

# Climate-related financial disclosure

Manulife Investment Management  
(Europe) Limited

June 2024



## Compliance statement

The disclosures in the report, including group disclosures cross-referenced in it, comply with the requirements contained within the Financial Conduct Authority's (FCA) rules on the disclosure of climate-related financial information '[ESG 2.2 TCFD entity report](#)' and other relevant sections of the FCA's [ESG Environmental, Social and Governance sourcebook](#). This report may be read in conjunction with the relevant sections of Manulife Investment Management's latest [climate-related financial disclosures](#) report.

/s/ Peter Mennie

**Peter Mennie, ASIP**

Chief Sustainable Investment Officer, Public Markets

June 28, 2024

This disclosure sets out how we incorporate climate-related risks and opportunities into investment oversight through appropriate governance, strategy, risk management, and metrics and targets. They are aligned with our firmwide disclosures and we therefore consider them to be relevant to Manulife Investment Management (Europe) Limited and the assets which it manages in relation to its TCFD in-scope business<sup>1</sup>.

TCFD pillar	TCFD recommended disclosure	Response
<b>Governance</b>	a) Describe the board's oversight of climate-related risks and opportunities	Manulife's climate strategy is overseen by its executive sustainability council (ESC), which is in turn overseen by the corporate governance and nominating committee (CGNC) of the Manulife board. The CEO and president of Manulife Investment Management, Paul R. Lorentz, is a member of the ESC. This council brings together representatives from multiple businesses and functional areas across Manulife to drive the development of the firm's overall climate strategy, risk management activities on climate-related matters, performance tracking, and disclosures.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Manulife Investment Management's climate strategy for third-party clients is set by our two sustainable investing committees (SICs), one for public markets investments and the other for private markets investment. The heads of the public and private markets investments chair their respective SICs with membership drawn from Manulife Investment Management's leadership team. The SICs oversee our teams' sustainable investing activities and support the implementation of our sustainable investing and sustainability risk statement.  Sustainability-related key performance indicators (KPIs) are factored into our annual employee performance review and remuneration metrics. Accordingly, each team is expected to contribute to the firm's advancement in sustainable investing overall and adhere to research processes that integrate sustainability considerations.
<b>Strategy</b>	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	We aim to identify climate risks and opportunities over various time frames, in alignment with our fiduciary responsibility, and reflect their financial or other impact in our investment analysis while mitigating the impact through our stewardship approach.
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	We take a variety of actions to appropriately account for climate-related factors in each asset class according to its internal investment process, technical, and market dynamics along with its regional expression. This work occurs throughout our sustainability integration process, engagement strategies, and the development of climate-focused investment frameworks.
	c) Describe the resilience of the organization's strategy, taking into consideration of different climate-related scenarios, including a 2°C or lower scenario.	We conduct scenario analysis across uncertain future pathways and seek to understand the potential impact of different climate scenarios on our investment strategies and assets we manage and operate. We engage with regulators and policymakers, investee companies, and our peers in financial markets to address climate change systematically. We believe this builds resilience into our portfolios and for all our stakeholders, from our employees to our clients and the communities in which we operate.

<sup>1</sup> We do not delegate any investment management activities to third-party managers for the portfolios in-scope of this report.

<b>Risk management</b>	a) Describe the organization's processes for identifying and assessing climate-related risks.	<p>Our processes for identifying climate risks are supported by our policies and engagement practices. Manulife Investment Management's Climate Change Statement outlines our position on identifying, managing, and integrating climate risks and opportunities in our investment processes. In parallel with this statement, Manulife's environmental risk policy, updated in 2023, sets out an enterprise-wide framework for the management of environmental risks within our operating business activities and owned assets.</p> <p>Manulife Investment Management identifies and assesses climate risks in our clients' investment portfolios through public disclosure and third-party sources, as well as through our own research, company engagement, and collaborative initiatives. As a component of risk management, we also conduct climate scenario analyses.</p>
	b) Describe the organization's processes for managing climate-related risks.	As stated in Manulife Investment Management's climate change statement, we may take a variety of actions toward managing climate-related risks and opportunities across our investments. Broadly summarized, our available actions relate to asset allocation and selection, investment analysis and research, proxy voting, mitigating direct GHG emissions, deploying sustainability management best practices for operated assets, and participating in collaborative engagements focused on climate initiatives.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate risks are integrated into our overall approach to risk management, with overlapping lines of defence. We believe this approach helps ensure that we understand the extent of these risks in our clients' portfolios and for the assets we manage and operate.
<b>Metrics and targets</b>	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>We use a variety of metrics to manage climate alignment, including green investments, corporate carbon footprinting, emissions reduction targets, climate value at risk (climate VaR) and portfolio warming potential, sovereign climate risks, and monitoring strategy-level emissions.</p> <p>As an investor and operator of assets, we assess climate risk and seek to reduce our emissions or use our influence to encourage the companies we invest in to reduce their GHG emissions and align their business models with the realities of a changing climate. We also partner with other investors and industry experts to tackle climate change on a broader scale. By working collaboratively with peer investors, we're strengthening our potential ability to reduce systemic climate change risks and realize the economic benefits of the low-carbon transition.</p> <p>We also use various tools to manage physical and transition risk, such as scenario analysis and carbon footprinting.</p>
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Page 5 of this report – 'Emissions profile of in-scope portfolios'
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Page 5 of this report – 'Targets'

## Metrics & Targets

We have calculated our carbon footprint using the [Partnership for Carbon Accounting Financials](#) methodology first edition, which has gained traction in the market and among standards-setting bodies. To achieve a more representative footprint, we removed securities that lack emissions data, such as cash, derivatives, and other noncorporate issues, and focused the calculation on securities that have underlying carbon and EVIC figures.

