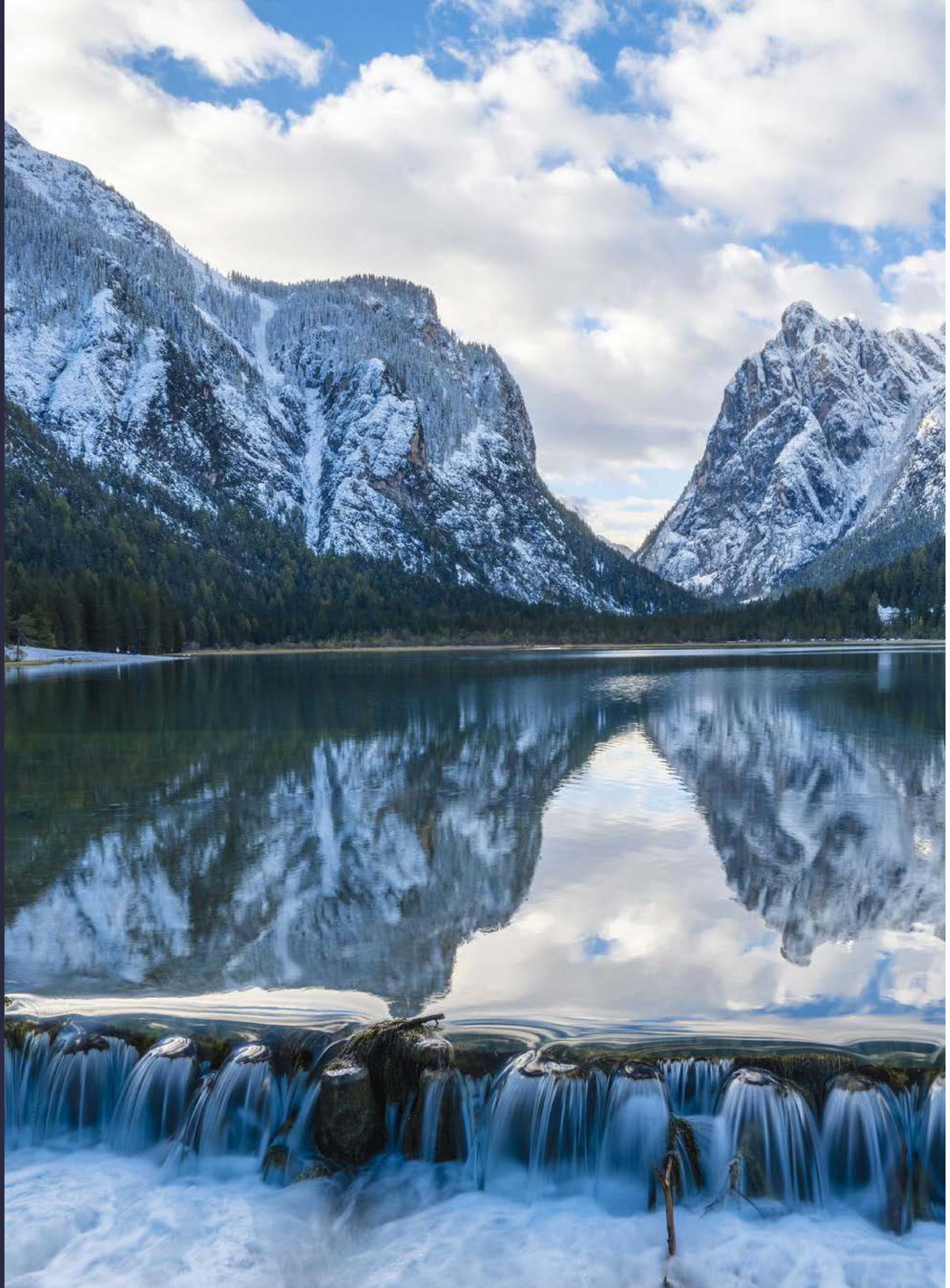

Manulife Investment Management

Stewardship report 2022

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What you'll *find*

All information in this report is as at December 31, 2021, unless otherwise indicated.

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A *message* from Paul R. Lorentz

As a global asset manager, we believe strong stewardship practices are the key to building more resilient portfolios and pursuing long-term value creation. To give readers a clear view of our commitment in this regard, we're pleased to present our second annual comprehensive stewardship report.

This year, we've enhanced several areas of our disclosure, including the view of our governance structure, more details on our sustainability teams, and information on recent policy updates. The latter range from our responsible contracting with vendors and our global proxy voting policy to information on how we pursue mitigation strategies with respect to systemic environmental and social risks.

We also offer detailed and updated examples of our engagements and highlight representative outcomes from across asset classes and the various regions of our global business. In 2021, our public markets teams engaged with 805 distinct issuers and 126 influencers, regulators, nongovernmental organizations (NGOs), and other entities. Key topics addressed through this work included an evolution of our approach to companies with dual-class shares; progress toward better diversity, equity, and inclusion (DEI) results through our support of racial equity audit proposals at U.S.-based companies; progress on executive compensation resolutions in the U.S. media sector; and collaboration with industry peers on advancing gender diversity issues through our work with the Board Diversity Hong Kong Investor Initiative.

In 2021, we also took the lead role for the collaborative engagement with one of the world's largest chemical firms as part of our work with the Climate Action 100+ initiative. Prior to accepting the role, however, we first conducted a detailed internal review of real, or potential, conflicts of interest related to the issuer, a process we document in a case study in the conflicts of interest section of this report.

Through this disclosure, we seek to offer a thorough and transparent view into our global asset management and business practices and to demonstrate holding ourselves to high standards of stewardship as we move our practices forward. We hope you find it a useful guide to the work we perform on behalf of shareholders, as well as the broader set of stakeholders whose lives and communities are affected by our efforts to be responsible stewards of capital.

Paul R. Lorentz
President and CEO
Manulife Investment Management

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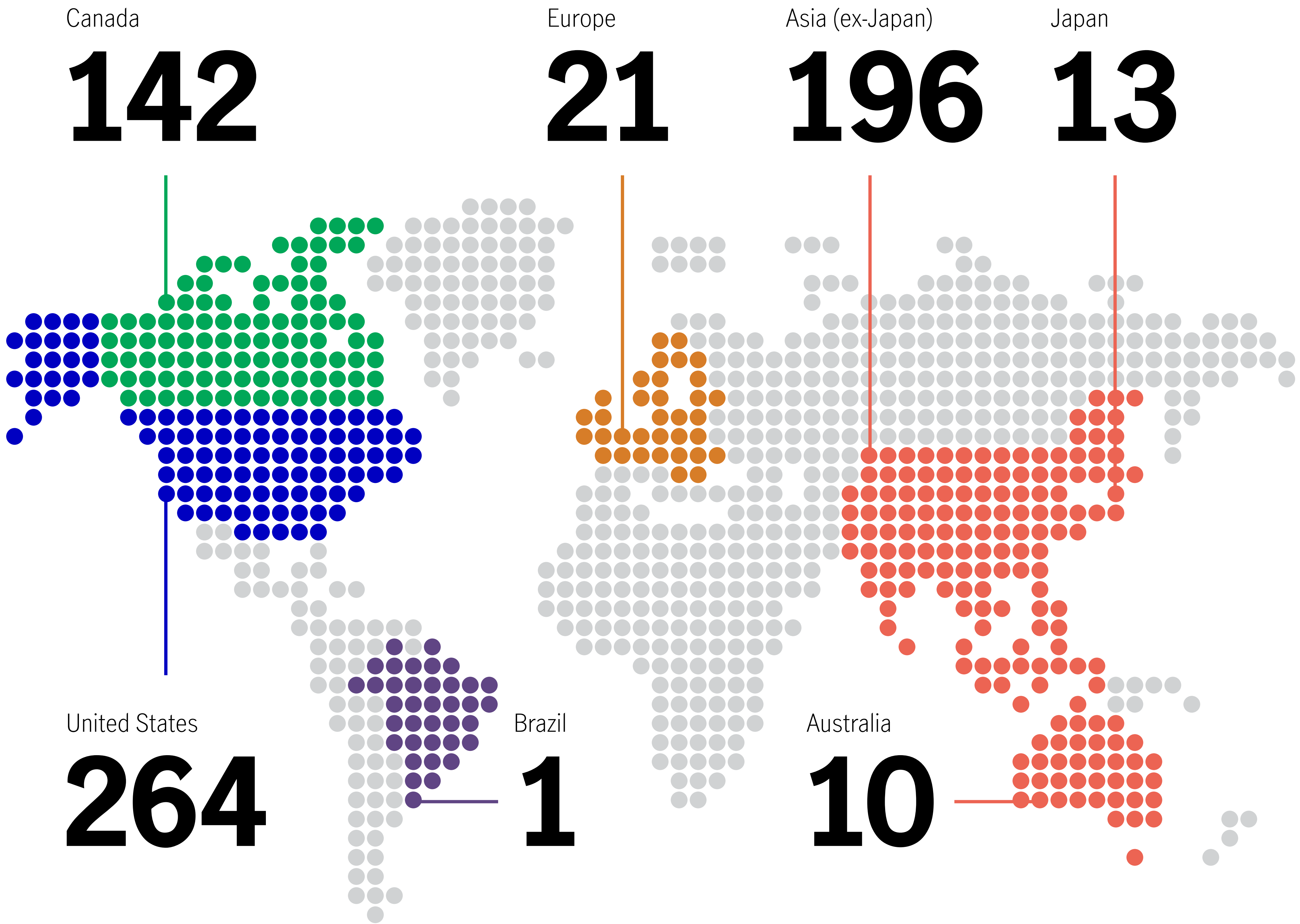
Combining local insight with global reach

More than 600 investment professionals, with offices in 18 geographies



Source: Manulife Investment Management, as of December 31, 2021. Total investment professionals comprises individuals from Manulife Investment Management; Manulife-TEDA Fund Management Co. LTD; a 49% joint venture between Manulife Financial and Northern International Trust; part of the Tianjin TEDA Investment Holding Co. Ltd. (TEDA); and Mahindra Manulife Investment Management Private Limited, a 49% joint venture of Manulife and Mahindra AMC. The total also includes investment professionals in private market asset classes of agriculture/timberland, infrastructure equity, and real estate equity. Asia includes India and Australia. Europe includes EMEA and Barbados.

$644B
in AUM

1,000+
institutional accounts

Source: MFC Statistical Information Package as of December 31, 2021. AUM is in Canadian dollars and includes assets managed by the asset management arm of Manulife Investment Management on behalf of external clients, the Manulife General Account and other affiliated businesses. The methodologies used to compile the total AUM are subject to change and may not reflect regulatory AUM as reported on certain affiliates Form ADV.

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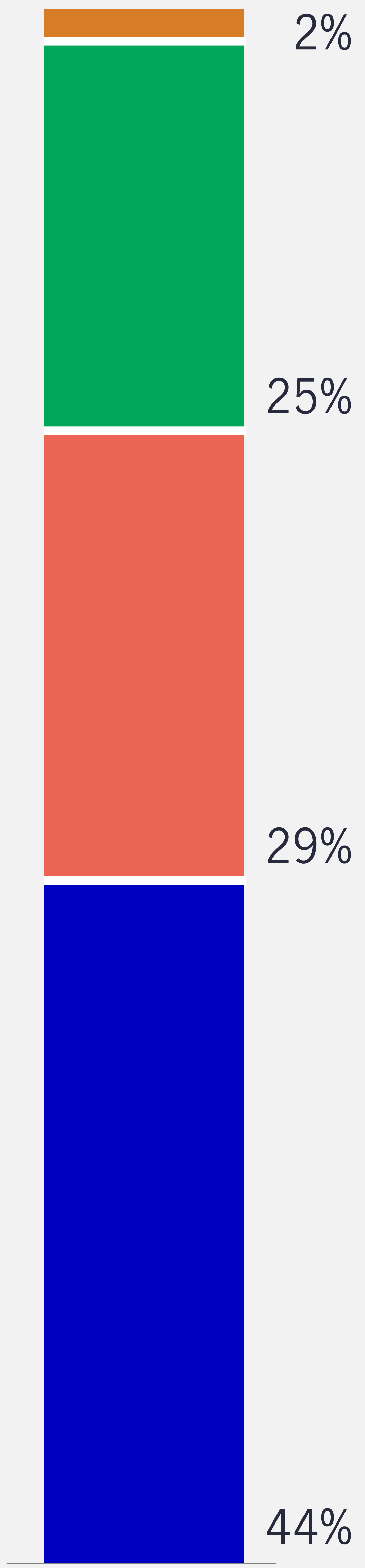
AUM by asset class

AUM in CAD$ millions

Asset class	AUM
Fixed income	258,740
Multi-asset solutions	217,229
Alpha-focused equity	148,621
Real estate	24,421
Private equity and credit	23,660
Timberland	14,335
Infrastructure	13,789
Agriculture	5,235

Source: Manulife Financial Corporation as of December 31, 2021. Excludes subadvised assets under management. Assets shown in Canadian dollars. **Fixed income:** AUM excludes liability driven investing (LDI) assets and includes certain equity and fixed income portions of balanced investments. **Multi-asset solutions:** AUM includes $5.3B non-discretionary advice for the Manulife General Account. Multi Asset Strategy (MAST) asset allocation investments include $31.3B invested into other strategies within MAST and $54.7B invested into the strategies outside MAST. **Alpha-focused equities:** AUM includes certain equity and fixed income portions of balanced investments. The methodologies used to compile the total AUM are subject to change. **AUM for Private Markets Asset Classes:** All AUM calculated on a fair value basis. Data includes assets managed by Manulife Investment Management and its affiliates on behalf of Manulife's Canadian and U.S. General Accounts, and also certain third-party investors. Investment advisory services to third party investors and certain affiliated investors are offered by Manulife Investment Management Private Markets (US) LLC (Manulife IM PM (US)) a U.S. Securities and Exchange Commission registered investment adviser with $47.2B assets under management. **Private equity and credit:** Assets include $6.4B in unfunded committed capital. **Timberland:** Represents assets of Manulife Investment Management's timberland group managed on a discretionary and non-discretionary basis for the general account, its affiliates, and third-party clients. **Real estate:** The real estate equity team manages $1.1B in AUM on a discretionary basis; AUM reported on a fair value basis; The methodologies used to compile the total AUM are subject to change and may not reflect regulatory AUM as reported on certain affiliates' Form ADV. **Agriculture:** Represents assets of Manulife Investment Management's agriculture group managed on a discretionary and non-discretionary basis for the general account, its affiliates, and third-party clients.



