

Timberland and agriculture

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

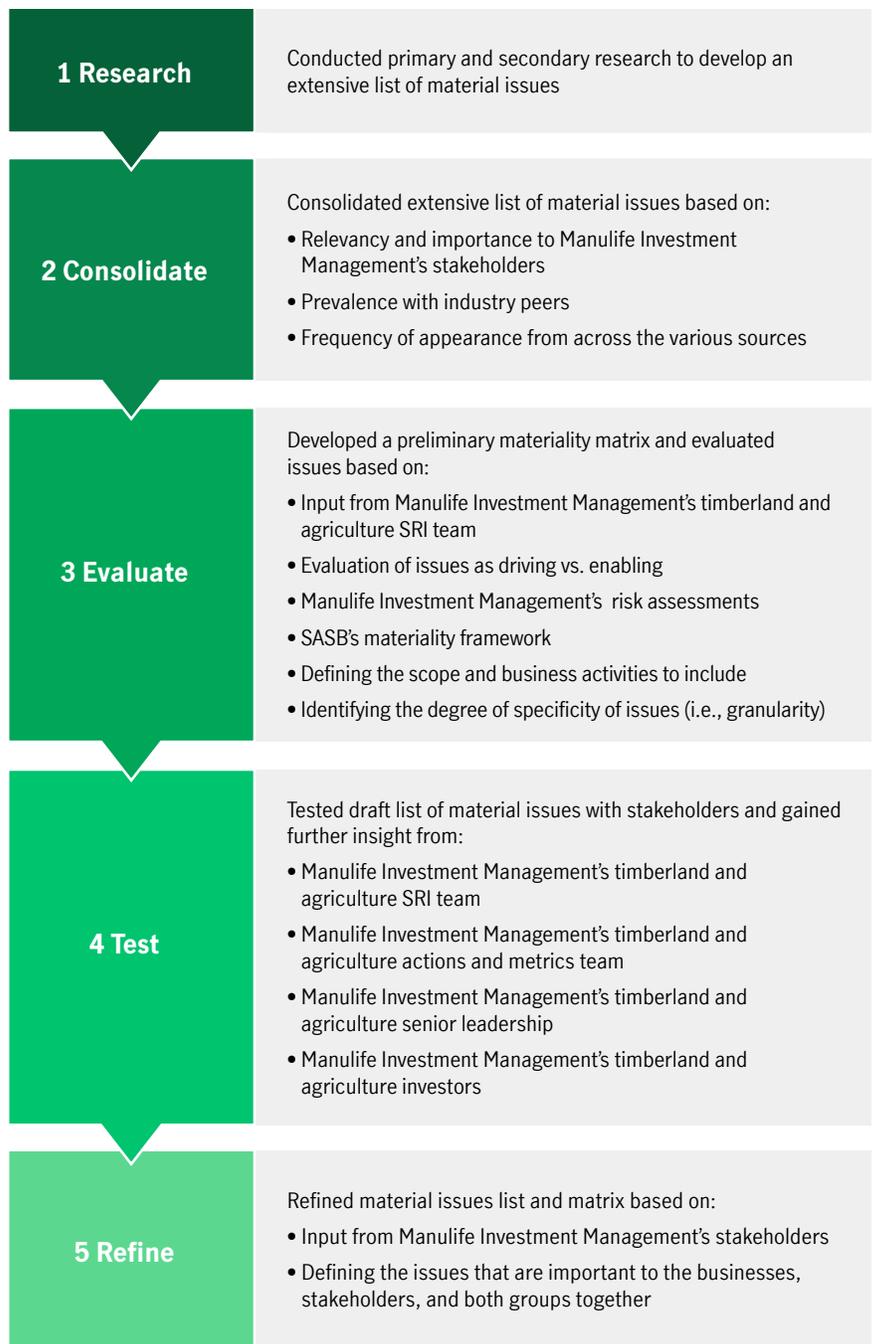
Manulife Investment Management defines materiality in line with the Global Reporting Initiative (GRI), which describes material issues as those that reflect the organization's significant economic, environmental, and social impacts or that substantively influence the assessments and decisions of stakeholders.¹ 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



