



# Investing beyond today

Hancock Natural Resource Group  
**2018 Report on Sustainability and Responsible Investing**



*A Manulife Asset Management Company*

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*On Our Front and Back Cover: One of HNRG's macadamia orchards in Australia  
Picture Below: HNRG forest in North East Washington in Kent Ridge*



We manage our assets as good stewards of the land, the environment, and the community on behalf of our investors.

A Message from Our Chief Executive Officer

# Welcome to Hancock Natural Resource Group's inaugural Report on Sustainability and Responsible Investing.



We are pleased to share this important report with our stakeholders and take the opportunity to introduce Sustainability and Responsible Investing.

HNRG is in the business of sustainably producing food and fiber for the benefit of our clients, who represent thousands of people – beneficiaries of the investments we manage. We believe that we have a clear responsibility to make a positive contribution to society that goes beyond our financial performance. Sustainability and Responsible Investing is our commitment to do just that and is in full support of Manulife's mission to do the same.

SRI is our commitment to conducting all of our business activities in a manner which recognizes the need to preserve and enhance the quality of our environment and local communities, empower our people, and provide market rate returns for our clients. Simply put, SRI is who we are and how we do business. We view SRI as essential strategies to maximize value and as such, we embrace them as core guiding principles.

While this is our first SRI Report, our commitments to SRI began over 20 years ago. We achieved our first third-party forest certification of a timberland asset in 1999, and in 2002 we became the first timberland investment manager in North America to be certified to the Sustainable Forestry Initiative® program. We have planted over 1 billion trees and today manage all eligible timberland investments to meet third-party sustainability standards. We signed the Equator Principles in 2005, and in 2015 we became a signatory to the UN Principles for Responsible Investment.

We are proud of these achievements. They are HNRG's SRI foundation and evidence of the positive impact in the world our people make every day. But, we also know there is much more to do. In the past year, we formalized SRI across our business and are defining our market position as a responsible investor. We committed to completing greenhouse gas emissions accounting for all our operations and gather baseline data for SRI priorities. We formed a Diversity and Inclusion Committee with the goal to promote and foster a greater sense of inclusion within the organization. Continuing this work will be an important focus in the upcoming year, and we look forward to sharing our progress as we go.

Thank you for your interest in reading about SRI at HNRG. We welcome your feedback and participation.

A handwritten signature in black ink that reads "W. E. Peressini". The signature is fluid and cursive.

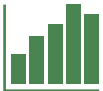
**William E. Peressini**  
President and Chief Executive Officer

# Introduction

## About Our Report

Stewardship and sustainability are integral to Hancock Natural Resource Group (HNRG)'s business and culture and have been since our founding in 1985. At HNRG, we deliver economic performance through sustainably producing food and fiber. We believe stewardship of people and the environment is good business. We manage assets on behalf of our investors as good stewards of the land, the environment, and our communities. We call this Sustainability and Responsible

Investing (SRI), and it is a common commitment and philosophy that spans across our diverse global portfolio of farms and forests. In this report – our inaugural Sustainability and Responsible Investment Report – we are pleased to share our SRI story: our history of stewardship, the ways we embed SRI in our actions as an integrated natural resource investment manager, our commitment to our people and the communities in which we operate, and our future endeavors.



**\$14.1B**

USD \$14.1B assets under management



**5.9M**

Manage 5.9M acres of forests and 280K acres of farms<sup>1</sup>



**5.9M**

Certified 5.9M acres of forests by a third-party



**460K**

Protected 460K acres of sensitive lands



**4.1M**

Sold over 4.1M tonnes in carbon credits



**1B**

Planted over 1B trees

<sup>1</sup> HNRG manages 5,950,152 acres/2,407,943 hectares of forests and 279,750 acres/113,211 hectares of farmland. Figures are as of September 30, 2018. Numbers in the above graphic are as of September 30, 2018.

## About HNRG

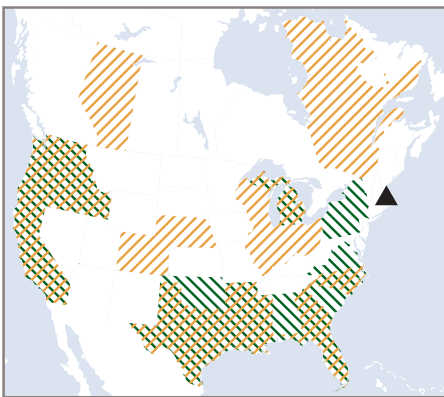
HNRG is a registered investment adviser and wholly owned subsidiary of Manulife Financial Corporation. HNRG is one of the world's largest natural resource managers for institutional investors, conducting business through two divisions, Hancock Timber Resource Group (HTRG) and Hancock Agricultural Investment Group (HAIG). We manage a diverse global portfolio of farms and forests located in Australia, Canada, Chile, New Zealand, and the United States. We integrate our investment offerings with high quality property management operations in each of these countries through our subsidiaries, affiliate companies, or investor owned entities.

These include: Hancock Forest Management (HFM), Hancock Forest Management New Zealand (HFM NZ), Hancock Farmland Services (HFS), Farmland Management Services (FMS), Hancock Farmland Services Australia (HFSA), Farmland Management Services Australia (FMSA), Manulife Farmland Services Canada (MFSC), Hancock Queensland Plantations (HQP), Hancock Victorian Plantations (HVP), and Hancock Chilean Plantations (HCP). As of September 30, 2018, HNRG's assets under management are approximately USD \$14.1 billion.

## HNRG Investments

Total Timber  5,950,152 acres / 2,407,943 hectares  
 Total Farm  279,750 acres / 113,211 hectares

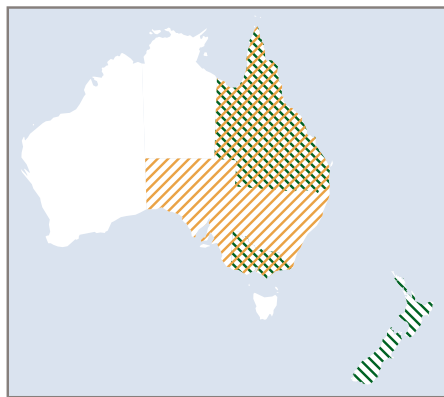
### United States & Canada



 3,762,829 acres / 1,522,764 hectares  
 266,560 acres / 107,873 hectares

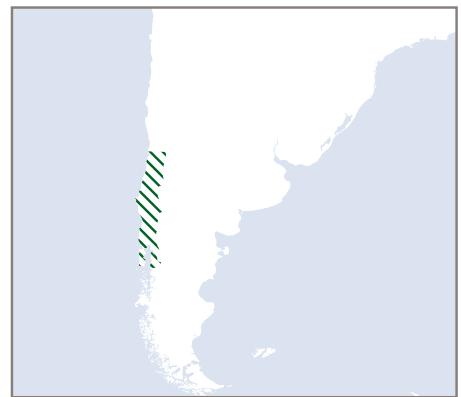
▲ Headquarters – Boston, MA

### Australia & New Zealand



 2,025,718 acres / 819,780 hectares  
 13,190 acres / 5,338 hectares

### Chile



 161,605 acres / 65,399 hectares

Acres and hectares listed above are as of September 30, 2018 and include HNRG's subsidiaries.