Client AUM by market

- Europe*
- Canada
- Asia-Pacific*
- United States

* Europe includes EMEA, and Barbados. Asia-Pacific includes India, and Australia.

Source: Manulife Financial Corporation statistical information package, as of December 31, 2021.

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Stewardship and sustainability *performance*

Peter Mennie
Global Head of ESG Integration and Research, Public Markets

Brian Kernohan
Chief Sustainability Officer, Private Markets

It's a testament to the quality of our human scientific knowledge, as well as a daunting challenge, that we now recognize there are multiple systemic risks threatening our planet.

As stewards of our clients' assets, we're mindful of our obligations to endeavor to manage these systemic risks and to encourage change for both financial and nonfinancial reasons. The materialization of climate change risks and the prospect of large-scale ecological collapse—both products of decades of poor environmental stewardship—will likely be well understood years hence as having presented humanity with a stark choice: Either continue along a path of increasing risk of catastrophic loss or forge a new sense of shared responsibility for managing systemic environmental and social risks as well as their related effects and causes. Our goal is to encourage action, in whatever way we can, to mitigate these challenges, including working with companies we invest in and advocating for change across an array of forums.

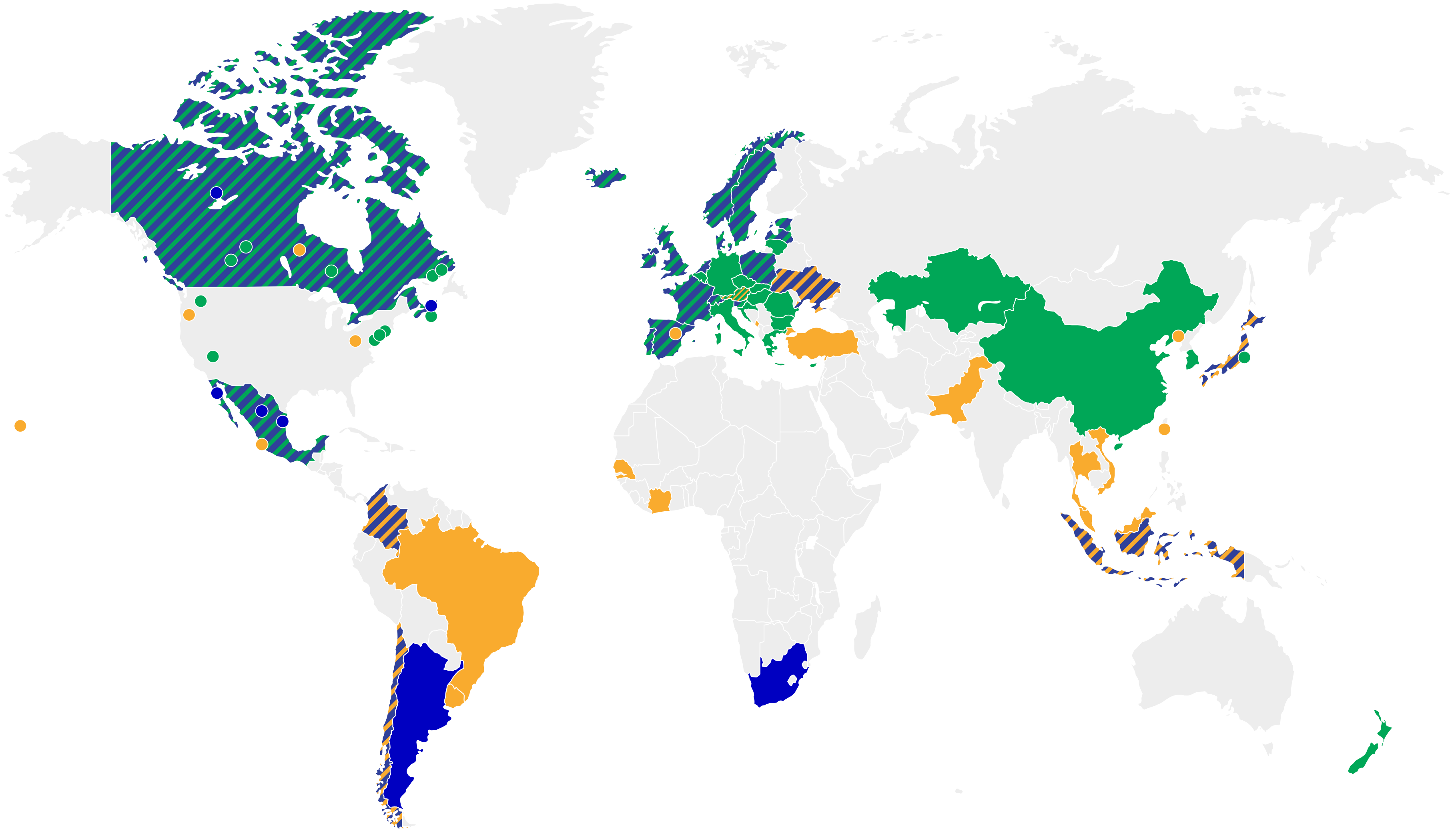
Scientific, social, and regulatory pressures are countering systemic risks

The good news now is that powerful scientific, social, and regulatory pressures are being brought to bear at an increasingly rapid pace on our systemic risk-laden contemporary reality. Landmark studies such as the Stern Review: The Economics of Climate Change in 2006 and The Economics of Biodiversity: The Dasgupta Review in 2021—and many other compelling scientific and economically focused studies in between[1]—spell out quite clearly that we separate climate issues and natural capital from economic value at our peril. At the same time, these rigorously conceived and researched reports show us that making a concerted effort to account for climate and natural capital in projections of economic value implies a vast and mostly untapped source of economic opportunity.

As for the social movements that have sprung up in response to our present-day environmental crises, they come in both popular and corporate forms, and select examples of both varieties are lending momentum to sincere efforts to find solutions. Activism such as that prompted by Swedish student activist Greta Thunberg is exerting a gathering force of judgment on the failure of global political powers to adequately respond to climate change, as well as on companies' efforts to retain their social license to operate. And in corporate boardrooms, investors are increasingly party to various forms of stakeholder capitalism, committing substantial resources to collective action aimed at moving the dial on environmental risks.

Carbon pricing initiatives are gaining significant momentum

Map of regional, national, and subnational carbon pricing initiatives



- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled
- ETS implemented or scheduled, ETS or carbon tax under consideration
- Carbon tax implemented or scheduled, ETS under consideration
- Denotes subnational (e.g., state or territory) initiative

Source: The World Bank, April 2021. ETS stands for emissions trading system.

Last, the regulatory shift in favor of environmental sustainability is already having a profound effect on carbon-intensive industries. As the World Bank has documented, regional, national, and subnational carbon pricing initiatives have already been implemented or are scheduled for implementation across much of the globe, including in the Americas, Europe, and systemically important areas in Asia. As of the spring

1 Since—and in some cases prior to—the publication of the Stern report in 2006, regular scientific assessments of climate change from the Intergovernmental Panel on Climate Change, scholarly articles from the Proceedings of the National Academy of Sciences of the United States of America, and research conducted by the International Energy Agency, to name just a few examples, have successively deepened global understanding around the physical risks and economic and social impacts of climate change.

of 2021, these initiatives were estimated to cover 21.5% of global greenhouse gas (GHG) emissions.[2] Even as we see regulatory momentum building around the globe, we also see encouraging developments in voluntary carbon markets and international emissions trading under Article 6 of the Paris Agreement. We expect these will help set a carbon price and hasten the low-carbon transition.

In addition to regulatory shifts on carbon pricing, we're seeing regulatory developments encouraging increased transparency and sustainability disclosure, as well as setting higher standards for sustainable investing. We welcome these developments, and we also contribute to them as part of our stewardship activities through industry groups and regulatory consultations.

Across sectors, companies that fail to adapt will find it increasingly difficult to be successful in this new era in which the aforementioned pressures are gradually depriving the most damaging activities of their economic justification.

Stewardship practices are prerequisites to sustainable investment outcomes

In the present story of economic transformation, sustainability-focused stewardship practices are the fulcrum on which asset managers can make, or fail to make, a difference in managing these systemic risks. In the remainder of this piece, we focus on three aspects of sustainable asset stewardship:

1 Asset stewardship and the evolving role of global capital
2 The power of international collective action
3 Why regional differences matter for stewardship results: the case of Asia

Last, we discuss the connection between stewardship practices and the pursuit of sustainable value. Asset managers are stewards of client capital, which implies a relationship based on transparency and fidelity to specific investment mandates. And yet asset managers would be derelict in their fiduciary duty if they failed to communicate the value—for every client—of operating along the twin axes of sustainability and stewardship. As we see it, facilitating the aggregate corporate shift from stating the material facts to performing the material actions of sustainability is one of the more critical tasks of stewardship in our present decade. But making an appreciable impact requires constant communication about the value and urgency of strong stewardship in the pursuit of sustainable investment value.

Asset stewardship and the evolving role of global capital

Both the Stern and Dasgupta reviews—separated though they are by content focus, economic vision, and 15 eventful years[3]—share an interesting feature in their rhetorical structure. The Stern report stages a dialogue countering an economic perspective that insists on the deficiencies of climate science, while the Dasgupta review interrogates economists' persistent failure to account for nature, or natural capital, as an "essential element in our economic lives." Through this dialogue, both reviews demonstrate how the financial benefits of acting to mitigate systemic environmental risks are far superior to those of not acting and how every delay makes risk management more costly. Furthermore, they expose how the traditional grounds of economics tend to be limited by an infatuation with short-term business fundamentals and revenue results, and

2 The World Bank, April 2021. **3** This period included a variety of major economic shocks, from the global financial crisis and the EU sovereign debt crisis to the gradual debasement over the ensuing decade of social democratic norms (Brexit, authoritarian populism in Europe and the United States, and autocratic eruptions in many other locations), not to mention a litany of climate disasters ranging from destructive tsunamis and unprecedented inland flooding to persistent drought and wildfires that have taken on dystopian-like prominence for the affected populations.

quarterly "shareholder-friendly" targets, as well as their fixation on the maximization of profit and perpetual growth, or their lack of consideration for externalities that don't yet carry a financial cost. Whether because of their willful blindness or unconscious bias, traditional—or perhaps pre-environmentally conscious—economic perspectives are at a loss when it comes to accurately measuring the true dimensions of economic and investment risk.

This dialogue sets the scene for the current narrative, which is shifting from disclosure to action. Now, after much corporate education in climate-related risks, engagement is less concerned with the articulation of material environmental, social, and governance (ESG) facts—although this remains essential—and more with material ESG action; that is, asset managers who are serious about sustainability and an increasing number of regulators worldwide are assessing and directly influencing the design and execution of corporate and sovereign plans for mitigating ESG risks and capturing potential opportunities.

Sustainable capital: clearing paths toward collective action on sustainability

Another way to characterize this change is as a shift toward sustainability performance. In real terms, this could mean focusing on the steps a company must take to achieve net zero emissions or on the necessary actions to foster ecological sustainability in a supply chain, or it might entail making the actual appointments required to establish a diverse corporate board.

Presently, sustainability performance marks a relatively new phase in key aspects of financial stewardship practices and, in some ways, it's helping transform the financial markets. Today, stewardship focused on sustainable outcomes is transcending regional boundaries, as well as economic and geopolitical regimes; what's more, it's helping investors step around certain traditional limits of ownership as the defining pathway of stakeholder influence.

The power of international collective action

The current backdrop of collaborative action in asset management is well described in one of the main findings of the Stern review: "Climate change demands an international response, based on a shared understanding of long-term goals and agreement on frameworks for action." The U.K. government commissioned the report in an effort to assess the economic costs of climate change and a global low-carbon transition. While it was met with great praise as well as skepticism at its initial release in 2006, the report's claim for an international response and agreement on frameworks for action feels mildly prophetic. After all, international collective action is a critical feature of committed asset managers' stewardship practice and, indeed, constitutes an important dimension of contemporary frameworks set by international stewardship codes.

One of the most notable examples of collective action launched following the publication of the Stern report is Climate Action 100+, which is currently developing its second five-year plan. As of January 2022, the initiative included more than 615 investors who are collectively responsible for over US$65 trillion in assets under management. The Climate Action 100+ investor group engages with the world's largest corporate GHG emitters to encourage improvements in climate disclosure, risk management, performance, and governance.

The investor group's 2021 progress report notes that "111 [of 167] focus companies have set net zero targets for 2050 or before, compared to just five in 2018 after the initiative's launch. To demonstrate the scale of impact, it is estimated

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that these net zero targets—which Climate Action 100+ investors have played a significant role in securing—will reduce GHG emissions by 9.8 billion metric tons annually by 2050, roughly equivalent to China's annual emissions"—or more than 25% of the world's total GHG emissions today.[4]

Climate Action 100+ operates through investor groups that work with individual focus companies. In 2021, Manulife Investment Management led the working group focused on a global chemical company, and we participated in working groups engaging with utility and energy companies in Asia. As we've seen firsthand through these engagements, collective action is helping investors become more effective and sophisticated in what they require of investee companies, such as indicators on carbon accounting, which further enables engagements that occur outside the purview of Climate Action 100+.

Minority shareholders spark major climate-focused change

When engagement proves ineffective, it's important for investors to have escalation measures embedded in their stewardship approach. But for minority shareholders, whose power to effect change through escalation has all too often felt like a mirage, a single successful example of a minority shareholder asserting its rights in the effort to combat climate change may prove to be the pebble that starts a landslide.

For decades, oil major Exxon had been unresponsive to investor engagement efforts on climate change. This lack of response came to a head in 2021 when a minority shareholder—Engine No. 1, a little-known hedge fund based in California—executed a successful campaign to replace several members of Exxon's board. With only a fractional ownership stake in the company, Engine No. 1 convinced its much larger peer shareholders to vote in favor of a dissident slate of directors with more climate-competent leadership. Prioritizing the reduction of the company's GHG emissions, and perhaps then setting the company on a path to insulate future revenues and dividends against climate-related policy risk, was suddenly a potential plan for transformation in Exxon's near- to medium-term corporate strategy.

