fossil fuel, it also assesses the portfolio’s risks to stranded assets. Projections of renewables capacity for different climate scenarios are also key research inputs it leverages to inform future investment decisions. Mirae Asset is currently looking to roll scenario analysis out more broadly across portfolios and is yet to integrate climate change into strategic asset allocation.



Portfolio value at risk (% change) due to physical climate risks under a 4C scenario, and breakdown by sector, for a specific fund.

Source: ISS ESG, FactSet, Mirae Asset analysis, December 2021

Mirae Asset monitors the temperature alignment for some parts of its traditional investment portfolio and actively engage with investee companies to set 1.5C-aligned targets. For its own operations, Mirae Asset has set decarbonisation targets on its indirect GHG emissions; it aims to reduce its electricity and paper usage by 20% by 2024, compared to 2021. Mirae Asset also has targets for ESG products to take up 15% of all product offerings and 25% of total AUM by 2024¹. It is actively exploring the feasibility and possibility of setting net-zero aligned targets for our investments in the future.

Mirae Asset is working towards undertaking Tier 2 actions within the ICAPs ladder.

FOSSIL FUEL RESERVES

	% Investment Exposed to Fossil Fuels	Total Potential Future Emissions (ktCO2e)	% Coal	% Oil & Gas
PORTFOLIO	5.37%	132	86	14
BENCHMARK	5.55%	1,569	95	5

Transition climate risk analysis, on stranded asset risks from potential future greenhouse gas emissions from fossil fuel reserves, for a specific fund

Source: ISS ESG, FactSet, Mirae Asset analysis, December 2021

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¹ Funds in scope are those managed by Mirae Asset Global Investments (Hong Kong)