# Our Approach to Sustainability and Responsible Investing (SRI)

## Our Approach to SRI

As a steward of agricultural and forest holdings globally, we understand the importance of sustainability to forest and farmland management. We define sustainability as the continued existence and use of natural resources that meets the needs of the present without compromising the environment's capacity to provide for future generations. We believe that conducting business in a sustainable and responsible way can lead to long-term attractive returns for our investors, employees, communities, society, and environment. To achieve this, we integrate sustainability

throughout our entire business, from the assets we invest in to how we manage the land to the way we support our people and conduct business from day-to-day.

As a manager of natural resources, our Stewardship Principles guide our commitments and actions for how we responsibly manage the soil, air, water resources, biodiversity, wildlife, and aquatic habitat, and support climate change mitigation across the forest and farmland we manage.

### The Value of SRI



For illustrative purposes only.

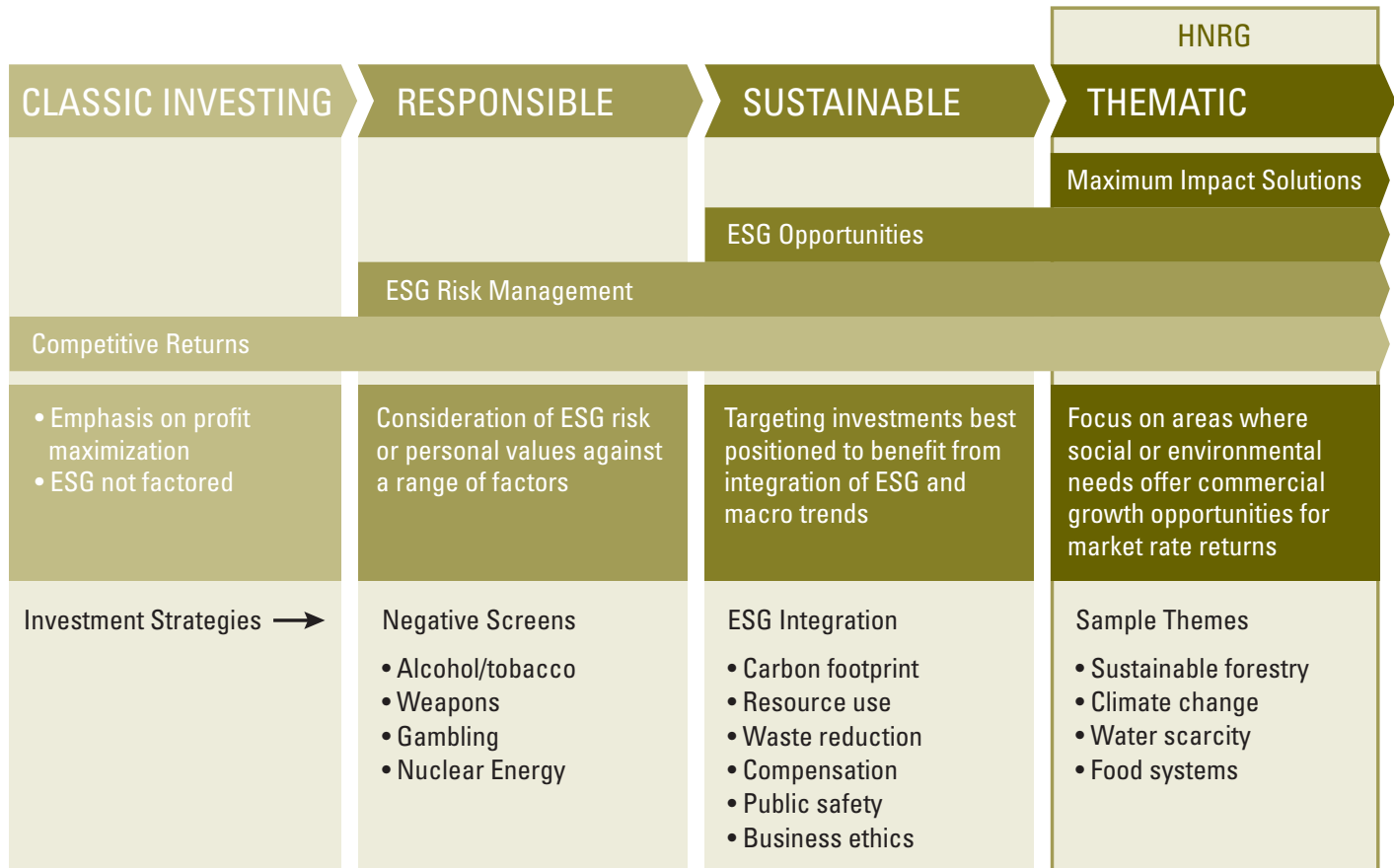
Signatory of:



As an investment manager, we focus on areas where meeting environmental and/or social needs offer commercial growth opportunities for market rates of return. This is considered a **thematic** investment strategy on an Impact Investing Spectrum. Beyond our investment management focus, we are formalizing our approach to integrating

environmental, social, and corporate governance (ESG) issues into our investment analysis and our due diligence process. We adhere to the International Finance Corporation’s Equator Principles, are a signatory to the UN Principles for Responsible Investment (PRI), and are a member of the Global Impact Investing Network (GIIN).

## Impact Investing Spectrum <sup>2</sup>



<sup>2</sup> This diagram is a variation of Sonen Capital’s adaptation of Bridges Venture (2012) Sustainable & Impact Investment: How we define the market. As a Thematic investment manager, HNRG focuses on impact investing strategies that do not compromise market rate returns. There is no guarantee of competitive or market rate returns.