Exxon has since developed a 2050 plan for scope 1 and scope 2 emissions reduction.* This covers emissions from its oil, gas, and chemical production and from the power those operations consume. While the company made no commitment for emissions from consumers using those products, we believe this is a good beginning that could pay dividends to shareholders over the long term.

Why regional differences matter for stewardship results: the case of Asia

Broadly shared goals on climate, biodiversity, and social equity are the premise for collective action by investors. But truly effective systemic risk mitigation requires a multipronged approach across asset classes, as well as sensitivity to regional political and cultural differences. The success or failure of any given action will always be conditioned by the regional theaters that govern macroeconomic and political reality.

Asia today offers a case in point. At Manulife Investment Management, we recognize the uniqueness of Asian markets. Large state-owned enterprises are influential in national policy setting, but their strategic corporate planning is also

4 BloombergNEF, September 2021. * Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.

heavily influenced by government input. In addition, Asian markets exhibit a higher prevalence of family-owned companies that may require a different engagement approach from what may work in a Western milieu.

To that end, while strong active stewardship in Asia-based equity strategies is essential, it's just one element of a holistic approach. Voting power, for example, isn't necessary for productive engagement with corporate debt issuers, which is especially true in companies whose equity may be privately or majority owned and therefore less likely to be influenced by minority shareholders in Asian contexts. In either case, we're able to engage directly with companies in bilateral discussions, collaboratively with other investors, or in a combination of the two. At the same time, our experience has shown us how to work toward positive outcomes with many companies by engaging directly with policymakers or stock exchanges and by participating in regulatory consultations.

Working with systemically important companies

One way we seek to address systemic risks is by working with systemically important companies. We believe that it's important to engage with these issuers to address these topics given the potential impact, and one of our related priorities is to encourage other asset managers to do the same. For example, regarding the systemic risks of climate change, we recognize that more than half of the world's GHG emissions come from Asia, so we endeavor to engage with the region's systemically important energy and heavy industry companies. We do this even if we don't have large positions, or even any holdings. If engaging with them can help move the dial on reducing systemic climate risks, then all of our portfolios may stand to benefit—not just in Asia, but globally.

Putting this into practice, we've been active in the Climate Action 100+ groups that are working with three of the region's oil majors, as well as with teams operating under the Asia Investor Group on Climate Change (AIGCC) that are engaging with the largest utility companies across Asia. These are often state-owned entities that affect the entire energy systems in their markets; however, because the entire economy needs to move toward low-carbon activities—and not just energy companies—we're also working both directly and collaboratively with the region's largest cement, chemicals, transportation, and technology companies.

At the same time, we're working with the Institutional Investors Group on Climate Change task forces engaging with the four largest banks in the region—the largest in the world by asset value—whose financing policies are highly influential in addressing climate change. This collective action is part of our intentional approach to working toward a unified message, which we believe is more likely to create a positive feedback loop that addresses systemic climate risk.

Stewardship and sustainable investment value

As a global asset manager, we play the role of an investor of third-party assets and the role of an owner and operator of certain private market assets. In the first role, we invest according to client guidelines, but because we seek to act as good stewards, we endeavor to communicate the benefits for every investor's portfolio—in terms of potential resiliency to systemic risks and the potential for long-term value creation—of pursuing each investment mandate with the application of sustainable investing principles and robust stewardship practices. This includes deploying the full range of stewardship tools, from engagement and escalation to proxy voting and collective action, to encourage change in the direction of sustainability performance.

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We also remain acutely aware of the trade-offs involved in some investors' preferred strategies of divestment, a topic that regularly comes up in conversation with clients and fellow participants in collective actions. We believe divestment has its place as a tool to deploy near the end of an engagement and escalation process, but we generally prefer an approach that pursues changes in governance and business practices in line with our sustainability principles. There are systemic risks to divestment, as well, that are worth considering. For example, there's emerging concern around the risk of stranded assets as coal, oil, and gas assets are pushed toward private markets by public market entities that are eager to reach their net zero goals or, where these assets are already privately held, they're taking on the appearance of being an incipient economic loss. We think investors need to be aware of these shifts and continue to focus on real-world decarbonization.

There are innumerable challenges that complicate efforts to forge a sustainable path—whether for companies, sovereigns, asset owners, or asset managers. We firmly believe that those who are acting now to play their part in generating sustainable outcomes for stakeholders are far less likely to face a shock to their portfolio or their business model in the future in a way they can't control, and which could therefore be costly and challenging to resolve. Encouraged by the positive outcomes that are evident from strong stewardship practices, responsible companies today are looking at how to be part of a circular economy in which as much of their product as possible is generated using recycled materials; they're considering the full lifecycle of their products and the impact their production and ultimate use have on the planet—whether that means GHG emissions or damage to the natural environment. They're investing in their people and in research and development and ensuring that they have a diverse workforce at all levels, reflecting the society in which they operate.

Underlying all of these practical actions is a culture of responsibility, a shared sense of ownership of the global challenges, and a determination to act sustainably in a world beset by existential environmental crises.

> "We firmly believe that those who are acting now to play their part in generating sustainable outcomes for stakeholders are far less likely to face a shock to their portfolio or their business model in the future..."

Stewardship code *principles* and our practices

Purpose, strategy, and culture

Our purpose as an asset manager is to deliver strong risk-adjusted investment returns for our clients over time while having a positive impact on the environment and society. We believe a commitment to sustainable investing is a necessary condition for investors to be successful over all meaningful time horizons.

A major facet of sustainable investment is our stewardship practices, which involve strategies focused on our direct operations, company engagement, proxy voting activities, and collaborative efforts on:

1 Strengthening how sustainability challenges are being addressed

2 Promoting well-functioning markets

These practices are all grounded in, and made more fully possible by, our corporate culture. At Manulife Investment Management, we value and actively support the robust integration of sustainability principles, including our active ownership strategies, in our investment approaches. This holds true across asset classes, geographies, and our business identities—whether we're acting as asset operators, equity holders, or debt holders.[5]

5 Each investment team operates in different markets and with different nuances to its approach to investing. Accordingly, each team integrates ESG factors into its investment process in a manner that best aligns with its investment approach.

Our culture, values, and beliefs

As active managers, in-depth research and analysis drive our investment activities and shape our daily decisions.

With a culture steeped in careful and objective analysis, knowledge sharing, and global collaboration, we understand how sustainability principles should inform our investment practices from the bottom up.

In our view, sustainability drives financial value, while strong stewardship practices help us build strong relationships with all our stakeholders, from clients and employees to tenants, borrowers, and investment partners.

This belief manifests across the different facets of our global business, as asset operators, equity holders, and debt holders. These different facets of our identity enhance our stewardship efforts, as they allow us to leverage fundamentally different perspectives in our daily activities.

Our beliefs support our culture of stewardship

Sustainability is not a given

Achieving sustainable outcomes requires asset managers and investors to display leadership around and commitment to principles of sustainability.

Sustainability helps drive financial value

The ability to create financial value is affected by the health of our natural environment and the strength of the social infrastructure in our communities. As such, we believe that sustainability analysis is integral to understanding the true value of an investment.

We share sustainability goals with our clients

We strive to provide high levels of transparency about our asset management process, including our approach to sustainable investing, in order to support our clients in responding to their own beneficiaries and stakeholders.

Active managers are well placed to manage stewardship effectively

Active managers, employing experienced investment professionals, are able to integrate financial and sustainability factors effectively to encourage change.

We hold ourselves to a high standard of stewardship

Where we own and operate our assets, often alongside our clients, we believe it's our responsibility to pursue the best sustainability processes and standards for our firm, our employees, and our clients. We also take seriously our potential influence over the sustainability trajectory of companies we invest in.

Our commitment to stakeholders goes beyond financial performance

As a fiduciary, our commitment to clients is paramount. As a large global financial institution, we also play a critical role in making a positive contribution to society that, over time, enhances—and extends beyond—financial performance.

A message from Paul R. Lorentz

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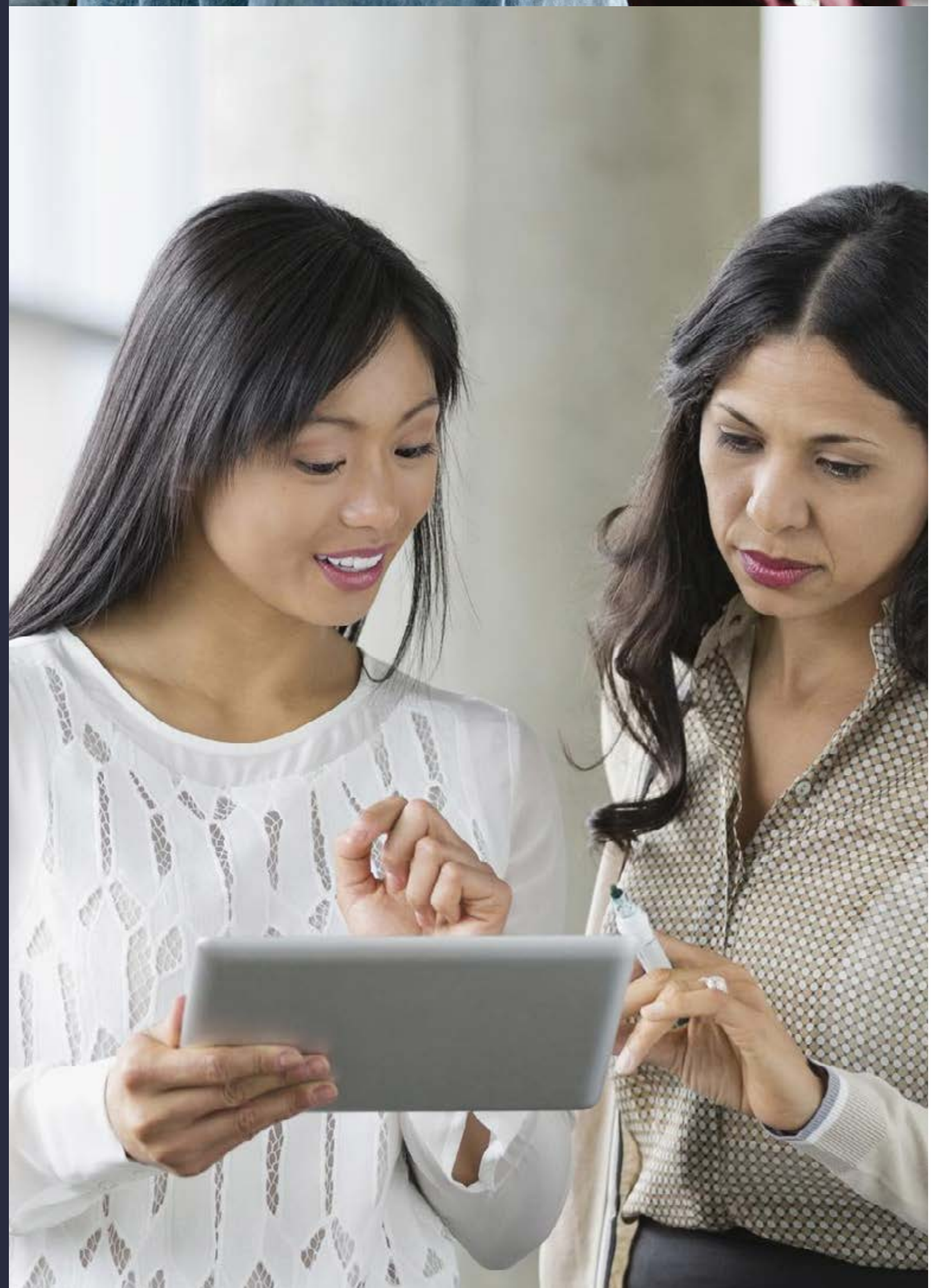

We strive to build a diverse, equitable, and inclusive culture

Across our global offices—and in alignment with the beliefs and practices of our parent company, Manulife Financial Corporation (Manulife)—we focus on a shared set of six core values that helps engender high employee engagement and define who we are and how we work together:

1 Own it—We feel empowered to make decisions and take action to deliver our mission.

2 Think big—Anything is possible. We can always find a better way.

3 Share your humanity—We build a supportive, diverse, and thriving workplace.

4 Get it done together—We're surrounded by an amazing team. We do it better by working together.

5 Obsess about customers—We predict their needs and do everything in our power to satisfy them.

6 Do the right thing—We act with integrity and do what we say.

We value getting things done together, establishing a sense of shared and individual ownership, remaining focused on stakeholder needs, and doing the right thing. We also value innovation and thinking big, alongside what we call sharing our humanity—which is another way of saying practicing empathy and acting authentically with our colleagues.

Drawing its strength from these values, our goals and efforts toward fostering better DEI at our firm demonstrate our commitment to our employees' health and professional growth as well as to the strength of the communities in which we live and work. We believe we're stronger when we embrace our differences and that diversity in gender, race, religion, identity, and ability plays a key role in driving innovation and growth within our company.

Our employee resource groups (ERGs), which are founded within the greater Manulife organization and include Manulife Investment Management employees, play an integral role in championing diversity and building an inclusive work environment. United by a common identity, trait, or interest, these voluntary, employee-led networks are a much-used resource for both employees and the firm. They enable us to work together to address barriers to advancement and provide personal and professional development opportunities.

