Manulife Investment Management

Manulife climate *action* strategies

Seeking *growth* through environmental *action*

The future is carbon neutral. How countries and corporations respond to climate change will be integral to their success. Investors can't afford to ignore how environmental issues will impact their portfolios. Manulife Investment Management has been at the forefront of integrating climate considerations into its stock selection process and continues to be recognized in environmental, social and governance (ESG) investing.[1]

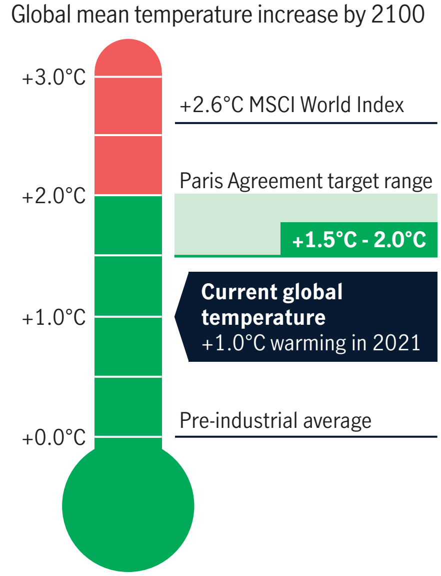
A global commitment to change

Under the Paris Agreement[2], almost 200 countries representing half the global economy have committed to reduce greenhouse gas emissions in an effort to limit global warming to under 2-degrees Celsius compared to pre-Industrial levels by the year 2100.

By using the Paris Agreement as a framework to align investment decisions with climate data, investors have a genuine opportunity to influence climate change and lower environmental risk in their portfolios.

Change in average global temperatures above preindustrial levels by 2100

Global mean temperature increase by 2100



Source Manulife Investment Management, MSCI and SBT. As of December 2021. For illustrative purposes only.

Available on both mutual fund and segregated fund platforms

We consider that the integration of sustainability risks in the decision-making process is an important element in determining long-term performance outcomes and is an effective risk mitigation technique. Our approach to sustainability provides a flexible framework that supports implementation across different asset classes and investment teams. While we believe that sustainable investing will lead to better long-term investment outcomes, there is no guarantee that sustainable investing will ensure better returns in the longer term. In particular, by limiting the range of investable assets through the exclusionary framework, positive screening and thematic investment, we may forego the opportunity to invest in an investment which we otherwise believe likely to outperform over time.

Mitigating Risk

Meeting the ambitious climate change targets will require considerable investment in technology and infrastructure. While this creates opportunities for investors, it will also introduce new risks:

- **Physical risks** to assets posed by climate-related events, as well as associated insurance costs
- **Transitional risk** due to carbon taxes and shifting government policies to fight climate change
- The risk associated with **stranded assets**, assets that have suffered "from unanticipated or premature write-offs, downward revaluations or are converted to liabilities"[3]

Any of these risks could have a significant impact on a company's performance.

Ahead of the curve

Manulife Investment Management's dedication to ESG has been recognized as industry leading by organizations like the UN Principles for Responsible Investment (PRI). In 2020 we received a top rating of A+ from PRI and are one of only 20 investment managers appointed to the PRI 2020 Leaders Group.[4] This team advises the Fundamental equity team and the Global fixed income team to identify companies whose business models include a commitment to reversing the effects of climate change. They also actively engage companies with the goal of improving their ESG practices and to support their transition to low- and net-zero carbon business strategies.

Unlike passive strategies, active managers understand the companies and potential risk to help maximize risk-adjusted returns.

Investors taking notice of ESG

With continued focus on climate risks from governments and citizens, there is reason to believe that companies with a strong plan to reduce their greenhouse gas emissions are not only helping to address climate change but are strengthening their business model. These ambitions are what might help their potential to outperform the market.

To learn more about Manulife Investment Management and ESG investments, please contact your advisor and visit **manulifeim.ca/climate**

Climate Action at the Corporate Level

The shift to carbon neutrality is part of a major shift in thinking that is taking place around the world. Many of the world's largest companies have made public commitments to combat climate change, with many major brands setting goals to reduce emissions while making climate a key factor in financing decisions. Many more are sure to follow, not only out of concern for the environment but also to remain a viable option for the growing numbers of ESG-minded investors.

The power to influence

Drawn by improving risk/return opportunities and a desire to lower their exposure to rising ESG and climate-related risks, investors are increasingly considering environmental factors. In 2020, Canadian ESG assets surged to CAD $3.2 trillion, growing 48% in just 2 years.[5]

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[1] https://www.manulifeim.com/retail/ca/en/sustainable-investing
[2] The Paris Agreement is an international treaty to tackle climate change and its negative impact that came into force in November 2016. The treaty is binding on the 193 parties that have signed it to date. Article 2 of the Paris Agreement provides for the reduction of risk and impact of climate change by holding the increase of global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.
[3] Stranded Assets in Agriculture: Protecting Value from Environment-Related Risks, Caldecott, Howarth, and McSharry, 2013
[4] Source: Most recent PRI Leaders' Group, as of September 18, 2020: https://www.unpri.org/showcasing-leadership/leaders-group-2020/6524.article. In 2021 PRI announced that the 2021 PRI Leaders' Group on Stewardship has been postponed: https://www.unpri.org/the-pri-leaders-group/4771.article
[5] Source: RIA Canada 2020 Canadian RI trends report: https://www.riacanada.ca/research/2020-canadian-ri-trends-report/

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