# Governance & Ethics

Strong governance and ethics are foundational to all aspects of our business, including our SRI activities, and create long-term value for our stakeholders. We are committed to the highest ethical and professional standards and all our employees must follow our Code of Ethics. The Governance and Compensation Committee assists the Board in overseeing the company’s governance processes, managing asset allocations, and conflicts of interest, and evaluating performance and compensation programs of senior management. The Board of Directors’ Audit Committee oversees the financial management, ethics, risk management, and the independent audits of HNRG.

and receive regular updates from senior management. Our Chief Sustainability Officer, Brian Kernohan, is responsible for developing and overseeing HNRG’s SRI strategy, initiatives, and performance. Directors of Investment are responsible for the development of our responsible investing approach and integrating social, environmental, and economic considerations into our investment analysis process. Directors of Operations implement our stewardship practices, health and safety, and community initiatives, which are carried out by our employees across our forest and farm operations. HNRG maintains an active and engaged Global Stewardship Team that creates and ensures adherence to a comprehensive set of our SRI and corporate governance guidance frameworks.

SRI is governed at all levels of the organization. The CEO, Bill Peressini, and our Board of Directors have oversight of SRI

## Economic Performance, Sustainable Food and Fiber





# Our SRI Priorities

In 2018, we undertook a materiality process to formalize our SRI priorities. During our process we evaluated the most important sustainability issues facing our business and gathered input on issues of importance from our key stakeholders – our employees and investors. The results

of our assessment led us to form our five SRI themes: Climate Stability, People Empowerment, Ecosystem Resiliency, Watershed Protection, and Community Prosperity. Through our actions across these themes, we aim to create sustainable long-term value.



## 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.



## People Empowerment

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



## 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.



## 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.

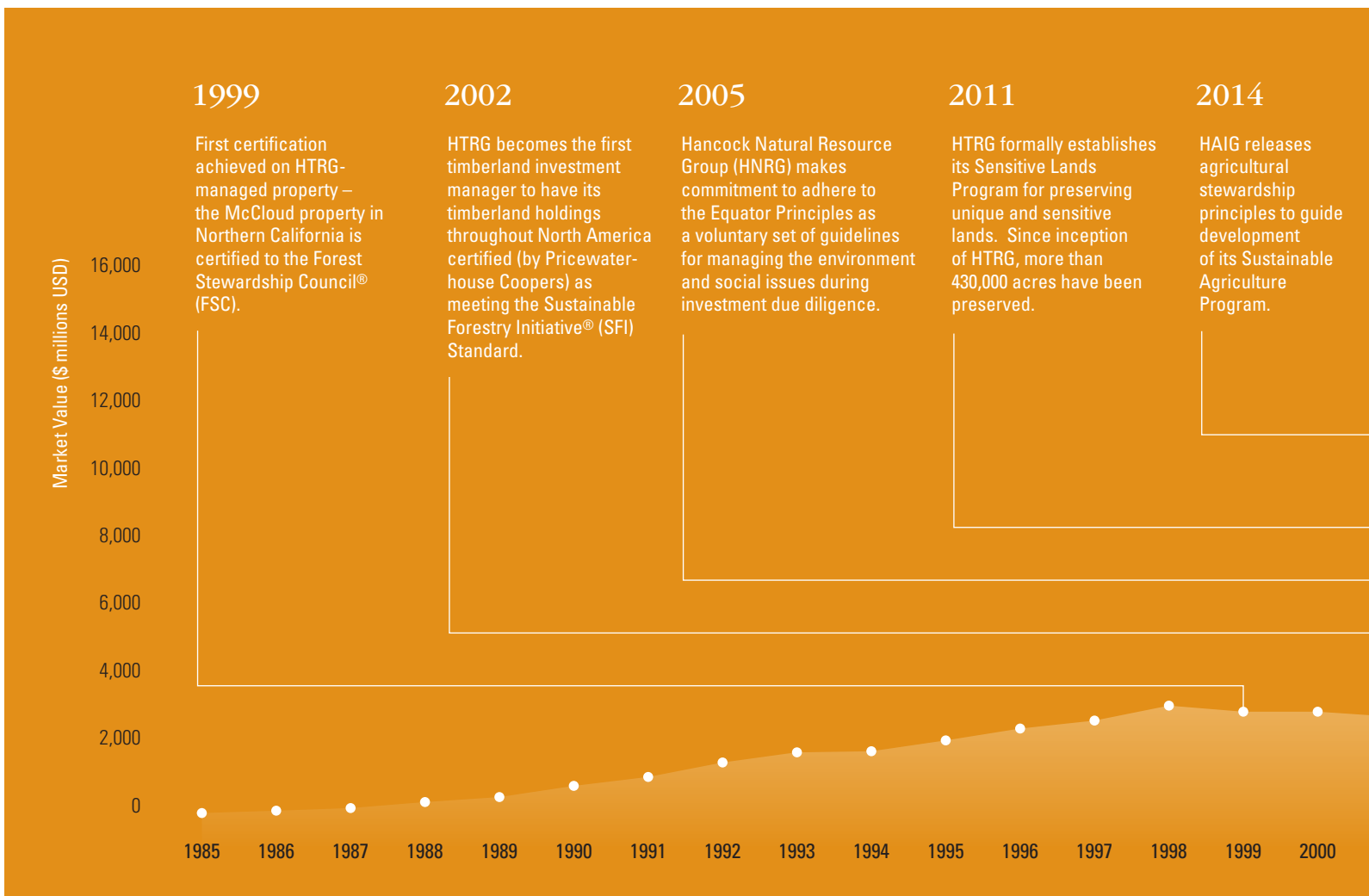


## Community Prosperity

We are committed to supporting and strengthening the local and Indigenous communities where we operate. We provide employment opportunities, public use of our land, engage with NGOs, and support local causes as part of our community stewardship.