Our employee resource groups (ERGs)

ERG	Description
Ability	Building a culture of differently abled inclusion (visible and invisible)—for employees, families, and customers
AMP	Association of multicultural professionals (AMP) champions member development, promotes cultural awareness, and advocates for unity through open dialogue and events
Being Yourself: Mental Wellbeing	Building community and supporting mental health and well-being by increasing awareness, knowledge, and empathy through education
Family	A community to share family experiences and support member challenges
GenerationNEXT	Mobilizing our young professionals to be the next generation of leaders through education, networking, and volunteerism
GWA	The Global Women's Alliance (GWA) supports and encourages the recruitment, development, and advancement of women throughout our organization by providing a network and opportunities in which women can be mentored, share experiences, and have fulfilling careers
IPTA	Indigenous Peoples and Their Allies (IPTA) aims to better enable our indigenous employees to advance professionally, and have open and honest conversations while increasing the awareness of indigenous peoples for all employees
LatinX	Promoting the education and awareness about Latin American diversity and culture while demystifying myths, misinformation, and unconscious bias
MiLE	Military Employment Community (MiLE) is building a strong network of support for all employees who are current service members, veterans, their families, and supporters
PACES	The Pan-Asian Community for Employee Success (PACES) builds the presence, influence, and leadership potential of Pan-Asian employees
PROUD	Aims to promote an inclusive workplace for lesbian, gay, bisexual, and transgender employees in order to promote their full and unencumbered contribution
VIBE	Valuing the Inclusion of Black Experiences (VIBE) better enables our black employees to advance professionally, support the aspirations of potential employees, and increase awareness of various black cultures

Advancing DEI sits at the forefront of our agenda

Different diversity metrics are tracked in different markets depending on the regional legislative requirements and frameworks. To strengthen leadership and business accountability for diversity, we've introduced customized leader DEI dashboards, which are reviewed quarterly by our CEO and executive leadership team, and we've included DEI in all line managers' leadership goals. In addition, all segments and functions also develop their own action plans to improve DEI based on their specific challenges. In our private markets segment, for example, we established a DEI council, which includes broad representation from private market asset classes and the regions where we operate. The council's goal is to take advantage of DEI best practices and opportunities in order to make the segment a compelling area that can attract and retain top talent.

When everyone thrives

In June 2020, our parent company, Manulife, announced DEI commitments focused on talent, culture, and community. In Q1 2021, Manulife launched a DEI microsite available to all employees with DEI news, learning resources, events, and recordings.

We believe that the Manulife internal DEI initiative helps to promote well-functioning markets through the promotion of diversity of thought and addressing systemic risks of racism and inequality. Activities within this initiative include focused recruitment efforts from diverse post-secondary schools across North America; offering our employees trainings on allyship, unconscious bias, and inclusive leadership; and an inclusive language initiative that we launched globally for all employees.

Manulife Investment Management embraces the diversity and inclusion goals adopted by our parent company, Manulife.

An inclusive culture and brand with diverse talent that drives high performance until each one of us belongs

Talent

Diversity at all levels in the organization that's reflective of the communities in which we serve

Culture

Employees thrive because they belong and can bring their authentic selves to work

Community

Strong partnerships and DEI support in the external communities in which we live, work, and serve

Case study

Quarterly global research forum

At least quarterly, we hold our global research forum meeting, which provides a deep dive on pertinent subject matter for our investment teams and investment decision-making. These meetings provide a forum for dialogue with internal and external subject matter experts and see participation across our organization. In 2021, we hosted policy and practitioner experts who led sessions covering:

- U.S. market conditions and policy direction post-2020 election
- Identifying the social benefits that sovereigns and companies can provide
- Sectors facing the most difficulty in reducing emissions
- Best practices in issuer community relations regarding human capital and labor practices
- Global commodity and energy trends

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The global engagement research initiative

An example of one of our research, development, and training initiatives is the global engagement research initiative (GERI). This program consists of bimonthly meetings with equity, fixed income, and ESG investment professionals. Each GERI meeting has a sector theme, and internal professionals as well as outside speakers are invited to present pertinent research for a given sector. Relevant investment topics in 2021 included:

- Climate-related shareholder proposals in the oil and gas industry
- Human rights issues in the consumer sectors
- Risks and opportunities associated with cryptocurrencies
- ESG tools, topics, and questions to consider when engaging with technology issuers

These meetings provide a dynamic learning environment in which decision makers are exposed to, and can challenge, new investment ideas and enhance their active ownership practices.

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How our culture informs our active ownership strategies

Building on our history as a trusted fiduciary, long-term investor, and responsible corporate citizen, we seek input from external and internal stakeholders, reflect on learnings from ongoing engagement with third-party sustainability associations, and evolve our stewardship practices. Our culture of collaboration and innovation allows us to fully leverage the range of knowledge across our platform to drive innovation and enhance our stewardship approach by bringing local knowledge combined with global understanding to engage with companies across the globe.

Our culture of collaboration strengthens and aligns our fiduciary duty to our clients as an asset manager because we seek outcomes that improve portfolio resiliency. For example, when we engage with companies on sustainability issues, it can lead to positive changes in disclosure, more sustainable actions and strategies pursued by company management, and better sustainability and financial performance. Through collaborative engagement, working with industry partners and sustainability-focused organizations, we seek to amplify our collective impact, reduce the noise of numerous points of view by unifying our message to key corporate management teams, and help companies focus on setting goals with meaningfully positive outcomes. Through collaboration with stakeholders, we're also able to play an active role in advancing sustainability outcomes not only for the companies and assets in client portfolios, but throughout our industry.

Looking ahead

We believe our culture is strong across the organization, and we believe our stewardship program is well aligned with best practices across the industry. Our parent firm will continue to support ERGs and progress toward performance across DEI metrics. We also look forward to collaborating across investment teams through the GERI initiative and other trainings, which will enhance the understanding and execution of stewardship activities.

Governance, resources, and incentives

Our governance structure comprises sustainable investing committees and working groups that provide oversight, conduct ongoing risk assessments, and help steer our sustainability initiatives across global capital markets.

Our governance approach

Manulife Investment Management has established a governance structure to oversee our investment teams' sustainable investing activities and our ongoing stewardship activities.

We view the involvement of leaders in all asset classes, as well as representatives from functional areas such as operations, legal, compliance, risk, and technology, to be crucial to supporting our sustainable investing activities across the organization and ensuring the buy-in and commitment required for success.

In addition, the sustainability governance structure of Manulife Investment Management is connected to larger sustainability governance at Manulife. The president and CEO of Manulife Investment Management is joined by other senior Manulife leaders on the Manulife executive sustainability council, and the leaders of our sustainable investing teams in Manulife Investment Management work closely with Manulife's chief sustainability officer. In this way, Manulife Investment Management's governance structure is well connected to the broader sustainability community and leadership across Manulife.

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Our sustainability governance

■ Manulife ■ Manulife Investment Management

Corporate governance and nominating committee	Audit committee	Management resources and compensation committee	Risk committee

Executive sustainability council

General counsel	Chief analytics officer	Chief marketing officer—chair	Chief human resources officer	Chief executive officer	President and CEO, Manulife Investment Management	Chief sustainability officer	Chief financial officer	Chief operations officer	Chief investment officer	Chief risk officer

Sustainability center of expertise

Sustainability leaders across public markets, private markets, and general account

Our committees are convened to enable regular decision-making oversight

Public markets sustainable investing committee

- Integral to public markets strategic oversight
- Focus on key sustainability initiatives and strategy
- Comprises senior cross-functional leads and ESG team members; meets monthly

Proxy voting working group

- Members include cross-functional business heads in public markets
- Escalated voting decisions reviewed by this group

Private markets sustainable investing committee

- Supports ESG integration across private markets
- Led by the global head of private markets
- Includes global heads of private asset classes, sustainability specialists, and representatives from strategy, risk, distribution, legal, and marketing

Source: Manulife Investment Management, as of December 2021. For illustrative purposes only.

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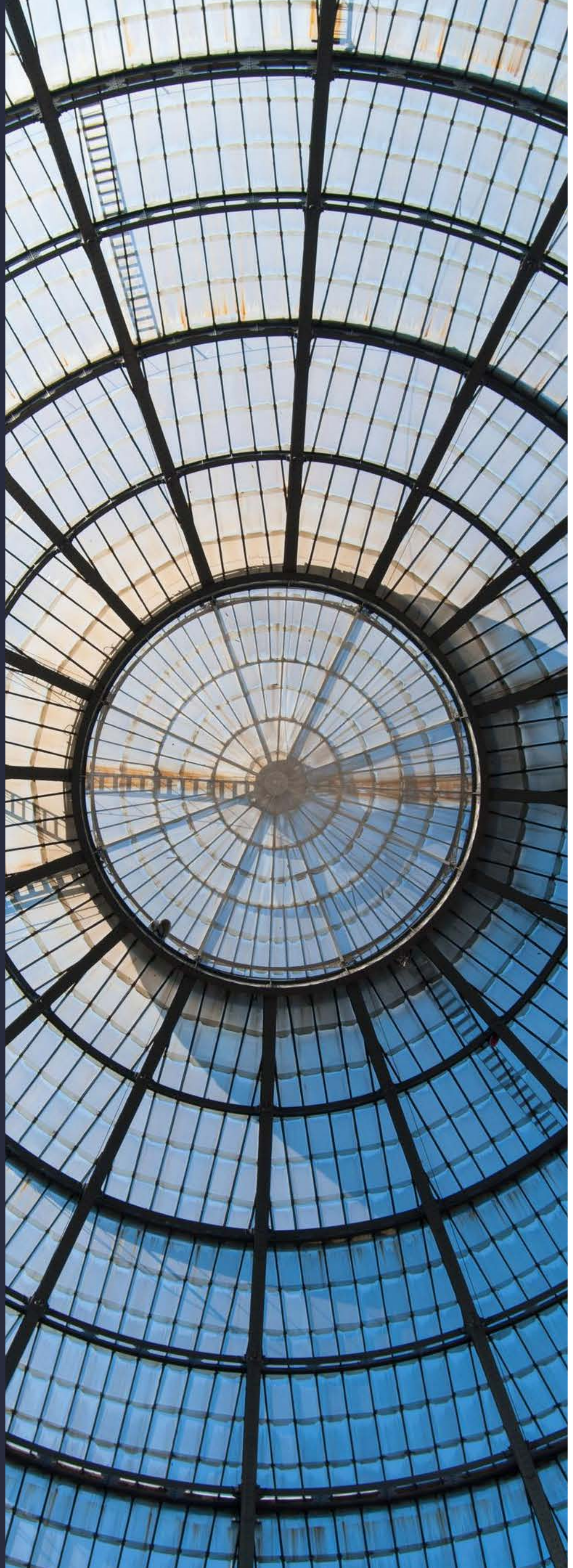

This governance structure is supported by teams of sustainable investing professionals that facilitate the implementation of Manulife Investment Management's sustainable investing agenda. This occurs through a variety of activities and projects, which include preparing annual business plans, identifying and developing sustainable investing best practices, supporting investment teams to develop tools and methodologies to adopt these best practices across the investment lifecycle, and leading the participation in external initiatives or collaborative industry engagement.

Our sustainable investing teams work with all investment strategies across geographies in an effort to ensure consistently rigorous applications of ESG integration, dissemination of new resources such as analytical tools and data, and access to support for investment teams in terms of research and stewardship activities.

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Escalating matters through the proxy voting working group

The proxy voting working group reviewed proxy voting matters at over 90 issuers through the 2021 proxy voting season. The working group met at least weekly through the highest voting volumes in April and May and also deliberated on matters through email to remain responsive to issues as they arose. In several instances, these reviews by the working group led to engagement escalations. For example, the working group reviewed issuers with dual classes of shares, as such structures can misalign economic ownership and voting rights. These reviews led to conversations with some of those issuers to encourage a phaseout of the dual-class share structure.

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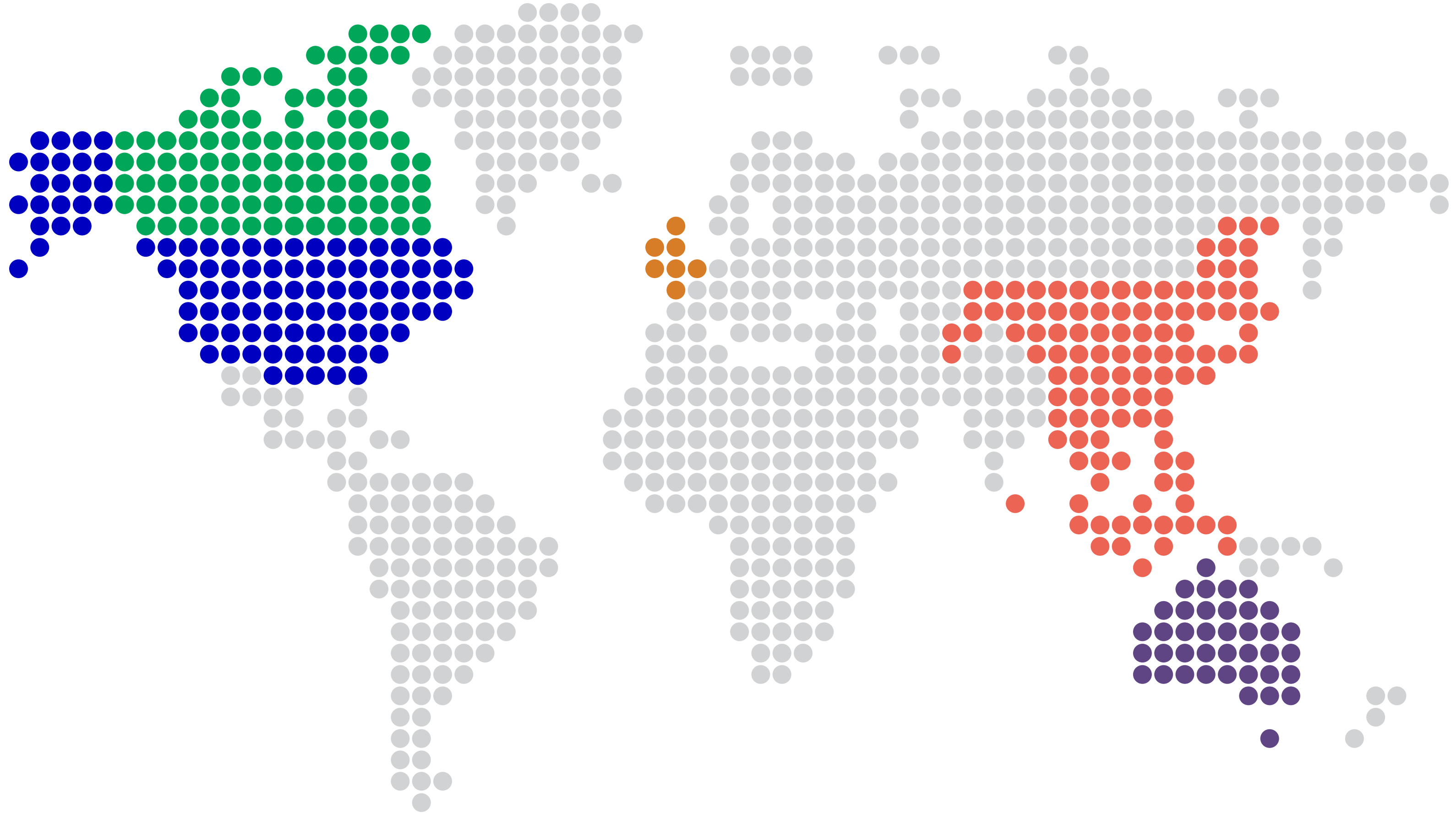
Our sustainability professionals conduct periodic training sessions for investment personnel on thematic sustainability issues such as executive pay analysis, climate change, and ESG integration. Either our teams or external experts lead the training, including leading academics. We also conduct or sponsor training sessions for specific investment teams as needed. Investment analysts are expected to participate in these training sessions as part of their ongoing professional development. The heads of each asset class are fully aligned with our approach to sustainable investing and provide clear leadership and direction.

