

Sustainable investing

Real assets 2022

All information in this report is as of December 31, 2022,
unless otherwise indicated. Report published October 2023.

Opportunities for *impact*

I'm proud to introduce our second real assets sustainable investing report covering our capabilities in real estate, timberland, and agriculture. We've long believed that the benefits offered by the sustainable management of these assets can generate continuous value going forward—for our investors, but also for the communities in which we operate and for society at large. Our experience of both investing in and operating these assets has provided us with deep insight into understanding material environmental, social, and governance factors affecting these assets over the long term.

Real assets investments are valued for providing diversification benefits, inflation protection, and stable yield. Increasingly, they're also valued for their potential to provide solutions to pressing global challenges. Real estate, timberland, and agriculture are foundational for meeting basic and ever-present human needs and will play critical roles in helping regulate the long-term human impact on climate and nature. Furthermore, they provide a rich source of opportunity for community engagement, rural employment, and, ultimately, social resilience.

We're working to advance sustainability practices across the industry while simultaneously identifying areas for improvement. As an early participant in the [GRESB Real Estate Assessments](#), we played a role in helping to establish the GRESB benchmark, providing leadership on how to decarbonize buildings around the globe. Our timberland management practices are informed by participation in eight university cooperative research programs related to forest tree improvement, forest productivity, forest health, and growth and yield. We're proud of the role we played in supporting the establishment of [Leading Harvest](#), the first sustainability standard for agriculture that can be applied across crop types, geographies, and management systems.¹

We firmly believe that well-thought-out, consensus-driven sustainability standards will withstand scrutiny from market participants and regulators, but it's important for investors to look beneath the surface of sustainability claims. We often say that sustainability in real assets isn't just about how investments are managed, but also about the outcomes these investments help achieve. As the world's largest investment manager of natural capital,² we believe we're well positioned to help accelerate the use of nature-based solutions being sought by clients in the effort to adapt to and mitigate the effects of climate change. Having sold over 6 million carbon credits³ and managing two active carbon projects, and following the launch of our forest climate strategy in 2022, we constantly strive to find new opportunities that may thrive—and help our investors pursue their financial and impact goals—in the new carbon economy.

Our approach to sustainable investing rests on three pillars: integration, stewardship, and collaboration. In our real estate investments, we focus on building strong relationships with companies, sponsors, and co-investors that enable a meaningful approach to sustainability and can enhance our influence over key assets and portfolio companies. Where we invest and operate assets in our timberland and agriculture portfolios, we can work directly to raise the bar of sustainable investing and stewardship to enhance the value of our clients' assets, and as a result, have a positive impact for all our stakeholders.

I hope you find this report useful as a guide to our sustainability-focused activities across our real assets portfolios, and we welcome comments and questions that enable further discussion about our capabilities and our readers' investment objectives.

Christoph Schumacher

Global Head of Real Assets, Private Markets, Manulife Investment Management

¹ Manulife Investment Management's timberland and agriculture team (then operating as Hancock Natural Resource Group) is a founding member of Leading Harvest. In addition, Oliver S. Williams IV, CFA, global head of agriculture, is current chair of the board of directors for Leading Harvest. For more information on Leading Harvest, please see leadingharvest.org/about. ² IPE research, as of February 5, 2023. Ranking is based on total natural capital assets under management (AUM), which includes forestry/timberland and agriculture/farmland AUM. Firms were asked to provide AUM, and the as of dates vary from December 31, 2021, to December 31, 2022. ³ As of December 31, 2022.

The road *ahead*

Some systemic risks are so material that they threaten the continued smooth and sustainable operation of the economy, our society, and even the planet, and many that we face today have their origins in environmental or social issues. As asset managers and subordinate to our fiduciary duty, we believe we have a role in addressing such challenges. In addition to assessing the immediate and clear risks we face, we have to evaluate second- and third-order effects that could carry significant economic, environmental, and social consequences, and we try to avoid or mitigate the materialization of those risks by using all the levers at our disposal.