# Our History of Stewardship and SRI

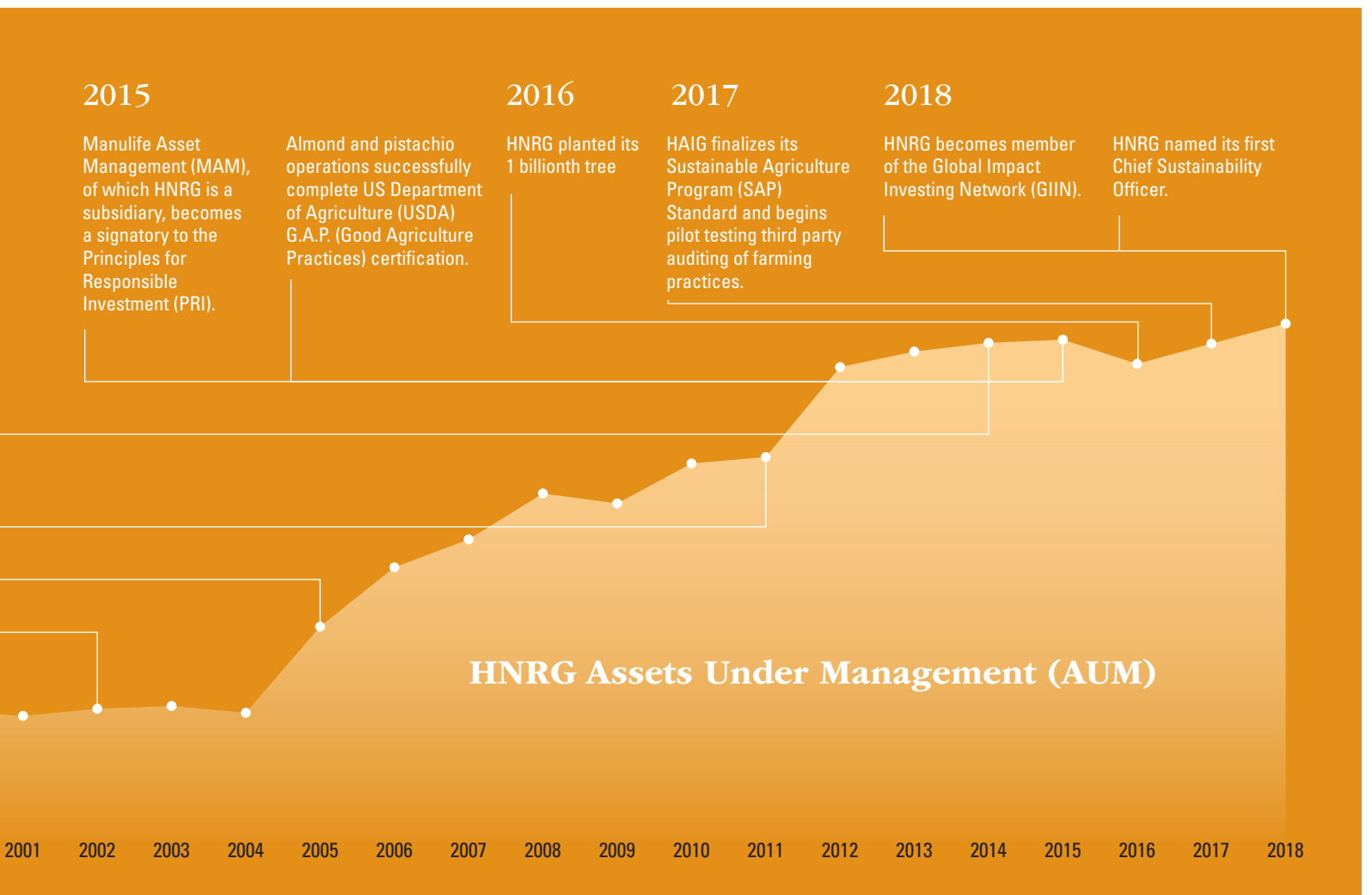
HNRG has a long history of sustainably managing farms and forests and contributing to the communities and environments we live and work in.



Source: HNRG Research

Businesses, investors, governments, and society are increasingly recognizing sustainability and responsible investing as essential contributors to addressing the world's most pressing economic, social, and environmental

issues. We agree. It's why we've been long committed to stewardship and it's why our commitments and achievements in SRI have deepened alongside our company's growth.



# Ecosystem Resiliency

## Sustainable Forest and Farm Practices

HNRG is committed to providing best-in-class farm and forest management. We have developed policies and practices that integrate the development, management and operation of farms and forests with the conservation of soil, air, and water quality; biological diversity; wildlife and aquatic habitats; and support for the communities where we operate. We do this through pre-acquisition property due diligence procedures, third-party certification systems and audits, and following best practices, industry standards, and changing legislation and regulations.

## Sustainable Forest Management

Sustainable forest management means managing today's forests with full consideration and concern for their perpetual productivity and ecological health. Healthy forest ecosystems are vital to global economic and environmental systems. They provide needed natural resources and wildlife habitat, purify air and clean water, and contribute to climate change mitigation.

Sustainable forest management creates numerous benefits to our clients, communities, society, and the environment. It helps to decrease risks of market fluctuations and create market rate returns for our clients, while maintaining healthy forest ecosystems and creating economic opportunities for local community members.

Our commitment to sustainable forest management is put into action at every forest we manage through our stewardship principles:

- Comply with all laws
- Promote responsible environmental, social, and governance practices
- Protect and enhance productivity
- Maximize the economic value of timberlands, inclusive of social and environmental factors



**5,756,016** acres of forests certified globally



**6,894** acres of farmland certified



**1,060,065,594** trees planted



**460,000** acres of sensitive lands are protected by HTRG

## Recognizing the Value of Ecosystems

HNRG recognizes ecosystem services provided by working forests including fish and wildlife habitat, clean water and air purification, sequestered carbon, wetland restoration, and recreation. Most ecosystem services are undervalued in our economic system, but once destroyed are costly to replace. Our approach is to identify and evaluate ecosystem services when opportunities exist and use such information to participate in ecosystem services markets including wetland and carbon mitigation banking, water quality trading, conservation banking, and recreational access.

- Maintain and/or enhance biodiversity
- Protect sensitive cultural, heritage, or environmental sites
- Maximize utilization of sustainable forest resources
- Promote continuous improvement of sustainable forestry
- Maintain an awareness of climate change impacts on forests and society
- Provide the necessary resources to allow the implementation of these principles

Beyond our own management practices, HNRG actively cooperates with governmental forestry organizations, conservation NGOs, universities, and local communities, and is continuously seeking creative and innovative methods to improve sustainable forestry practices to ensure the longevity of our forests.

### Sustainable Farm Management

Farmland stewardship is fundamental to global food security and to sustain the value of our natural resources. We recognize we are temporary stewards for assets that transcend generations. At HNRG, we manage farms with full consideration for their sustainable productivity and ecological health and in ways that support the communities in which we operate.