Our investment teams have access to internal and external ESG data to assess the potential impact of material ESG factors on the valuation and risk/return profile of investee companies. Given that we operate as a community of specialist investment teams, each team incorporates ESG factors into the investment process in a manner that aligns best within its individual investment decision-making approach. Our sustainable investing professionals act as the primary base of support for our investment teams by helping design sustainable investing processes and providing a range of ESG-related decision-useful metrics, as well as working closely on our stewardship activities with investment teams.

Our global team of sustainability professionals



- United States **11**
- Canada **6**
- United Kingdom **1**
- Australia **1**
- Signapore **1**
- Hong Kong **2**
- Beijing **1**
- Sri Lanka **2**

Source: Manulife Investment Management, as of December 2021.

As our investment professionals have worked to integrate sustainability factors into their investment decision-making over the past several years, they've developed a robust understanding of sustainability issues and their impact across portfolios. To consistently help strengthen that institutional understanding, our dedicated sustainability professionals act as subject matter experts focused on critical ESG themes through their presence around the globe. These individuals make it their business to stay informed at the cutting edge of developments in their respective areas, participating in engagements where their expertise is particularly relevant, and contributing to industry collaborations dedicated to the specific matters on which they can bring their expertise to bear. Specifically, we have dedicated ESG team leads in the following areas:

- Agriculture
- Biodiversity
- Climate change
- Climate innovation
- Data privacy
- Governance, regulations, and ethics
- Health and wellness
- Infrastructure
- Modern slavery
- Private equity and credit
- Real estate
- Timberland
- Transportation
- Water management

Our sustainability professionals were active around the globe in 2021, collaborating with our investment personnel in engagements with public issuers while also engaging with industry associations, NGOs, and regulators. This same group of individuals supported all of the public markets investment teams in reviewing proxy voting decisions, conducting research and analysis to advise our portfolio management professionals, and escalating critical matters to the attention of the proxy voting working group. The subject matter and stewardship expertise of our sustainability team members remains centrally available across our investment division.

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Addressing sustainability risks through policy development

In early 2021, the public markets ESG team recognized the need to better address systemic risks through our proxy voting activities—specifically, by holding boards accountable for sustainability failures and by supporting shareholder proposals that address significant sustainability risks and opportunities. The team identified potential proxy voting policy changes and modeled potential voting outcomes before circulating this analysis to the equity investment professionals and the proxy voting working group for their consideration. Following this exchange, the ESG team escalated the policy changes for review by the public markets sustainable investment committee. The changes were approved and enacted before the proxy voting season was in full swing, which resulted in a significant increase in support for shareholder proposals.

Our sustainability-focused professionals support our asset management teams globally

25

dedicated sustainable investing professionals

400+

advise 400+ investment professionals on sustainability and stewardship activities

with expertise across regions and asset classes

- **ESG research and analysis**
- **Implementation of sustainability practices**
- **Training and education sessions**
- **ESG monitoring (investment monitoring)**
- **Proxy voting research**
- **Stewardship practices for operation of real assets**

Investment teams

Integrating ESG factors and stewardship in their investment activities

- Listed equity
- Fixed income
- Multi-asset solutions
- Real estate
- Infrastructure
- Private equity and credit
- Timberland
- Agriculture

Real asset operation teams

Integration of sustainable investing within assets we own and operate in real estate, timberland, and agriculture

Source: Manulife Investment Management, as of December 2021.

Sustainability and compensation structures

Across all asset classes, the contribution of investment professionals to sustainable investing and stewardship is a consideration in the discretionary bonus decision-making process each year. In addition, senior leaders have goals related to sustainability: Our sustainability asset class leaders, for example, have clear goals to consistently improve our ESG integration practices.

Analysts on our sustainable investing teams for public asset classes are evaluated on a range of annual performance criteria related to the success of our sustainable investing program, including qualitative assessments of the level of ESG integration and awareness across investment teams and the volume, quality, and investment impact of ESG engagements with companies that form part of our stewardship program. Similarly, the sustainable investing team for private asset classes is evaluated on a range of annual performance criteria related to its sustainable investing program. Furthermore, all employees managing timberland and agriculture assets are evaluated annually, in part, on metrics related to stewardship of people and the environment, such as conformance to third-party certification standards.

Looking ahead

We recognize that as our sustainable investing practices continue to evolve and strengthen, we need to continually review our governance process. For example, across public asset classes, we've employed a proprietary integration progression-level framework to monitor the progress of investment teams in their ESG integration efforts. This has been highly effective in encouraging real progress across the public markets investment teams. In 2022, our sustainable investing teams and investment teams will continue to work together to achieve the highest level of ESG integration across our business. In addition, we'll work toward finalizing a new framework to incentivize improved ESG profiles across our portfolios.

Learn more about our policies and governance

- Sustainable investing and sustainability risk statement
- Climate change statement
- Cluster munitions policy
- ESG engagement policy
- Global proxy voting policy and procedures
- Real estate sustainability framework
- Timberland and agriculture sustainable investing framework
- Infrastructure sustainable investing framework
- Private equity and credit sustainable investing framework
- Executive compensation statement
- Responsible contracting statement

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Conflicts of interest

Manulife Investment Management is fully committed to conducting business with integrity and treating customers fairly and consistently. Our obligation extends to managing conflicts impartially between ourselves and our clients—and between clients. Conflict management can occur in a number of stewardship activities, including engagement and proxy voting.

Our approach to managing conflicts of interest

We always strive to act in the best interests of our clients through all our business activities. We work actively to identify and mitigate any conflicts of interest, whether potential or otherwise, across all our business activities, including active ownership. To that end, the firm has established a framework of policies, training, and governance to address real and potential conflicts of interest, and we always put the interests of clients first.

We take a multifaceted approach to conflicts management

Multiple policies, processes, and review bodies help us identify and mitigate conflicts of interest

Governance	Boards and oversight committees	Policies and procedures	Conflicts advisory council
Oversight mechanisms	Global ethics Global trade oversight Operations Proxy voting	Conflicts of interest policies tailored to specific market challenges	Identification and mitigation of business-level conflicts

For illustrative purposes only.

Global policy network

Manulife Investment Management consists of various affiliated legal entities across the globe. We've established a network of conflicts of interest policies that support our efforts to identify and mitigate real or potential conflicts. These policies are further tailored to each entity according to the different legal and regulatory environments in which the entities operate. For example, Manulife Investment Management (Europe) Ltd., our U.K. legal entity, has a stand-alone conflicts of interest policy that's designed to protect the interests of our clients while also meeting the expectations of the Financial Conduct Authority Principles for Business and the requirements of the EU Markets in Financial Instruments Directive II, also known as MiFID II.

Individual employee activities related to conflicts of interest are also covered by our investments code of ethics. The code directs employees to consider situations in which their activities or interactions with clients, vendors, or other employees could present an actual, potential, or perceived conflict and to report such conflicts to compliance for further review and action. Conflicts are addressed through policies covering, for example, the gifts and entertainment, personal trading, and outside business activities sections of the code. The code also emphasizes that potential or actual conflicts can often occur within *all* normal business operations; it's the responsibility of our associates to always act honestly, ethically, and with integrity to protect our clients' interests.

Regarding stewardship specifically, both our global proxy voting policy and procedures and our ESG engagement policy address conflicts in proxy voting and engagement. Associates tasked with engagement and proxy voting responsibilities are required to disclose any real or potential conflicts to their manager and our legal and compliance departments, as needed, to determine appropriate steps to mitigate a given conflict.

We require our teams to follow a program of continual training

Our employees are required to complete training sessions throughout the year as directed by the global code of ethics administration team. These include content on managing conflicts within gifts and business entertainment, participation in business activities that could benefit an associate or close relative, and outside activities. Employees learn both how to identify a real or potential conflict and the steps that they should follow. Training sessions then test employees to confirm both their understanding of the training and their responsibility to abide by the code.

Our governance infrastructure and applicable oversight committees are continually evolving

Several standing bodies throughout Manulife Investment Management are tasked with overseeing the network of conflicts of interest policies, training, and mitigation efforts. Our standing oversight committees, for example, comprise senior management and risk and compliance officers from the various entities that make up our firm.

To mitigate conflicts of interest at the business level, the organization established a conflicts advisory council with members from regional and functional business heads and second-line control functions. Local risk committees work from the bottom up to identify and discuss conflicts arising from business decisions, or proposed business decisions, escalating locally and to the council, as needed. Manulife Investment Management's executive leadership also keeps the council advised of any potential top-down business conflicts. The conflicts advisory council isn't a decision-making body, but instead assesses and evaluates the issue and recommends appropriate mitigation measures to the local business or executive leadership.

Conflicts of interest

In 2021, global risk and compliance organizations across Manulife Investment Management worked together to produce both a combined register of conflicts of interest and a series of risk control self-assessments to better align and refine how conflicts of interest are captured and managed at the global level.

Related to proxy voting specifically, Manulife Investment Management's proxy voting working group acts as a control against conflicts of interest in the proxy voting process. The working group is made up of functional experts from across the organization, including the legal, compliance, risk, investment, and sustainable investing teams. It reviews any potential conflict of interest to determine whether it's material and, where a conflict is present, the working group follows one of several actions, including direct review of the relevant proxy voting decisions to ensure a robust rationale that protects shareholder value over the long term, execution in line with the recommendations of a third-party proxy research provider, or abstention from voting. For example, when voting shares in our parent company, Manulife, we'll, where operationally possible, execute our vote to echo the votes of the shareholder base at large.

In 2021, work was initiated to improve the data related to conflicts in the proxy voting process. When completed, this should allow the proxy voting working group to better identify where key business relationships exist in order to prevent or manage any potential conflicts that could arise—or be perceived to arise—related to engagement with issuers.

Case study

Conflicts review for leadership in collaborative engagement

Manulife Investment Management was offered the opportunity to lead a collaborative engagement through Climate Action 100+ with a multinational producer of plastics, chemicals, and agricultural products. Before agreeing to take on the lead position, we conducted an internal review of real, or potential, conflicts of interest related to the issuer. We worked across business functions to determine whether either Manulife or Manulife Investment Management had any material client relationships with the company in order to identify such conflicts. We also shared a proposal to lead the engagement with our parent company's internal executive sustainability council, chief sustainability officer, and general counsel to determine the potential for any other conflicts or issues related to taking a lead position in the collaborative engagement. After a thorough review, no material conflicts were identified, and we're now leading this Climate Action 100+ engagement.

Conflicts of interest

Addressing potential conflicts in private markets

The primary purpose of the private markets conflicts of interest and investment allocation oversight committee is to carry out investment manager duties relating to oversight of the investment allocation process and address conflicts of interest. This includes conflicts of interest (i) between an investment manager and its supervised persons or affiliates, or its advisory clients, and (ii) between and among an investment manager's advisory clients. The committee reviews conflicts, and potential conflicts of interest, providing advice and recommendations regarding the mitigation of these conflicts (or potential conflicts). Among the potential conflicts, material conflicts of interest could include:

- Investments in the same company at different levels of capital structure
- Financially troubled investments
- Loans or additional equity to portfolio companies
- Purchases or sales at different times, or in different proportions
- Investment refinancing or liquidation events
- Financing of real estate purchases

In 2021, our private markets risk and compliance teams collaborated to conduct an assessment of conflict management across our private markets investment operations. The teams used the findings of that review to implement several improvements, including development of a comprehensive conflicts of interest policy tailored to private asset classes. This policy incorporates a register of conflicts encountered by the business, a formal training program to educate employees and affiliates—including property managers—and the development of a global process to benchmark affiliate fees across regions and strategies.

The timberland and agriculture property management business uses subsidiary companies (affiliates) to perform services. As these are related party transactions, we have conflict protocols in place to ensure we're not favoring our affiliates to the detriment of our clients. We contract with our subsidiaries to charge at or below market rates for services. These costs vary by region and geography, but our goal is to have one global benchmarking standard for how fees are assessed and charged to our clients.

When conflicts can't be resolved

In exceptional circumstances, an unmanageable conflict may arise. In these cases, Manulife Investment Management won't undertake business for the client unless we've clearly disclosed the conflict (or potential conflict) to the client in advance. This disclosure is important in circumstances in which other means of conflict management have proved insufficient and provides sufficient detailed information to allow the client to make informed decisions.

Looking ahead

We recognize that our firm is a complex global network of legal entities, and we operate a wide range of policies and processes, both globally and locally. In 2022, we'll continue our work related to the identification and management of conflicts in the proxy voting process. These improvements will provide more data and information to help mitigate real and potential conflicts as they arise.

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We believe investors can play a central role in addressing systemic risks in financial markets. As sustainable investors, we've established a multilayered risk management structure to help mitigate systemic risk exposure in our portfolios, in addition to the collaborative actions we take to help alleviate these risks.

How systemic risk evaluation fits into our overall risk management framework

Because we operate across numerous asset classes and markets, we've implemented overlapping processes to identify and respond to different types of risk. In turn, our investment teams are empowered to account for the market and systemic risks in their investment process, which are then monitored at an organizational level.

Manulife Investment Management practices a three lines of defense model in terms of risk management, with the investment staff forming the first line, compliance and risk management the second line, and audit the third line. All three lines have entirely separate management structures and reporting authorities to ensure independence.

While risk—particularly systemic risks such as climate change—can never be entirely guarded against in investment portfolios and business operations, we believe our overlapping risk management process helps to ensure that we effectively manage these risks in our clients' portfolios and for the assets we own and operate.