### Emissions profile of in-scope portfolios

GHG emissions	Value	Unit of measurement	Coverage (%)
Scope 1 and Scope 2 GHG emissions	43,565.4	Metric tons	65.6
Scope 3 GHG emissions	112,618.2	Metric tons	49.1
Total GHG emissions	156,183.6	Metric tons	49.1
Total carbon footprint	533.8	Metric tons per \$1M AUM contribution	49.1
Weighted-average carbon intensity (WACI)	190.7	Metric tons per \$1M revenue	65.6

Source: Manulife Investment Management, Trucost. Figures presented in the value column are based on aggregate assets under management of all in-scope equity and fixed income portfolios. Coverage is driven by data provided by S&P Trucost.

## Scenario analysis

### Firmwide approach to climate-related scenario analysis

The climate-related risks and opportunities that we identify as material are integrated into our investment process and managed in our business strategy and planning. In our integration process, we focus on attractive risk-adjusted returns and resiliency over the long term. We factor in differences across asset classes, industries, geographies, and operating models, and as climate science evolves, so too does our approach.

There's no single dataset that perfectly captures the risks of climate change effects. For this reason, we apply an active approach to internal and third-party data and use tools that we complement with our own industry knowledge and firsthand experience. This expertise is built through engagement to understand companies' vulnerabilities and strengths and through our own stewardship efforts in which we seek to understand the full spectrum of risks and opportunities related to the assets we manage and operate.

We develop differentiated analytical techniques, including scenario analysis, to inform our security selection and valuation; scenario analysis can also inform portfolio positioning. Within the firm, investment teams that use scenario analysis typically apply the 1.5°C, 2°C, 3°C, and 4°C scenarios; in many instances, these are complemented by the inclusion of carbon pricing and assessment in their analysis. However, we also go beyond buy and sell decisions to include engagement focused on climate action and active stewardship in our investment process.

### Scenario analysis for in-scope portfolios

To understand how physical and transition risks could affect different sectors in the future, we use climate change analysis scenarios prepared by MSCI. This covers scenarios in three categories: 'orderly', 'disorderly', and 'hot house world'. Each outlines a different possible climate pathway and its likely outcome by 2100.

Scenario analysis	Portfolio impact (%)	Coverage (%)
Orderly transition	-10.91	73.8
Disorderly transition	-8.60	73.8
Hot house world	-6.06	73.8

Source: Manulife Investment Management, MSCI. Figures presented under portfolio impact are based on aggregate assets under management of all in-scope equity and fixed income portfolios. Coverage is driven by data provided by MSCI.

## Targets

We seek to incorporate material sustainability considerations, including climate-related risks and opportunities, throughout the stages of investment and asset ownership lifecycles, taking into account the characteristics of the asset class and investment process in question, as well as industry and geography, among other factors.

Each investment team operates in different markets and with different approaches to investing. Accordingly, each team integrates sustainability and climate-related factors into its investment process in a manner that best aligns with its investment approach. Exception to this are strategies where a sustainability integrated investment approach is impractical or impossible, for example, in relation to certain instrument types where sustainable comparable alternatives are unavailable, passive products, funds that invest in derivative instruments, products managed in accordance with specific client objectives, and delegation to third-party investment managers.

## Glossary

---

Scope 1 GHG emissions	Direct GHG emissions that occur from sources that are owned or controlled by the company.
Scope 2 GHG emissions	GHG emissions from the generation of purchased electricity consumed by the company.
Scope 3 GHG emissions	GHG emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.
Total GHG emissions	Total of Scope 1, 2, and 3 GHG emissions.
Total carbon footprint	Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO <sub>2</sub> e/\$M invested.
Weighted average carbon intensity (WACI)	Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO <sub>2</sub> e/\$M revenue.
Orderly transition	Orderly transition scenarios assume climate policies are introduced earlier and gradually become stricter. In this scenario, worldwide GHG emissions will reach net zero by 2050, and there is a higher likelihood that global warming is likely to be less than 2°C higher than pre-industrial levels. There are two key transition objectives: to significantly reduce the GHG emissions from the global energy sector (known as decarbonisation) by shifting from burning fossil fuels to using renewable energy, and to electrify energy usage in high carbon-emitting sectors.
Disorderly transition	Disorderly transition scenarios assume climate policies are delayed until after 2030. Because the shift from fossil fuels to renewables remains slow and climate policies are implemented later, with emissions continuing to rise in the meantime, the transition would need to happen from a higher emissions level over a shorter period of time to limit global warming below 2°C. A sharper transition would be less coordinated, more complex and more costly. Physical risks would also be higher than in an orderly transition.
Hot house world	Hot house world scenarios assume that current policies stay the same. Paris Agreement commitments aren't met, and emissions and temperatures continue to rise. This causes severe physical risks, as well as social and economic disruptions. In these scenarios, the temperature will rise to over 3°C by 2100.
Portfolio impact	Estimate of the impact of such a scenario on the returns of the assets in-scope of this analysis, based on currently available data.
Coverage	Percentage of assets in-scope and subject to the analysis.