Our stewardship principles guide our sustainable farm management practices at each of our assets:

- Promote responsible environmental, social and corporate practices
- Maintain and enhance agricultural productivity
- Protect and enhance natural resources
- Support farmland preservation
- Promote continuous improvement of sustainable agronomic practices



### Supporting research on wolves and cougars

HNRG is collaborating and supporting a study with the Oregon Department of Fish and Wildlife and Oregon State University, to better understand the interactions amongst cougars, wolves, and their prey. These wide-ranging species are monitored across ownerships, so access to private lands is critical. Understanding these interactions is important to maintaining a healthy, balanced ecosystem. Since 2013, researchers have collected data from radio-collared animals to calculate predation rates (the amount and type of species predators select). Through participating in initiatives like this, HNRG improves its land management actions on behalf of wildlife and habitat, clients and stakeholders.

These principles underpin a comprehensive set of management practices, from the proactive management of environmental risks to soil treatment, to the responsible use of agricultural inputs and pest control, to crop selection and harvesting practices, to the appropriate use of water and conservation of wetlands, biodiversity, and sensitive lands. We are constantly striving to improve our sustainable farmland management and adopt innovative solutions, and we are committed to monitoring, measuring, and reporting our progress.

### Collaboration on sustainable agriculture

Meaningful progress comes through leadership and collaboration. HNRG supports initiatives to develop best practices and guidance for farmland management. We were an active member of the working group that developed Key Performance Indicators to support reporting of the United Nations Principles for Responsible Investment in Farmland. Through our collaboration with The Conservation Fund, Manomet, and other agriculture investment management organizations, we are working to better connect agribusiness to the sustainability of global food systems and sustainable agriculture.

### Certifications

Third-party forestry and farm certifications demonstrate our ongoing commitment and performance to sustainable forest and farm management. Certifications provide transparency and assurance to our stakeholders, suppliers and the market of our practices.

#### Forest Certification

As an early adopter of forest certification, we manage all eligible lands, regardless of location or forest products derived to meet sustainability standards set forth by credible standard-setting organizations, such as the Sustainable Forestry Initiative® (SFI), Forest Stewardship Council® (FSC), and standards endorsed by the Programme for Endorsement of Forest Certification (PEFC). As an active member in these programs, we are continuously engaging stakeholders and enhancing sustainable forestry.

#### Agriculture Certification

As leaders in sustainable agriculture, we adhere to the Principles for Responsible Investment (PRI)



### Kiwi Recovery in New Zealand

HNRG's operations in New Zealand (HFM NZ) collaborates closely with the Northland Kiwi Recovery Group to assist with recovery of the North Island Brown Kiwi. Kiwi are endangered primarily due to predators. Hancock Forest Management New Zealand leads six kiwi recovery projects focusing on year-round predator control. Recent kiwi monitoring indicates the population has increased by 50 percent due to increased chick survival. It is hoped that predator control and other measures will halt the decline of kiwi.

# “Impactful progress comes through leadership and collaboration. HAIG supports initiatives to develop best practices and guidance for farmland management.”

## HAIG Stewardship Principles

and its Stewardship Principles and are certified by various third-party certification systems.

To enhance our farmland sustainability, we developed a *Scorecard for Farmland Sustainability* that evaluates our practices related to energy, soil, water, chemical use, and safety. In the future, we will use and promote third-party certification to enhance the sector’s overall performance and transparency.

## Supporting Biodiversity and Sensitive Lands

Biodiversity is critical to creating healthy ecosystems that support the growth of our forests and farms. HNRG protects and promotes naturally occurring flora and fauna populations. Our Biodiversity Policy and program complements our other work and policies in related areas, such as sensitive land management, riparian zones, and endangered species. Information on biodiversity, especially threatened and endangered species, is evaluated and monitored at all stages of our management from acquisition to sale. We follow or exceed the requirements of the United States’ Endangered Species Act (ESA) and the Canadian Species at Risk Act (SARA). Whenever species-at-risk are present or are suspected to be present on land, we work closely with local, state/provincial, and federal agencies and organizations in a proactive manner.