We rely on both quantitative and qualitative risk management inputs

Portfolio managers

Our frontline risk defense

Investment risk/ESG teams and models

Multilevel risk management functions

Collaborative engagements

Systemic risk identification and mitigation

Different forms of risk are simultaneously addressed and managed

- Liquidity
- Climate-related physical hazards
- Low-carbon transition
- Operational
- Market

Across our investment capabilities, portfolio managers are ultimately responsible for managing risks in their portfolios. Our public markets teams are aided by an investment risk group, combined with an ESG team and models that monitors market risk and reports up to a multidisciplinary risk committee and chief risk officer. In connection with a variety of systemic risks commonly defined in terms of ESG factors, we participate in collaborative engagements, which help us amplify our impact across the global capital markets.

For illustrative purposes only.

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Our ongoing response to COVID-19

Throughout 2021, we continued our approach to managing the pandemic within the organization and also its impact on our portfolios.

Our response to the pandemic continues to require coordination on many fronts. Given the spread of the coronavirus globally, we've established guidelines to help our employees stay healthy and safe and to ensure that we can continue to support our clients. We continue to provide firmwide updates to all employees on the coronavirus and the state of our business, including interim policies and guidelines that cover areas such as enhanced business travel restrictions, protecting personal health, and protocols for employees who fall ill. With business continuity plans firmly in place, we remain vigilant in our response to pandemic-related investment risks and opportunities.

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Case study

Adjusting for endemic COVID-19

Through 2020, our macroeconomists viewed COVID-19 through the lens of a natural disaster event: a one-off disruption that created a near total decline in activity followed by a growth- and productivity-generating rebuild. Starting in mid- to late 2021, however, we shifted to thinking about the ramifications of endemic COVID-19, including the potential speed limit on growth that we expect to see over time.

In certain markets, we've seen each subsequent wave of COVID-19 have diminishing impacts on household and business behaviors and public health restrictions. Some markets, however, are more difficult to forecast behavioral and government responses and create broader risks in our outlook. Different governments are taking different approaches, and like many political decisions, these are difficult to model and can create rolling supply shocks.

Long term, we have to consider that endemic COVID-19 will create winners and losers across both sectors and regions. Unlike the economy before COVID-19, performance expectations must now consider additional factors, including vaccination levels, hospital capacities, and policy accommodations.

Endemic COVID-19’s impact on the economy

Behaviors (demand)
Personal economic decisions

Seasonal

- Self-selected reduced mobility during seasonal COVID-19
- Business choices to reduce travel, conferences, and meetings during seasonal COVID-19

Permanent

- Work-from-home preferences
- Shift in desired work away from high touch jobs/labor shortages
- Permanent changes to consumption preference basket

Government restrictions (supply)
Imposed policy choices

Restricted capacity within services

Cap on number of customers in restaurants and movie theaters, for example

Supply chain shutdowns

- Manufacturing plant shutdowns/zero COVID-19 policies
- Potential for rolling supply shocks

Global mobility

- Border restrictions that limit movement of goods, services, and labor
- Heightened geopolitical risks

Potential investment considerations

Regional winners versus losers	EM versus DM underperformance	Sector winners versus losers	Outperformers of those with pricing power, quicker transitions, and reduced need for labor	Lower interest rates, larger share of government

For illustrative purposes only. EM refers to emerging markets. DM refers to developed markets.

Our investment teams continue to evaluate the direct and indirect implications of the pandemic. To name a few relevant examples:

- Liquidity risk management meetings continue to occur on a more frequent basis than before the pandemic.
- We continue to work with equity owners and management of our private credit portfolio companies to address covenant modifications necessitated by the pandemic and to support their growth where those opportunities exist.
- To help tenants in the properties we operate across 11 geographies and 28 cities, we developed a "Return to office tenant guidebook" in consultation with a team from the Harvard School of Public Health. This resource provides an updated list of recommended measures within six key categories, each of which is designed to ensure the safe and ongoing return of tenants, visitors, and contractors to our spaces. This guidebook includes guidelines on employee behavior, communication standards, and operational system upgrades.
- In our timberland and agriculture asset operations, we purchased protective equipment to keep our employees safe on the jobsite, provided an additional five personal days of time off, and expanded access to mental health and well-being resources. We also provided a COVID-19 team care program for employees and contractors who contracted, or were exposed to, COVID-19.

Our "Return to office tenant guidebook" contemplates:

- Building common areas
- Property operations and building systems
- Tenant spaces
- Tenant improvements and on-site maintenance
- Leasing and tour protocol
- Tenant communications and building signage

Throughout the pandemic, our top priority has remained the health and safety of our employees, customers, partners, and communities. We've remained committed to supporting the communities in which we operate and have made considerable donations of supplies and resources in some of the hardest-hit areas.

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Responding to the systemic risk of climate change

We believe that unmitigated climate-related risks present a systemic threat to societal, environmental, and financial stability—and therefore to our businesses and our clients' financial objectives—over the coming decades. To understand the impact of climate change on investment decisions, we believe asset managers should assess the transition risk, physical risk, and opportunities posed by climate change to the companies in which they invest. We recognize that climate change could have an economic impact that will vary from company to company, and will depend on the exposure level of each sector, industry, and geography.

We believe that understanding climate change across the capital markets remains uneven, leading to potential mispricing of assets, and that many companies may be inadequately prepared to respond to the risks and opportunities of this transition. We may take a variety of actions toward managing climate-related risks and opportunities across our businesses and investments to appropriately price climate risk.

Our support of the TCFD

Between 2017 and 2019, Manulife Investment Management participated in the United Nations Environment Programme Finance Initiative (UNEP FI) pilot project, which brought together 20 of the world's largest investors to advance the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The participants in the pilot developed scenarios, models, and metrics to enable a scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities.

With UNEP FI and expert support, the investors tested their portfolios against a range of climate scenarios and co-developed a metric for determining the climate value at risk for equity, bond, and real estate portfolios. The output and conclusions of this group are intended to stimulate and ease the adoption of the TCFD recommendations by the wider industry.

Throughout 2021, we continued to collaborate through Phase II of the UNEP FI project aimed at developing new climate risk assessment methodologies and researching sector-specific climate risks and opportunities.

Climate Action 100+: a major platform for collaborative change

In 2017, Manulife Investment Management was a founding member of Climate Action 100+, a five-year initiative that, as of February 2022, included more than 615 investors from around the globe representing US$65 trillion in investor capital. Climate Action 100+ focuses on the world's largest corporate GHG emitters. By late 2019, Climate Action 100+ had logged notable successes among major mining and oil and gas companies. In 2021, we continued to see notable climate action from investee companies targeted through Climate Action 100+ outreach. We engaged with the industry associations involved in Climate Action 100+ to enhance the investor expectations on meaningful climate action.

In 2021, we also took a lead role in the collaborative engagement with one of the world's largest chemical firms. Through this position, we're looking to influence the issuer to adopt more expansive emissions reduction targets and the production of a climate lobbying report among other goals.

Our investments are aligned with our broader climate risk mitigation efforts

We may take a variety of actions toward managing climate-related risks and opportunities across our businesses and investments to appropriately price climate risk. Broadly summarized, our available actions relate to asset allocation and selection, investment analysis and research, proxy voting, mitigating direct GHG emissions, deploying robust sustainability management practices for operated assets, and participating in collaborative industry climate initiatives. In general, our preferred position is to engage directly with companies to encourage effective implementation of climate risk mitigation and adaptation strategies, reserving the right to divest from any investment.

In 2021, our timberland and agriculture business launched its inaugural climate disclosure report. Specific to timberland and agriculture, the 2020 climate report provides details on our approach to climate-related governance, strategy, risk management, and metrics and targets. It also outlines how we've scaled up our capabilities for investments that optimize and prioritize carbon removal and how we're incentivizing climate stewardship to drive our efforts. The report outlines to our clients and stakeholders why adapting to and addressing climate-related impacts is a business imperative for Manulife Investment Management.

Starting in 2019, and through 2020 and 2021, our real estate business undertook a program to learn more about our portfolio's physical climate change risks and our resilience in the face of these risks. We conducted a climate risk and resilience assessment across our global portfolio. Following that effort, we implemented a new building standard required for our properties to address climate risk and resilience.

We also address systemic risk through our thematic offerings. In 2021, for example, we launched a global climate strategy. This strategy allows investors to align their equity portfolios with the overarching goal of rapidly curbing GHG emissions and achieving real-world decarbonization while investing in companies we expect to outperform through climate action.

Expanding nature and biodiversity efforts

Supporting TNFD

The climate crisis must be tackled in tandem with the nature crisis. The Taskforce on Nature-related Financial Disclosures (TNFD) is an important initiative that aims to provide a risk management and disclosure framework for organizations to report, and act on, nature-related risks.

Recognizing the nature crisis as relevant to financial institutions, Manulife Investment Management joined the TNFD's Informal Working Group (IWG), a six-month project to enable the TNFD launch and work plan. We joined 60+ members from across financial institutions, corporates, NGOs, think tanks, and governments in this endeavor. As an IWG member, we agreed to promote the business case for TNFD.

There were a few work streams to scope out of the TNFD, including governance and marketing. We joined the governance work stream and offered our thoughts on the proper governance structure. There was also a technical expert group that produced papers for the investor working group's commentary on issues such as scope, data, climate-nature nexus, and standards. The IWG provided feedback and refinement to these papers that ultimately led to the final TNFD scope recommendations. We remain involved with the TNFD as members of the TNFD Forum, a multidisciplinary pool of technical experts available to help develop the disclosure framework.

Working with the CISL on nature risk assessment methodologies

Manulife Investment Management is a member of the Investment Leaders Group at the Cambridge Institute for Sustainability Leadership (CISL). A significant focus of our work with the group involves building subject matter knowledge and methodologies to assess nature-related risks across portfolios. We support the continued development of "CISL's Handbook for Nature-related Financial Risks," for example. This handbook extends the work of the Dasgupta report to identify various nature and biodiversity risks with resultant financial risks for issuers. This work also contributes to the work of TNFD with CISL as a knowledge partner of that organization, committed to providing the TNFD with "expertise across scientific disciplines, market practice and the development of nature-risk scenarios."

Addressing another systemic risk: lack of sustainability disclosure

We apply a materiality-based approach to our investment decision process, but we recognize that some factors could have material impacts across industries and geographies. For example, we believe that climate change and diversity are virtually universal topics that could affect investments in all asset classes, geographies, and sectors.

We believe that investors can play a strategic role, not only in the identification and analysis of marketwide and systemic risks stemming from a pandemic or climate change, but also through using our voice to improve the outcomes for our clients, as well as the economy, the environment, and society. Through our sustainability analysis, we identify key barriers to effective stewardship and improvements we believe are needed now to promote the smoother functioning of financial markets.

Developing new standards for sustainability disclosure

A key example of our activity here is our involvement in the Investor Advisory Group (IAG) of the Sustainable Accounting Standards Board (SASB) Alliance. The IAG of the SASB Alliance includes large global asset owners, asset managers, and investment intermediaries who recognize the need for consistent, comparable, and reliable disclosure of financially material, decision-useful ESG information to investors.

By lending our voice as a global investor, we also advocate for policy and regulatory developments that promote well-functioning markets. For example, in November 2021, we signed an open letter from the SASB IAG to the International Financial Reporting Standards Foundation (IFRS) trustees. The letter noted that the IAG applauded the IFRS trustees' landmark decision to deliver a global baseline of sustainability disclosure to meet investor needs, starting with the creation of the International Sustainability Standards Board (ISSB). We support this new body that aims to develop a global baseline of sustainability disclosures for the financial markets, streamlining the current sustainability disclosure landscape and making it easier to identify and report on vital information affecting investors. This will involve complete consolidation of the Climate Disclosure Standards Board (an initiative of the Climate Disclosure Project) and the Value Reporting Foundation (which houses the Integrated Reporting Framework and the SASB standards) by June 2022.

Looking ahead

We're proud of the work we do to identify and address systemic risks to protect and enhance value for our clients' portfolios. In 2022, we'll continue to promote well-functioning markets through various initiatives focused on addressing climate change, biodiversity, and systemic inequality. We'll continue, for example, to work on the UNEP FI Phase II program and accelerate our work on nature and biodiversity risks.

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Review and assurance

Manulife Investment Management provides regular updates on improvements to our investment and stewardship processes. We believe that full transparency of our policies and practices ensures that our clients and stakeholders have a clear and accurate understanding of our activities and decisions.

Our approach to review and assurance

In 2021, Manulife Investment Management reviewed stewardship practices using internal working groups in addition to external resources. The valuable scrutiny received from several perspectives across a spectrum of functional expertise led us to commit to regular and frequent reviews of our stewardship practices, with an eye toward ensuring consistent improvement over time.

Internal compliance testing

Our compliance program employs a variety of testing techniques to ensure adherence to its policies, procedures, and corresponding requirements. 2021 testing activities included (i) reviewing ESG-related marketing materials and other disclosures, (ii) monitoring against portfolio guidelines and mandates, and (iii) reviewing the investment decision-making process for selected asset classes to ensure alignment with disclosures. These resulted in recommendations that are designed to enhance supporting documentation and recordkeeping.

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We also tested our proxy voting policy against our practices and records to ensure they were aligned. This compliance testing resulted in:

- The addition of controls to ensure broader proposal reviews by analysts
- Amended meeting procedures for our internal proxy voting working group to ensure quicker, clearer decision-making
- Additional training for analysts on reviewing proxy voting matters and documenting these reviews

2021 external party review

When our internal compliance professionals identified the routine review of ESG integration and stewardship activities as a best practice in late 2020, our compliance team initiated the testing of several policies, including the proxy policy mentioned above. This initiative expanded and accelerated in 2021 following the U.S. SEC's Risk Alert "Review of ESG Investing," which highlighted sustainable investment and stewardship risk areas.

In response to our various ESG commitments and regulatory expectations, we also recently engaged an external consultant to conduct a review of our policies and processes regarding ESG, including assessing our disclosures with our internal ESG practices, as well as suggesting any enhancements to our related compliance and oversight program. On completion of their work, we'll review their recommendations and implement as considered appropriate. Given where we currently are in our ESG journey, we believe it was an opportune time to have this objective evaluation of our overall practices.