We believe in tackling current challenges through stewardship activities focused on addressing systemic risk. That's why we worked collaboratively with industry peers and nonprofit organizations to develop new sustainability standards such as Leading Harvest, an outcome-based sustainability standard for agriculture that provides a scalable, industrywide response to the demand for sustainability assurance in agriculture. That was back in 2017, and now our entire U.S. agriculture platform has been certified to the Leading Harvest Farmland Management Standard¹ and we're seeking certification in our other locations as the standard expands to more countries.

As growing numbers of institutional investors view real assets as a potential aid to meeting net zero targets, and understand the potential benefits of putting their capital to work to generate positive effects for our global society, we're working to expand our product offering in terms of carbon-focused projects, and impact-focused investments more broadly. These solutions aim to provide investors with an increasing number of opportunities to meet both their financial and sustainability goals.

Just as our stewardship extends to engagement with investee companies to encourage a more resilient operating environment across multiple pillars of action, we also believe it's incumbent on us to offer education to our investor stakeholders around sustainability

principles and practices—and to lead by example. We're aligned with our parent company, Manulife, which has allocated a CAD\$3.5 million investment over two years to advance toward its diversity, equity, and inclusion (DEI) goals. We share the belief that our business, and by extension our clients, stand to benefit from the varied perspectives, skill sets, and ideas that a diverse workforce can bring. By working to cultivate an inclusive workplace in which all of our colleagues are inspired to bring their authentic selves to work and that enables them to thrive personally and professionally, we believe we're best able to serve our customers, business partners, and communities.

I'm convinced that we can continue to improve our management of systemic risks by addressing challenges through our investment stewardship. As responsible investors, we're building strong relationships that enable us to share our experience and research capabilities, and we'll continue to educate as many stakeholders as possible on the positive effects of sustainable investing.

Brian Kernohan

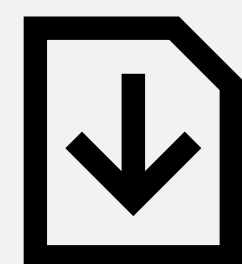
Chief Sustainability Officer, Private Markets, Manulife Investment Management

“Our world is facing three pressing global challenges: the climate emergency, the loss of nature and growing inequality. Each of them, on its own, can endanger the safe operating space for humanity and the planet, as well as the license to operate for business.”

“Vision 2050: Time to Transform,”
World Business Council for Sustainable Development, March 25, 2021.

¹ Certification as of June 2022, by Leading Harvest and is based on an annual assessment of the conformation to the Farmland Management Standard. Most current data shown. Please see [leadingharvest.org](https://www.leadingharvest.org).

Choose your asset class



Click below to read the timberland, agriculture, and real estate reports.



Alternatively, visit Manulife Investment Management's [sustainability website](#) to download individual reports.

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The case study/ies shown here are for illustrative purposes only, do not represent all of the investments made, sold, or recommended for client accounts, and should not be considered an indication of the ESG integration, performance, or characteristics of any current or future Manulife Investment Management product or investment strategy.

Manulife Investment Management conducts many ESG engagements each year but does not engage on all issues or with all issuers in our portfolios. We also frequently conduct collaborative engagements in which we do not set the terms of engagement but lend our support in order to achieve a desired outcome. Where we own and operate physical assets, we seek to weave sustainability into our operational strategies and execution. The case studies shown are illustrative of different types of engagements across our in-house investment teams, asset classes and geographies in which we operate. While we conduct outcome-based engagements to enhance long-term financial value for our clients, we recognize that our engagements may not necessarily result in outcomes which are significant or quantifiable. In addition, we acknowledge that any observed outcomes may be attributable to factors and influences independent of our engagement activities. The case studies shown are a sampling across issues and geographies. Our approach to ESG investing and incorporation of ESG principles into the investment process differs by investment strategy and investment team. It should not be assumed that an investment in the company discussed herein was or will be profitable. Actual investments will vary and there is no guarantee that a particular fund or client account will hold the investments or reflect the characteristics identified herein. Please see our ESG policies for details.

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.

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.

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Manulife Investment Management

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