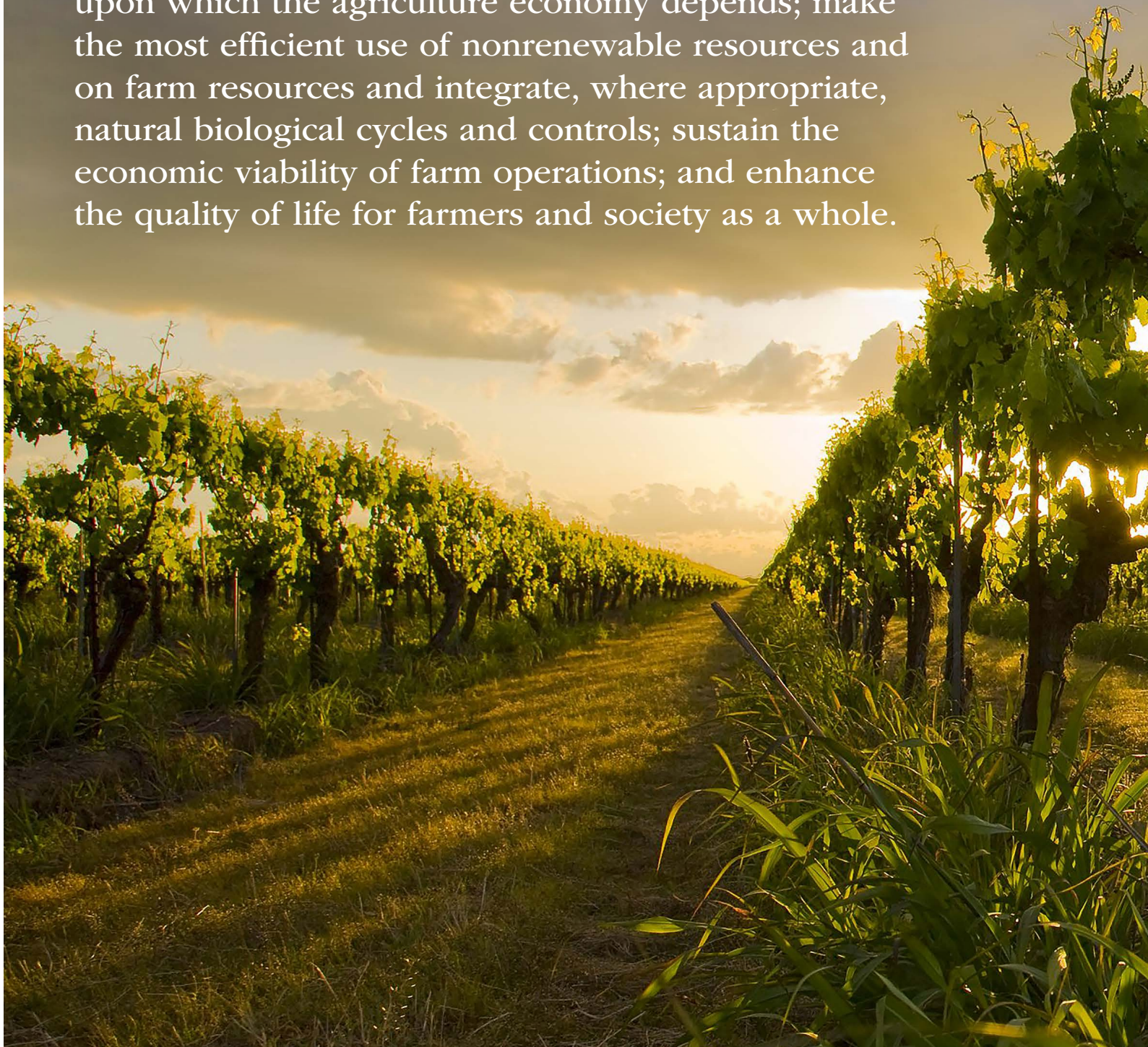
### Sensitive Land Management

Through our Sensitive Lands Program, which promotes large-scale conservation efforts, we have helped restore and conserve over 460,000 acres of land sponsored and managed by local field offices.



# Sustainable Farmland Management is an integrated system of plant and animal production practices

having a site-specific application that will over the long term: satisfy human food and fiber needs; enhance environmental quality and the natural resource base upon which the agriculture economy depends; make the most efficient use of nonrenewable resources and on farm resources and integrate, where appropriate, natural biological cycles and controls; sustain the economic viability of farm operations; and enhance the quality of life for farmers and society as a whole.







# Watershed Protection

Water is the lifeline of ecosystems. It is the essential resource for preserving the well-being of our environment, economy, and communities.

Upland forests, forested wetlands, and riparian zones greatly influence the quality and quantity of surface and groundwater supplies, which is why we seek to reduce our impact on water sources and enhance local watersheds. We do so by planting trees along rivers and streams, supporting health forest ecosystems, using water efficiently on crops, and working with local stakeholders, officials, and experts. Our water management practices meet, and many times exceed, governmental statutes, local best management practice (BMP) guidelines, certification standards, and Global Good Agricultural Practices (GAP) guidelines.

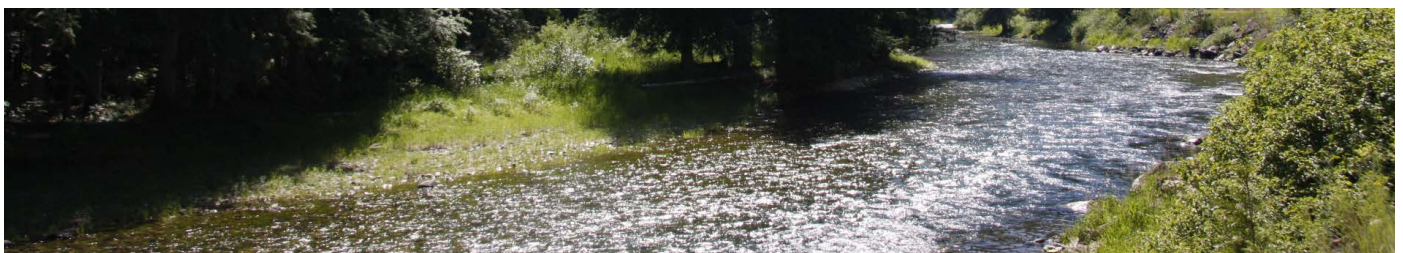
## Riparian zones

Riparian, or streamside zones along watercourses, are extremely important for ecosystem values and are worthy of protection. These riparian interfaces are a significant point of interaction between ecosystems and productive farmland and forests. These species-rich areas play a key role in protecting water quality, maintaining species diversity, filtering sediment, retaining toxic material, recharging groundwater, providing wildlife corridors, and aesthetics across the landscape. Streamside forests provide shade that helps moderate water temperature fluctuations and maintain suitable habitat conditions for aquatic life.

To protect these important ecosystems, we have extensive riparian management zone policies as part of our forest stewardship practices. On farms, we conduct due diligence before we acquire a property to assess the potential for a property's farming practices to affect the riparian areas. The resulting information is incorporated into property management planning. Whenever possible, property managers and tenant operators are encouraged to enhance the protection of riparian areas and help reduce erosion.

## Water usage on farms

The availability of clean water is essential for agricultural productivity. We strive to use water efficiently to grow healthy, fruitful crops. To do this, we use and seek out new practices to reduce water usage throughout our operations and regularly update our equipment. Water use is actively monitored on most properties. For example, in California, all wells are metered, and surface water is measured to calculate usage. In addition, most irrigated properties employ high efficiency irrigation systems, which use less water and minimize water runoff. These practices help us meet certification standards including, but not limited to, GLOBAL GAP, Winemakers' Association, and USDA.



“Even though California was in the midst of a multiyear drought, this long-range project was designed to take advantage of existing floodwater.”

*Mark Hutson, Senior Vice President,  
Hancock Farmland Services*



## Recharge: Refilling basins in California

Over-farming in the 1920s in California caused the water levels to drop, leaving the land sunken in areas. Over time, despite the development of infrastructure to correct it, increasing amounts of water were diverted away from farms to cities, only persisting challenges of raising crops during droughts. Faced with the need to quickly increase the groundwater supply, our farm managers worked with farmers and other experts to devise a plan to recharge, or refill, the water tables. Diverting it through existing and newly constructed pipes and channels, flood waters from the Fresno River flowed to the roughly 500 acres of farmland that was set aside at the HNRG managed Triangle T Ranch in Madera County (about 5% of the ranch).

The initiative at Triangle T Ranch enhances the replenishment of groundwater in years where there is excess surface water, an important component of water management and conservation in California farmland operations. By leveraging the natural resources available to solve a problem, we reduced our impact while enhancing the water for the community at large. We hope that through collaboration, the success of these precedent-setting projects can be applied across California, helping more farms achieve water sustainability in the next few decades.