Moving our policy going forward

Manulife Investment Management reviews policies on a formal basis every three years as a matter of course; however, our compliance, sustainable investing, and investment teams constantly seek to improve our stewardship practices. Consequently, our stewardship policies are reviewed more informally on an annual basis to ensure that we hone our best practice in active ownership. We strive to remain aligned with the evolving expectations of the UN's Principles for Responsible Investment (PRI) and market-specific stewardship codes of which we're signatories, and we review our stewardship policy framework through the lens of those expectations.

Following these reviews, our sustainable investing teams may recommend changes to the relevant policies. These changes can be approved by working groups, such as the proxy voting working group, before ultimate approval by either our public or private markets sustainable investment committee. In 2021, these reviews led to several changes to our policy framework.

We adopted or updated several key policies in 2021

Policy	Change
Executive compensation statement	**Adopted** to articulate our approach to assessing executive compensation for public issuers
Global proxy voting policy and procedures—public market equities	**Modified** to support more shareholder proposals that address ESG risks
Private equity and credit sustainable investing framework	**Adopted** to support our approach to sustainable investing in our private equity and credit investments
Infrastructure sustainable investing framework	**Adopted** to support our approach to sustainable investing in our infrastructure investments
Responsible contracting statement	**Adopted** to clarify our commitment to responsible contracting practices and support our differentiated approaches across asset classes
Sustainable investing and sustainability risk statement	**Updated** to align with Sustainable Finance Disclosure Regulation (SFDR) requirements

Source: Manulife Investment Management, as of December 2021.

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Leveraging functional expertise for accurate reporting

Manulife Investment Management's major reporting initiatives are supported by working groups comprising functional experts from across the firm. Over the past year, we've created groups to support our PRI assessment, sustainable investing report, and this stewardship report. These groups are made up of representatives from our compliance, legal, risk, marketing, and sustainable investing teams, among others, to ensure a comprehensive review of drafted content. These groups met regularly during the drafting process to provide feedback, provide additional substance, or recruit additional experts for their input and review of draft materials.

Draft reports are circulated to the firm's leadership through the public and private markets sustainable investing committees, comprising executive-level leaders. The respective working groups then incorporate feedback into a final draft before ultimate approval by the public and private markets' sustainable investment committees.

Additional checks to this progress are provided by our internal compliance team, which is trained to assess documents intended for a public audience. With their assistance, the team can work to ensure that materials are fair, transparent, and not misleading, using processes that ensure all data and claims are both valid and verified by internal stakeholders.

Looking ahead

We'll continue leveraging functional expertise across the firm as we report on, and develop, our stewardship and sustainable investment activities. In 2022, we'll continue with a review of our practice of using both internal and external resources.

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Client and beneficiary needs

We seek to support our clients' needs by leveraging our sustainability and investment expertise across a broad range of public and private asset classes, as well as by offering multi-asset solutions. We continuously seek to enhance our product offerings and our reporting in line with industry standards and best practices. We take a consultative approach to meeting our clients' sustainability objectives.

Our approach to client and beneficiary needs

One of our core Manulife values is that we "obsess about customers." This value drives us to collaborate with our clients and beneficiaries to understand and meet their needs and to work with them on accessing that part of our sustainability offering that's most suitable for pursuing their objectives.

The spectrum of our sustainability offering

ESG integration (including active ownership)	Negative (and norms-based) screening	Positive or best-in-class (and norms-based) screening	Thematic/ sustainability-themed investments
Consideration and analysis of ESG factors as part of investment decision-making	Industry sectors or companies excluded/ divested from to avoid risk or better align with values	Investments that target companies or industries with better ESG performance	Investments that specifically target sustainability themes (e.g., clean energy, green property, Sustainable Development Goals (SDGs) aligned solutions)

For illustrative purposes only.

Regular feedback from clients

We work hard to understand the needs and desires of our clients through regular interactions. At a minimum, we speak directly with each client on an annual basis. In these discussions, we elicit clients' feedback on their investment goals and will specifically review sustainable investment goals as directed by individual clients. We're a global asset manager investing not only across multiple asset classes, but also serving clients across geographies, and the awareness and understanding of sustainable investing for clients will vary. Some clients are very knowledgeable about sustainable investing and integration, while with others, we work to educate them on the importance of considering such variables and the capabilities we provide.

For example, in 2021, we began developing ESG education for our institutional investors in Canada. This curriculum is being designed to communicate the basics of sustainable investing, including many aspects of stewardship, but it will also go deeper with decision-useful information on how to incorporate ESG considerations into investment policies and governance.

Clients sometimes request very specific actions regarding sustainable investing; other times, they're simply seeking information and education. Clients will often articulate requirements in an investment policy statement that can cover preferences ranging from investment objectives and time horizons to risk tolerance and asset mix. Sustainable investment practices continue to evolve, however, which is why touching base with clients regularly regarding their expectations and the outcomes of our stewardship practices helps us ensure we're best meeting their needs while providing an opportunity to highlight recent changes to our policies and practices.

We frequently take the opportunity, when meeting with our clients, to articulate our strategic direction for responsible investment and to educate our clients on the opportunities we see.

Advances in our sustainability reporting in our private market asset classes

In 2021, we developed standard ESG pages to be included in annual and quarterly investor reporting for our private markets asset classes. The pages include an overview of our commitment to sustainable investing, a description of how we're integrating ESG into the investment process, details on our industry collaborations, and an outline of our sustainability highlights. These highlights may include items such as new industry recognitions, scores from sustainability-related reporting and benchmarks, or new sustainability-related initiatives that were put in place over the period under review.

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Our clients are advancing on sustainable investment and stewardship

Our clients continue to ask more and more sophisticated questions about our approach to sustainable investment and stewardship. In light of these questions, we continue to revisit our current practices and iterate forward. Some examples of recent client queries include:

- How are you using ESG factors to drive better outcomes for your clients?
- How is stewardship a component of your investment process?
- How do you attempt to influence companies to improve their sustainability?
- How do you achieve outcomes through engagement and what are recent examples of outcomes you've achieved?
- How do the sustainable investing team and the investment teams collaborate?
- With which sustainable investment industry standards do you align?
- Please provide an overview of your strategy for, and governance of, data management through the investment process.
- Please provide data on specific performance metrics (requests have included carbon footprinting, health and safety, and DEI data).

For answers to these questions and for more information about our sustainable investing practices, please visit the sustainability page on our institutional website.

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Public reporting

We publicly report high-level information about our sustainable investment and stewardship practices through several avenues on an annual basis. As signatories to the PRI, for example, we aim to publish our annual PRI assessment report in line with the PRI's reporting cycle. Clients will sometimes use this report as a springboard to conduct a deeper dive into our active ownership and investing activities.

Manulife Investment Management also produces a publicly available sustainable and responsible investing report on an annual basis. This report provides data and examples of our sustainable investment in action to help current and potential clients understand our philosophy, policies, and approach to sustainable investing. The report covers activities in both public and private markets and showcases a holistic view of Manulife Investment Management's sustainability-focused research capabilities, engagement activities, and asset management practices. The report also demonstrates concrete steps the firm takes to integrate sustainability considerations into investment decision-making and outlines our key areas of sustainability focus and metrics of success. Focus areas include strong governance, ESG integration, active and responsible ownership, and global collaboration across numerous platforms for broader industry effectiveness.

Our clients routinely request customized reporting to supplement our public reports. On request from a client, for example, we'll provide more detailed information of the engagement and proxy voting activities we undertake in relation to holdings in that client's portfolio. We may share specific engagement outcomes or a review of votes on shareholder proposals to provide information as to how we practiced stewardship on behalf of an asset owner.

Considering investment time horizons for clients

There's no set rule for investment time horizons across all asset classes. For Manulife Investment Management, time spans can change by client mandate, asset class, and the degree of materiality of sustainability factors to a given investment. Some examples include:

- **Pension plans—**We manage pension plan assets that are intended, for example, to run in perpetuity.
- **Private infrastructure—**Our private markets infrastructure funds consider up to a 50-year operational timeframe, with returns generally expected to mature at about 10 years after investment.
- **Climate risk exposure—**When reviewing investments with particular exposure to transition and physical climate risk, we look at short-, medium-, and long-term time horizons. Short term usually refers to through 2024; medium term refers to 2025 to 2035; and long term refers to 2035 to 2050 or 2100.

Due diligence by clients

Due diligence questionnaires are another vehicle through which our clients are able to clearly articulate what aspects of responsible investment are critical to their goals. These questionnaires may seek greater detail on sustainable investing efforts and results or inquire about our exposure to specific risks. The frequency of these questionnaires is typically annual; however, we do have some clients who make inquiries more often.

We track the questions that we receive in these due diligence questionnaires from clients and use that data to determine whether there are any larger trends in client expectations. Any trends that we identify may help us prioritize our updates for sustainable investment and stewardship over time.

Looking ahead

In 2020, we began piloting the provision of enhanced client reports on a variety of sustainability metrics for certain public asset classes. The feedback we've received has been very positive. We issued the new reporting package to a subset of institutional clients in the United States and Canada throughout 2021 per individual client demand. We currently have the capability to provide ESG reporting to all clients and, through 2022, we'll continue to interview clients regarding their evolving needs for such reporting. We're also working to evolve our reporting practices in line with industry standards and client requests in private asset classes.

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Stewardship, investment, and ESG integration

We recognize the critical connection between deciding to invest and maintaining a strong program of stewardship to protect each of our investments. The central objective of our approach is to strengthen the potential risk/reward profile of our clients' portfolios.

Our approach to ESG integration

We seek to incorporate material ESG considerations throughout the stages of our investment and lending lifecycles, considering the characteristics of the asset class and investment process in question as well as industry and geography, among other factors. In our capacity as stewards of capital, our investment approaches go beyond conventional financial statement analysis. Our investment strategies that have fully integrated ESG analysis monitor a company's strategy, capital structure, and management of ESG risks and opportunities on an ongoing basis. In our operating activities, we hold ourselves to a high standard of sustainability. We do this to both protect and grow the value of the assets as we create long-term value for our stakeholders.

Centralized support from sustainable investment professionals

Our group of 25 sustainable investment professionals reinforces and strengthens ESG integration and stewardship activities across our investment teams and in all asset classes. This support extends across the investment, product, and asset class lifecycles and includes:

- **Analysis of sustainability risks and opportunities—**Our investment teams integrate ESG factors into their valuation strategies across portfolios through both ESG data sets and qualitative analysis of the firm's reports and governance mechanisms. The sustainable investment teams work with investment professionals to understand and leverage this information in their investment analysis.
- **Development of tools to aid sustainable investment—**Our sustainability professionals identify tools that help investment teams assess ESG risks and opportunities, and we develop new tools where we see an opportunity to add value. In 2021, for example, the public markets sustainable investing professionals tied our proprietary sector-specific ESG handbook to real-time data to identify the most material ESG risks and opportunities for a given sector. This tool is housed on a central global research platform to which all investment teams and professionals have access.
- **Frequent communication on ESG information—**We've established regional ESG task forces—for example, the Asia equity ESG taskforce, North America ESG taskforce, and Asia fixed-income ESG taskforce—to discuss ESG-related research, news, and ideas. Similarly, ESG themes, emerging trends, and salient topics are shared with investment teams. For example, for our public markets' teams, we establish recurrent GERI meetings, which enables us to coordinate research efforts and promote idea generation that leads with ESG factors. Our sustainable investing professionals in private markets have recurring and ad-hoc meetings with investment teams to disseminate ESG-related updates and to communicate updates to ESG business plans.
- **Engagement with management teams—**Today, engagements between Manulife Investment Management and issuers and investments consistently involve discussions of material ESG factors. Our sustainability professionals support these engagements by identifying and leading dialogue on these material issues. This group also supports our investment teams in working to influence company management to pursue outcomes that we believe will improve its risk/return profile.
- **Training and education—**The sustainable investment teams provide training to our investment professionals throughout the year. In 2021, training included topics in ESG integration practice, nature and biodiversity, climate resilience, proxy access, how to call a special meeting, and the right to act by written consent. The sustainable investment teams also support an internal ESG information hub in which they collect research and related discussions of sustainability topics.
- **Guidance on exercising rights—**As our investment teams review the exercise of certain rights associated with an asset class, our sustainability professionals will advise our investment colleagues on the intersection of sustainability factors and the exercise of their rights. Support can range from research in proxy voting decisions for equity to the identification of sustainability factors that may help us exert influence through a credit event in our fixed-income holdings. To support decision-making in these areas, we've published our guiding principles and statements, including our proxy voting principles, our climate change statement, and our statement on executive compensation.

ESG analysis in our investment process

For illustrative purposes only. For more information on our ESG integration processes, please see our sustainable and responsible investing report.

Public asset classes

Each investment team operates in different markets and with different nuances to its approach to investing. Accordingly, each team integrates ESG factors into its investment process in a manner that best aligns with its investment approach. Each team bears responsibility for the evaluation of ESG factors throughout the due diligence and decision-making processes in the pursuit of risk-adjusted returns and capital preservation.

How we use third-party ESG data

ESG integration across different public asset classes includes the integration of third-party vendor data; this is a preliminary step in our process. Manulife Investment Management receives and reviews ESG scores, ratings, and data from a number of external data vendors, which creates a more comprehensive third-party assessment of constituents.

Decisions to include or terminate positions aren't based on single ESG ratings; there may be instances in which we review companies with less favorable ratings. Rather than serve as grounds for exclusionary measures, we review and examine third-party data to understand the drivers behind such ratings, which creates an opportunity to engage with companies to further understand the underlying sustainability characteristics of their business.

This is particularly true in emerging markets where third-party ESG data gaps are quite common and company-specific ESG disclosure is relatively poor. We think our long history in investing in emerging markets enables us to engage with those companies efficiently to close the data gap. In 2021, we also joined the Emerging Markets Investors Alliance to supplement our own research and data in these markets.

Internal assessments of our ESG integration efforts

To instill a sense of responsibility among our public markets investment teams, Manulife Investment Management has developed a proprietary, internal system to assess and monitor the level of each team's ESG integration efforts. At year-end 2021, over 90% of our assets under management in public equity and public fixed-income strategies were fully integrating ESG factors under our proprietary assessment framework.[6] We understand that sustainable investing requires ongoing change and improvement, and we look forward to implementing a number of additional assessment criteria to assess and measure our investment teams' progress.

6 As of December 31, 2021. Integration is based on Manulife Investment Management's proprietary integration progression levels, which measure investment teams' progress in ESG integration.

