Materiality assessment summary

Introduction

Materiality assessments are conducted in order to identify the environmental, social, and governance (ESG) factors that are important or that may be financially material to a company’s business. As a steward and investment manager of major timberland and farmland holdings throughout the world, and as an active member of the communities in which we operate, Manulife Investment Management recognizes the importance of sustainable timberland and farmland management. In 2018, our timberland and agriculture businesses commissioned The Delphi Group to conduct an independent, third-party materiality assessment of our business, the results of which are summarized here.

Materiality defined

Manulife Investment Management defines materiality in line with the Global Reporting Initiative (GRI), which describes material issues as those that reflect the organization’s significant economic, environmental, and social impacts or that substantively influence the assessments and decisions of stakeholders. In other words, material information is any information that would affect decisions not only of investors, but also of employees, communities, governments, or other organizations. Understanding material information enables companies to identify risks and opportunities that may not otherwise be identified in ordinary operations.

Materiality assessment process

In order to identify factors material to our timberland and agriculture businesses, Delphi conducted a five-stage assessment process. Secondary research included consultation of general sustainability frameworks (UN
Our timberland and agriculture teams and Delphi were able to identify five main themes that captured each one of the 20 issues identified: climate stability, people empowerment, ecosystem resiliency, watershed protection, and community prosperity. Two issues—ethics and governance and economic performance—were recognized as highly important issues to both Manulife Investment Management and our stakeholders. These cross-cutting issues are applicable to all five themes in many respects: All material sustainability and responsible investing (SRI) issues also need to contribute to economic success and good governance. Ethics and governance enable positive performance on the themes, and economic performance is a result of positive performance on the themes.

**Timberland and agriculture materiality assessment results**

Our timberland and agriculture teams and Delphi were able to identify five main themes that captured each one of the 20 issues identified: climate stability, people empowerment, ecosystem resiliency, watershed protection, and community prosperity. Two issues—ethics and governance and economic performance—were recognized as highly important issues to both Manulife Investment Management and our stakeholders. These cross-cutting issues are applicable to all five themes in many respects: All material sustainability and responsible investing (SRI) issues also need to contribute to economic success and good governance. Ethics and governance enable positive performance on the themes, and economic performance is a result of positive performance on the themes.

| 1 Research | Conducted primary and secondary research to develop an extensive list of material issues |
| 2 Consolidate | Consolidated extensive list of material issues based on:  
- Relevancy and importance to Manulife Investment Management’s stakeholders  
- Prevalence with industry peers  
- Frequency of appearance from across the various sources |
| 3 Evaluate | Developed a preliminary materiality matrix and evaluated issues based on:  
- Input from Manulife Investment Management’s timberland and agriculture SRI team  
- Evaluation of issues as driving vs. enabling  
- Manulife Investment Management’s risk assessments  
- SASB’s materiality framework  
- Defining the scope and business activities to include  
- Identifying the degree of specificity of issues (i.e., granularity) |
| 4 Test | Tested draft list of material issues with stakeholders and gained further insight from:  
- Manulife Investment Management’s timberland and agriculture SRI team  
- Manulife Investment Management’s timberland and agriculture actions and metrics team  
- Manulife Investment Management’s timberland and agriculture senior leadership  
- Manulife Investment Management’s timberland and agriculture investors |
| 5 Refine | Refined material issues list and matrix based on:  
- Input from Manulife Investment Management’s stakeholders  
- Defining the issues that are important to the businesses, stakeholders, and both groups together |
After identifying these five themes and the underlying material issues for our business, we built our sustainability strategy on them. These five themes represent the operational areas of risk and opportunity most critical for the success of our timberland and agriculture businesses and collectively form our timberland and agriculture ESG investing strategy. At Manulife Investment Management, SRI animates everything we do. Rather than ideals, we recognize SRI and its five themes as essential strategies to maximize value and, as such, embrace them as core guiding principles in our timberland and agriculture businesses.

1 Climate stability—We seek to limit the impacts of climate change by responsibly using and managing land, creating carbon sequestration opportunities with our forests and farms, and mitigating climate change through investing in renewables and energy efficiency.

2 People empowerment—We value our people, employees, and contractors and work to ensure that we’re offering not only safe and healthy working environments but the tools, training, and support they need to thrive.

3 Ecosystem resiliency—Healthy ecosystems provide immense value to the vitality of communities and economies. To ensure this for generations to come, we operate in a way that responsibly manages land and protects sensitive lands and biodiversity.

4 Watershed protection—Protecting and improving watersheds is vital for the ecosystems and communities that depend on them. We do this by protecting sensitive lands, adhering to strict water and land management policies and best practices, and supporting forest growth.

5 Community prosperity—We’re committed to supporting and strengthening the local and indigenous communities in which we operate. We provide employment opportunities and public use of our land, engage with non-governmental organizations, and support local causes as part of our community stewardship.
Manulife Investment Management

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. These risks are magnified for investments made in emerging markets. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a portfolio’s investments.

The information provided does not take into account the suitability, investment objectives, financial situation, or particular needs of any specific person. You should consider the suitability of any type of investment for your circumstances and, if necessary, seek professional advice.

This material, intended for the exclusive use by the recipients who are allowable to receive this document under the applicable laws and regulations of the relevant jurisdictions, was produced by, and the opinions expressed are those of, Manulife Investment Management as of the date of this publication, and are subject to change based on market and other conditions. The information and/or analysis contained in this material have been compiled or arrived at from sources believed to be reliable, but Manulife Investment Management does not make any representation as to their accuracy, correctness, usefulness, or completeness and does not accept liability for any loss arising from the use of the information and/or analysis contained. The information in this material may contain projections or other forward-looking statements regarding future events, targets, management discipline, or other expectations, and is only as current as of the date indicated. The information in this document, including statements concerning financial market trends, are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Manulife Investment Management disclaims any responsibility to update such information.

Neither Manulife Investment Management or its affiliates, nor any of their directors, officers or employees shall assume any liability or responsibility for any direct or indirect loss or damage or any other consequence of any person acting or not acting in reliance on the information contained herein. All overviews and commentary are intended to be general in nature and for current interest. While helpful, these overviews are no substitute for professional tax, investment or legal advice. Clients should seek professional advice for their particular situation. Neither Manulife, Manulife Investment Management, nor any of their affiliates or representatives is providing tax, investment or legal advice. Past performance does not guarantee future results. This material was prepared solely for informational purposes, does not constitute a recommendation, professional advice, an offer or an invitation by or on behalf of Manulife Investment Management to any person to buy or sell any security or adopt any investment strategy, and is no indication of trading intent in any fund or account managed by Manulife Investment Management. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification or asset allocation does not guarantee a profit nor protect against loss in any market. Unless otherwise specified, all data is sourced from Manulife Investment Management.

Manulife Investment Management

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship to partner with clients across our institutional, retail, and retirement businesses globally. Our specialist approach to money management includes the highly differentiated strategies of our fixed-income, specialized equity, multi-asset solutions, and private markets teams—along with access to specialized, unaffiliated asset managers from around the world through our multimanager model.

This material has not been reviewed by, is not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions. Additional information about Manulife Investment Management may be found at manulifeim.com/institutional.


Manulife, Manulife Investment Management, Stylized M Design, and Manulife Investment Management & Stylized M Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.