# Climate Stability

Climate change is a global issue impacting all of society, ecosystems, and economies throughout the world. As a manager of forest and farm assets, at HNRG we have a unique opportunity to meaningfully contribute to reducing global greenhouse gas emissions and climate change, while also providing economic opportunities for our clients. While we have long been a proponent of reducing greenhouse gas emissions, in 2018 we formalized our position on climate change and forests, affirming our alignment with climate science and our support for climate change action.

We take several actions to contribute to global climate stability and manage climate related risks and opportunities across our businesses. We:

- Incorporate climate related risks into our risk assessments and investment strategy
- Employ sustainable forest management practices that sequester carbon
- Participate in global carbon markets
- Take actions to measure and reduce our own operational greenhouse gas emission
- Support the advancement of scientific research into climate change

## Forests make a positive contribution to mitigating climate change

Science has demonstrated that actively managed forests make significant, positive contributions to mitigating the negative effects of global climate change by absorbing and sequestering carbon dioxide from the air. Trees in the U.S. sequester more than 830 million metric tons of carbon dioxide



equivalents annually – the equivalent of the greenhouse gas emissions from 177 million passenger cars over a year. This offsets around 12-15% of the U.S.'s yearly emissions<sup>3</sup>.

By providing a continuing cycle of planting, growing, and harvesting, active forest management maximizes forests' ability to absorb carbon. Nationally, private forest owners are growing 40% more wood than they remove<sup>4</sup>. Active forest management increase forests' ability to absorb carbon.

Our forests' carbon sequestering also creates an economic benefit through the generation and sale of carbon credits. HNRG is an active participant in carbon markets in New Zealand and U.S. and supports the development of such markets. In total, we have sold over 4.1 million tonnes in carbon credits.

**4.1M** tonnes of carbon credits sold

# HNRG supports balanced and responsible government policies at all levels that result in the reduction of global atmospheric carbon dioxide levels. HNRG has the expertise and resources to use forest management as a means of addressing atmospheric carbon dioxide levels.

## Addressing our own climate impacts: integrating renewable energy and energy efficiency in our operations

Across our operations, we are taking steps to reduce our emissions through energy efficiency and incorporating renewable energy. We regularly upgrade equipment with more energy efficient models, and where possible we are working to reduce the emissions of our vehicles and heavy equipment by switching to natural gas and electric engines. At certain farms, we are introducing renewable energy sources. For example, at Madera Triangle T, there are 25 acres (10 hectares) that house a 3.8-megawatt solar project. The addition of solar power on Triangle T has reduced the farms' energy costs by 80 percent, and in 2017, reducing emissions by 2.6 million pounds of CO<sub>2</sub>. Currently, construction is near completion on four more similar arrays in Madera and Tulare counties in California.

In 2018, we undertook a process to quantify our operational GHG emissions for our agricultural assets and corporate office functions. Our forestry business has long maintained detailed carbon accounting procedures. Once finalized, we will report on our complete corporate GHG inventory and establish GHG reduction action plans.

## Partnering to advance climate change science research

HNRG is a member of The Climate Smart Land Network, a 21st century climate services program of Manomet, a leading natural sciences non-profit, designed to make climate change science accessible, understandable, and actionable. The Network provides landowners and managers with direct access to the forest and climate experts at Manomet, and the opportunity to benefit from learnings and collaborations with

other landowners in the Network. We are participating in the Monitoring and Managing for a Changing Climate project on client-owned property in Michigan's Upper Peninsula. The project will develop and test a scalable approach for assessing forest resilience to climate change, demonstrate the adaptation and mitigation value of lands managed in accordance with the SFI® Program, and incorporate climate opportunities and risks into forest planning and management.

## Supporting MIT's Joint Program for Global Change

HNRG became a sponsor of Massachusetts Institute of Technology (MIT)'s Joint Program on the Science and Policy of Global Change in July 2016. Through this partnership, we have gained insight into climate related risks and opportunities for our farm and forest properties and identified adaptation options to reduce GHG emissions. This information has been incorporated into our investment strategy.

In August 2017, we began our first collaborative project, "Region and crop-specific assessment of the future climate risks to U.S. agriculture productivity," which aims to better understand climate change related risks to future crop productivity. The "Forest Modeling Applied to Loblolly Pine Plantations" project, jointly funded by HNRG, Drax Biomass, and Weyerhaeuser, is enhancing the forecasting capabilities of the Joint Program to better capture and report climate change mitigation benefits inherent in commercial, plantation forestry. Through our support and engagement, we are advancing climate science, seizing climate-related opportunities and mitigating risks, and increasing understanding of forests' and farms' role in helping meet global GHG reduction goals as set by the Paris Accord.

<sup>3</sup> "Clean Air." National Alliance of Forest Owners, 2018, [nafoalliance.org/issues/clean-air](http://nafoalliance.org/issues/clean-air).

<sup>4</sup> "Forest Owners Encouraged by New Policy Recognizing the Carbon Neutrality of Biomass." National Alliance of Forest Owners, 2018, [nafoalliance.org/epa-biomass-carbon-neutrality](http://nafoalliance.org/epa-biomass-carbon-neutrality).

# People Empowerment

## The Value of Our Workforce

### The Value of Our Workforce

At HNRG, we value our people, and know that our success as a business is dependent on theirs. The health, safety, wellness, and prosperity of our people is of utmost priority. We work to ensure that we are offering not only safe and healthy working environments but the tools, training, and support they need to thrive.

### Our Team

HNRG has a dedicated team of professionals managing forest and farm properties, a number of whom hold advanced degrees and have completed farm and forest management certifications such as Society of American Forester (SAF) certification, Certified Wildlife Biologist, and the Accredited Farm Manager credential. Members of our investment team are industry leaders. They were some of the first to conduct quantitative economics research on timberland investment. Between our investment and property management businesses, we have a broad, deep expertise in forestry, agriculture, investment management and finance. Many of our professionals hold MBAs, PhDs, CPA, CAIA, and CFA designations. We also employ a team of highly qualified and competent farm tenants, third-party managers, and contractors to support our farm and forest operations.

### Health and Safety

At HNRG, safety is a core value. Nothing is more important than providing a safe working environment. We are committed to the concept that all injuries and occupational illnesses are preventable and believe that all employees and contractors deserve the right to go to and return from work safe and healthy.