PRI, GIIN, GRI, DJSI), as well as specific frameworks for forestry and agriculture (SASB forestry, FAO, SPOTT, Montreal Compact, etc.) and peers' sustainability reports. Primary research included consultation of multiple internal timberland and agriculture teams and working groups, as well as operational risk assessments and investor requests for information. Over 70 issues were identified in the research phase, which were consolidated into 27 issues. These issues were then analyzed using a modified SASB framework that evaluated them in five respects: direct financial impacts and risks; legal, regulatory, and policy drivers; industry norms, best practices, and competitive drivers; stakeholder concerns and social trends; and opportunities. After further consolidation into 22 issues, the assessment was presented to Manulife Investment Management's timberland and agriculture leadership team. After feedback from the team and further testing through discussion with investors and a materiality survey of more than 60 employees, the list was further refined into 20 issues, which were ranked based on their importance to our timberland and agriculture businesses and their importance to stakeholders.

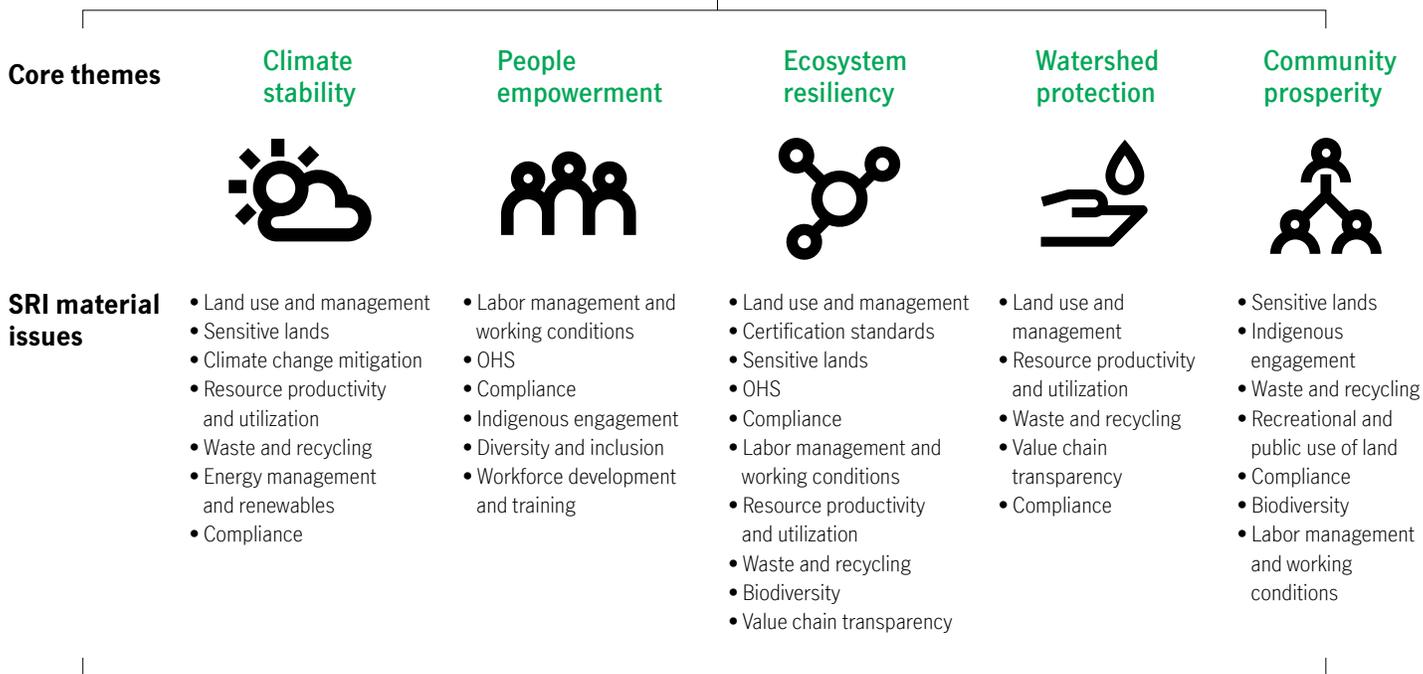


Timberland and agriculture materiality assessment results

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.

Economic performance—sustainable food and fiber



Ethics and governance

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.

1 <https://www.globalreporting.org/how-to-use-the-gri-standards/questions-and-answers/materiality-and-topic-boundary/>

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