We have developed comprehensive health and safety principles and initiatives. Safety is the responsibility of every employee and we recognize that this responsibility must be shared among management, employees, and contractors. All HNRG personnel have the responsibility and are empowered to stop any job they reasonably believe is unsafe or cannot be continued in a safe manner. Each operating area develops and conducts appropriate safety programs and procedures that at a minimum include:

- Health and safety programs
- Safe working practices and injury reporting
- Safety training and supervisions
- Identification and reduction of hazards
- Emergency preparedness

#### Total Injury Frequency Rate (TIFR)

*Number of LTIs and Medical Treatment Injuries per million hours worked*



HNRG Employees	9.9
Contractors	13.1
Enterprise	12.7

#### Lost Time Injury Frequency Rate (LTIFR)

*Number of LTIs per million hours worked*



HNRG Employees	3.4
Contractors	6.7
Enterprise	6.3

TIFR and LTIFR figures are from 2017.

“To establish and grow an inclusive and diverse company and culture which values and empowers employees, provides equal opportunities for advancement, thus creating better business outcomes for all stakeholders.”

### *Diversity & Inclusion Committee's Vision*

Beyond our safety practices, we comply with all applicable international, federal, state, provincial, and local laws and strive to operate in a manner consistent with relevant UN conventions related to fair treatment, nondiscrimination, child labor laws, forced labor, freedom of association, collective bargaining, and equal opportunity of our employees and contractors in conducting our operations.

### Diversity and Inclusion

In 2018, HNRG's CEO, Bill Peressini, formed a Diversity and Inclusion Committee (D&I Committee) with the goal to promote and foster a greater sense of inclusion within the organization as well as continue to grow a diverse workforce.

The mission of the D&I committee is to work with the entire company with the goal of continuous improvement in diversity and inclusion, enabling employees to feel confident and inspired, valued and included. As part of their charge, the D&I Committee will work collaboratively with stakeholders to develop policy, set metrics and establish a framework of practical steps to promote and continue to foster a diverse and inclusive environment for employees, clients, community partners and all other stakeholders.



Total Number of Employees

857



Total Number of Contractors

15,244

Employee and contractor data is approximate and fluctuates. Employee and Contract numbers are as of August 31, 2018.

### Competitive Benefits Package

As part of our commitment to our employees, we provide them with competitive rewards packages and a suite of recognition programs. Rewards packages include compensation, benefits, and wellness and retirement savings options. Our approach reflects a pay-for-performance culture and is competitive within the local markets in which we operate.

Employees in Canada and the United States can participate in a wide array of benefits plans and programs that can be individually tailored – and include an array of benefits, such as health, dental, vision, short-term disability, long-term disability, and life and accident insurance, as well as wellness programs, employee and family assistance plans, and retirement savings and share purchase plans. Outside of North America, market practices vary. Accordingly, benefits programs in these countries also vary but are aligned as permitted globally and with local markets.

# Community Prosperity

HNRG is an active member in the communities in which we work and live. Our goal is to strengthen these communities by supporting economic development and job creation, volunteering with local organizations, contributing to charities, partnering with government and non-profit organizations, and providing recreational and public use of the lands we manage. By being an active community member, we help build trust and foster mutually beneficial relations.

## Community involvement

HNRG and its employees are involved in supporting the communities where we operate. We support numerous organizations through in-kind and monetary donations, including conservation groups, such as The Nature Conservatory and the Audubon Society, Habitat for Humanity, and other local events and charities. We encourage our

employees to be active participants in communities through our Volunteer Day program, which allows employees to spend a day each year volunteering with a charity or not-for-profit organization of their choice. This is a valuable way that employees can give back to local communities.

## Recreational use of lands

We recognize that in some locations the lands HNRG manages have been used by the public for recreation for decades. This is why we embrace responsible public use of lands under our management by providing public education, and selective access to private lands for recreational activities, including hunting, fishing, hiking, birdwatching, canoeing, berry picking, and the enjoyment of the outdoor experience. We are responsible managers and respect local land use customs, including hunting, within the communities, which



## Volunteering with Habitat for Humanity in Idaho

Habitat for Humanity is a strong partner of the Sustainable Forestry Initiative, Inc. A team of HNRG volunteers helped build a home for Special Olympic Gold Medalist Nathan Smalley in Coeur D'Alene, Idaho. The team worked on the inside and outside of the home, preparing for painting, building fencing, and landscaping. It was a fun day for the team and a great way to show support for our local athletes and the Habitat for Humanity project team.

Charitable Contributions **\$358k**

Charitable contributions are as of January 31, 2017



is often part of the cultural fabric of areas in which we operate. We encourage ethical and responsible behavior among recreational users to promote safety, legal, and fair use, and respect for both animals and the land.

## Engaging Indigenous communities

As land managers near and in Indigenous communities, we recognize and respect the legal and customary rights of local and Indigenous peoples. Actively engaging and supporting these communities is important to us and we aim to create mutually beneficial opportunities for community members. We are partnering with Indigenous communities, such as the Muckleshoot Tribe in Washington State, to offer on-the-job-training opportunities, implement forestry education for K-12, plan forestry field trips and tree planting days, cooperate on efforts to create and maintain wildlife habitat, and offer internships for students.

## Inspiring Muckleshoot Youths - Going Above and Beyond

In Washington State, Hancock Forest Management (HFM), our timberland property management company, developed a cooperative summer stewardship youth corps designed to provide meaningful employment for Indigenous youth. The program provided an opportunity for eighteen Muckleshoot youth to participate. The program involved completing various forestry tasks, including clearing Scotch broom and developing a trail system for an outdoor education and community celebration area. The trail system was utilized to host the "Muckleshoot Community Forestry Field Day." The youth spent



Source: HNRG employee

one day a week with tribal elders who provided lessons and experiences on the cultural aspects of the forest on a variety of topics, including plants and sweat lodges. The youth also spent one day a week with a forester to be introduced to forestry and see what being a forester means. The program taught the youth crew work and technical skills as well as assisted in the development of writing resumes, cover letter, and interview skills. Each youth participated in a college day to explore higher education.

Public access to over **2.4 million acres**

Over **3,000 miles** of snow mobile trails

Information is as of August 31, 2018.

# Looking Forward

Looking ahead, HNRG will continue to build upon our past actions and stewardship culture. We are further developing initiatives across our organization under our five SRI themes: Climate Stability, People Empowerment, Ecosystem Resiliency, Watershed Protection, and Community Prosperity. In the year ahead, we will focus on progressing our SRI actions, measuring key metrics in our SRI themes and reporting our progress. We will continue our commitment to SRI and to creating sustainable long-term value for our investors, employees, communities, society, and environment.





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