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Fixed income

Our approach to fixed-income ESG integration is adapted to identify the material issues within each industry. In addition to the materiality of ESG risks, our investment professionals seek to assess the timing of likely impact. Credit analysts are responsible for completing an ESG risk assessment and can use the ESG risk profile to adjust the relative value ranking of names within a given industry.

Across our fixed-income strategies, our investment teams have access to a variety of tools that support their ESG integration processes. Examples include our:

- **Proprietary sovereign ESG risk model—**A unique product of collaborative work between our global ESG research and integration team and veteran sovereign debt and multi-sector fixed-income professionals
- **ESG credit risk analysis template—**Helps our teams assess the potential impact of ESG factors on spreads and default risk
- **Risk intensity ranking—**Proprietary method used in our Asia fixed-income investment process

Listed equity

In addition to using internal and external ESG data to identify higher- and lower-risk stocks, our teams actively engage with company management to assess a company's exposure—and potentially help enhance its resiliency—to different types of ESG risks. This insight can help shape the teams' modeling and define sensitivities around their estimates of fair value. Examples of ESG integration in listed equity include:

- Using known or perceived ESG risks to identify potential risk over- or understatements
- Using carbon-risk data to flag the level of climate risk exposure for an individual issuer and to develop a range of potential risk outcomes for the company in question
- Adjusting company valuations (e.g., through cost of capital assumptions) based on quantitative ESG risks/opportunity profiles

Multi-asset solutions

Generally speaking, the industry has been slower to integrate ESG factors in multi-asset versus public equity or fixed-income asset classes separately. We believe, however, that value can be attained through targeted integration. Our multi-asset team uses a framework for evaluating aspects of ESG risk and opportunity that align with their investment process that consists of the following:

- Partnership with the internal sustainability team
- Coordination across the equity, fixed-income, and multi-asset teams to share sustainable investment views, enabling the multi-asset solutions team to develop fundamental top-down viewpoints of risks and opportunities across industries
- Collaboration with the internal global manager research (GMR) team to assess depth and quality of ESG integration for managers of individual asset classes used in multi-asset solutions
- Research into, and publication of, macroeconomic analyses on ESG topics and their potential impact on the capital markets
- Incorporation of ESG adjustments and scenarios into economic and fundamental market inputs driving asset class forecasts
- Enhancement of data aggregation and analysis, quantitative approaches, and portfolio construction tools to incorporate ESG considerations

Case study

An ESG credit framework for Asia

To strengthen ESG integration in the investment process and increase transparency, our Asian credit research team has developed a proprietary Asian fixed-income ESG internal risk-rating framework. The framework systematically captures ESG risks and aims to clarify and quantify the extent of how each ESG factor affects the investment team's decision in assessing creditworthiness and assigning a rating for each corporate issuer.

Through the framework, the Asia credit research team communicates the extent to which issuers are exposed to ESG risks by categorizing them into one of four risk-intensity rankings for each of the E, S, and G factors based on various qualitative and quantitative attributes. The risk-intensity rankings focus on the ESG risks that the team believes will have a meaningful impact on the credit profile of a company, such as reduced cash flow, weakened protection of creditors' interests, or other credit considerations that may influence the risk of default. ESG reports from third-party data providers can be used as reference to assist credit analysts to flag ESG deficiencies of an issuer. The materiality of E, S, and G factors vary by industry; accordingly, our teams use an ESG materiality map for each sector to ensure consistency. Ultimately, determining the credit materiality also requires a certain level of judgment from each analyst based on the analyst's understanding of the company and industry dynamics. Issuers flagged in this proprietary system are also screened out of our sustainable strategy investment universe, and we may raise matters identified in the ratings through engagement with issuers.

Case study

Manulife Investment Management global climate strategy

Our global climate strategy takes an advanced approach to the intersectionality between climate action and ESG integration. Using quantitative ESG raw data and scores, we've created a model that enables us to identify equity issuers that meet the strategy's stringent criteria for climate leadership. We analyze this data as part of our fundamental approach, as we invest in companies that we believe present strong and sustainable business models. Through portfolio construction, we consider a large range of risks and opportunities across all domains of ESG, including climate risks and opportunities, governance, and social performance. In addition to our research process, we employ our active stewardship and outcomes-based engagement approach. We may engage with companies to further clarify their standing as related to risks to better quantify areas of environmental opportunity or to pursue outcomes in the form of commitments and targets. Through this, we seek to enable investee companies, and potential investee companies, to strive for climate leadership.

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Private asset classes

In our private markets portfolios, we're frequently investors in and simultaneously operators of assets, which we believe gives us a unique perspective on sustainable business practices and concerns. For example, where we invest and operate assets in our real estate, timberland, and agriculture portfolios, we seek to raise the bar of sustainable investing and stewardship while enhancing the value of our assets and having a positive impact on all our stakeholders. In our infrastructure and private equity and credit investments, we focus on building strong relationships with companies, sponsors, and co-investors, which enables us to take a meaningful approach to sustainability and enhances our influence over key assets and portfolio companies.

Moreover, as long-term investors and as a steward of our clients' capital, we're able to use our broad experience with sustainability implementation, research, governance, and collaboration to manage sustainability risks and opportunities over extended time horizons in all our asset classes.

Infrastructure

The importance of sustainable investing in infrastructure is particularly apparent due to the long-term nature of the assets and investment horizon. As such, we believe that good management of sustainability risks and opportunities in our infrastructure investments can lead to long-term sustainable returns.

Our team's ESG integration practices include the following key steps and are applicable to all of our investments across all geographies:

- We use an ESG due diligence process focused on materiality that was developed using a combination of external resources from SASB and the PRI and our own expertise.
- We document the outcomes of our ESG due diligence in the investment memorandum that's evaluated during the investment committee approval process.
- Once an investment is made, the infrastructure team continues to monitor all material aspects that might affect an asset or company, including ESG factors. The infrastructure team typically seeks board representation, strong protective controls, and/or strong protective governance positions in its portfolio companies. This enables the team to exert influence or veto power regarding key decisions made with respect to a company's commercial or financial operations and, at times, the management of relevant ESG factors.

Real estate

As building owners and asset managers, we follow five sustainable real estate commitments:

1 Minimize our environmental impact
2 Support health and wellness
3 Engage our stakeholders on sustainability
4 Promote responsible business practices
5 Be accountable for our performance

Our approach to sustainability in real estate is based on responsible property investment and aligns with global standards and benchmarks, including GRESB.

We incorporate ESG considerations into all of our investment management, asset management, and operational practices across the real estate value chain, from development and acquisition of an asset through all aspects of asset management. In addition, we've formalized sustainability practices for investments, operations, property management, and leasing. These practices are supported by resources such as our sustainability in investment and due diligence tool, sustainability clauses in our standard lease, and our building operations' proprietary Sustainable Building Standards. In cases in which third-party managers are responsible for managing properties on our behalf, we require them to adhere to our standard practices.

Across our global portfolio, we set energy reduction targets, as well as targets for water use and waste diversion, in 2020, we set a GHG emissions-reduction target.[7] We report on progress toward these targets annually in our publicly available real estate sustainability report.

Private equity and credit

Within private equity and credit, the ability to analyze potentially material sustainability issues prior to making an investment allows us to properly account for potential downside risks.

For all investments, across all geographies, the private equity and credit teams conduct an ESG assessment of each investment during due diligence and incorporate findings into their fundamental analysis. For our co-investments, secondaries, senior credit, and junior credit, an ESG assessment is done of the sponsor as well. To inform their assessments, the teams use an internally developed ESG due diligence tool, which is based on external resources from SASB and the PRI as well as our own expertise.

The outcomes of ESG due diligence are documented in the final investment memorandum, which is presented during the investment committee approval process. ESG documentation in the investment memorandum includes a summary of material sustainability factors, identification and discussion of red flags, areas for improvement, the sponsor's plans to address any gaps, and areas in which the portfolio company is already well advanced.

Once an investment is made, the teams work closely with their investment partners to monitor all material items that might affect the investment or company, including sustainability factors. The investment teams leverage a variety of tools such as shareholder rights, board seats, and our broader relationships with investment partners, who typically control the underlying portfolio companies, to ensure material sustainability issues aren't overlooked.

7 The energy targets are both absolute energy use (eMWh) and normalized energy use (ekWh/sf). The water targets are both absolute water use (m3) and normalized water use intensity (L/sf). The waste targets are recycled waste (tonnes), waste to landfill (tonnes), and waste diversion rate (%). GHG target is an intensity-based reduction of scope 1 and scope 2 emissions for the properties that are within our operational control.

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Case study

Climate resilience through an adaptation and management approach in real estate

Climate resilience can be best thought of as the ability to prepare for, endure, and recover from the shocks and stressors of climate change, including the long-term effects of climate change and business risks associated with it. In our real estate business, we've built a three-step approach for resilience management:

1. **Raise awareness—**To arm our teams with the right information and build internal capacity to manage climate risk and improve resilience
2. **Evaluate risks and opportunities—**To identify and understand climate risks and opportunities
3. **Integrate best practices—**By embedding resilience into our business through tools and processes to mitigate and manage climate risks

Resilience is about more than just property operations. We also focus on embedding resilience into other aspects of our real estate businesses. Within our portfolios, we conduct physical climate risk evaluations during our standard due diligence process. We've also started to incorporate climate risk and resilience into our real estate development process, are looking to incorporate physical climate assessments when evaluating site selection, and are in the process of identifying standard resilience measures to include in the design process.

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Timberland and agriculture

The guiding principle of our timberland and agriculture businesses is that good stewardship is good business. As managers of major forest and agricultural holdings throughout the world, we have an opportunity to contribute to solutions to global sustainability challenges.

We consider all factors that we believe may have material financial implications for those investments—including sustainability factors. Sustainability factors are particularly salient for land-based real asset investments, and our timberland and agriculture businesses are built around five pillars of sustainability:

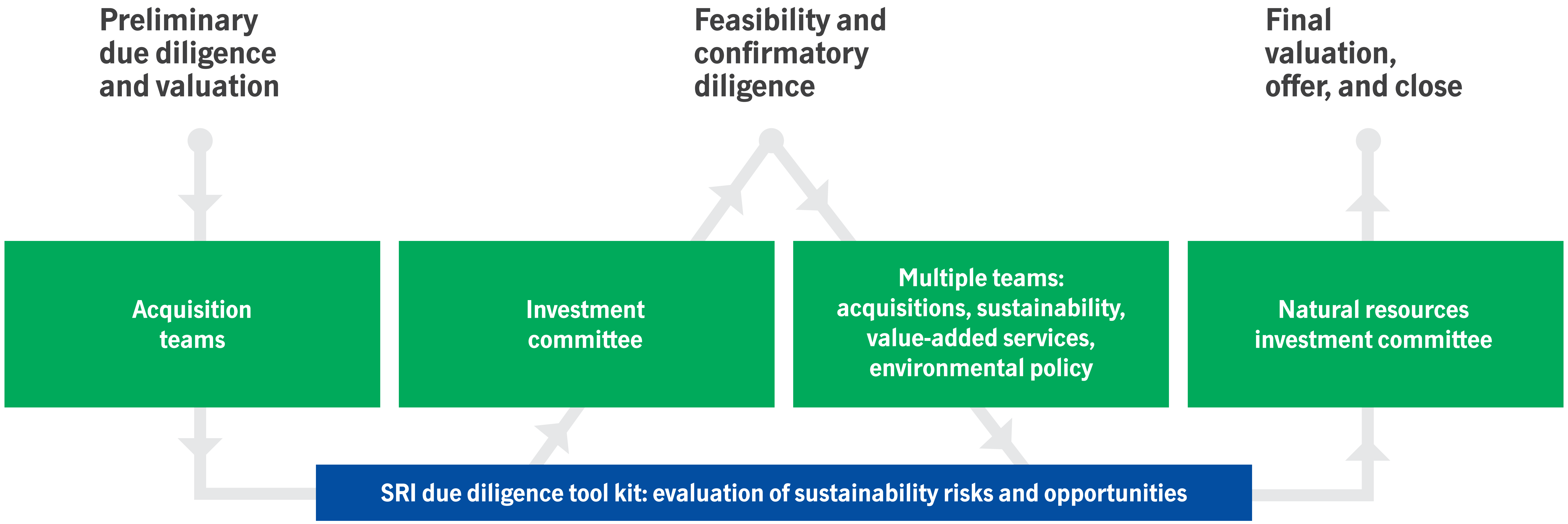
1 Climate stability
2 Ecosystem resiliency
3 Watershed protection
4 People empowerment
5 Community prosperity

To ensure that all relevant ESG risks and opportunities are considered in a standardized way across every possible deal, our acquisition teams use our sustainability and responsible investing (SRI) tool kit, which has been developed to enable a consistent and structured approach to assessing the characteristics of an investment opportunity. The tool kit is structured based on our five pillars of sustainability and documents relevant assessments undertaken to address each of them.

We manage our forests and farms not only to secure competitive financial returns, but also to achieve key environmental and social objectives set out by third-party sustainability standards. In forestry, this includes the Sustainable Forestry Initiative and the Forest Stewardship Council; and in agriculture, this includes Leading Harvest and others; for example, GlobalG.A.P., USDA Good Agricultural Practices, LODI RULES, and SAI-FSA).

In order to ensure that we operate consistently with the standards, we follow a comprehensive set of stewardship principles that integrates the development, management, and operation of working lands for useful products with a commitment to conserve soil, air, and water quality; biological diversity; wildlife habitats; and participation in vibrant, healthy communities. These principles inform more granular stewardship policies that guide our property management professionals in day-to-day asset management decisions.

Timberland and agriculture SRI tool kit: how we incorporate sustainability into the investment process



SRI theme	Climate stability	Ecosystem resiliency	Watershed protection	People empowerment	Community prosperity
Risks and opportunities	• Climate change impacts • Emissions • Deforestation • CO_2 sequestration	• Sensitive lands • Protected areas • Biodiversity • T&E species • Mitigation banking	• Water quantity/quality • Flood, drought risk • Groundwater depletion • Water banking	• Health and safety • Training and development • Labor practices • Human rights	• Community relations • Indigenous peoples • Job creation • Research, internships
Dimensions	Likelihood x Impact x Mitigation x Resources				

For illustrative purposes only. T&E refers to threatened and endangered.

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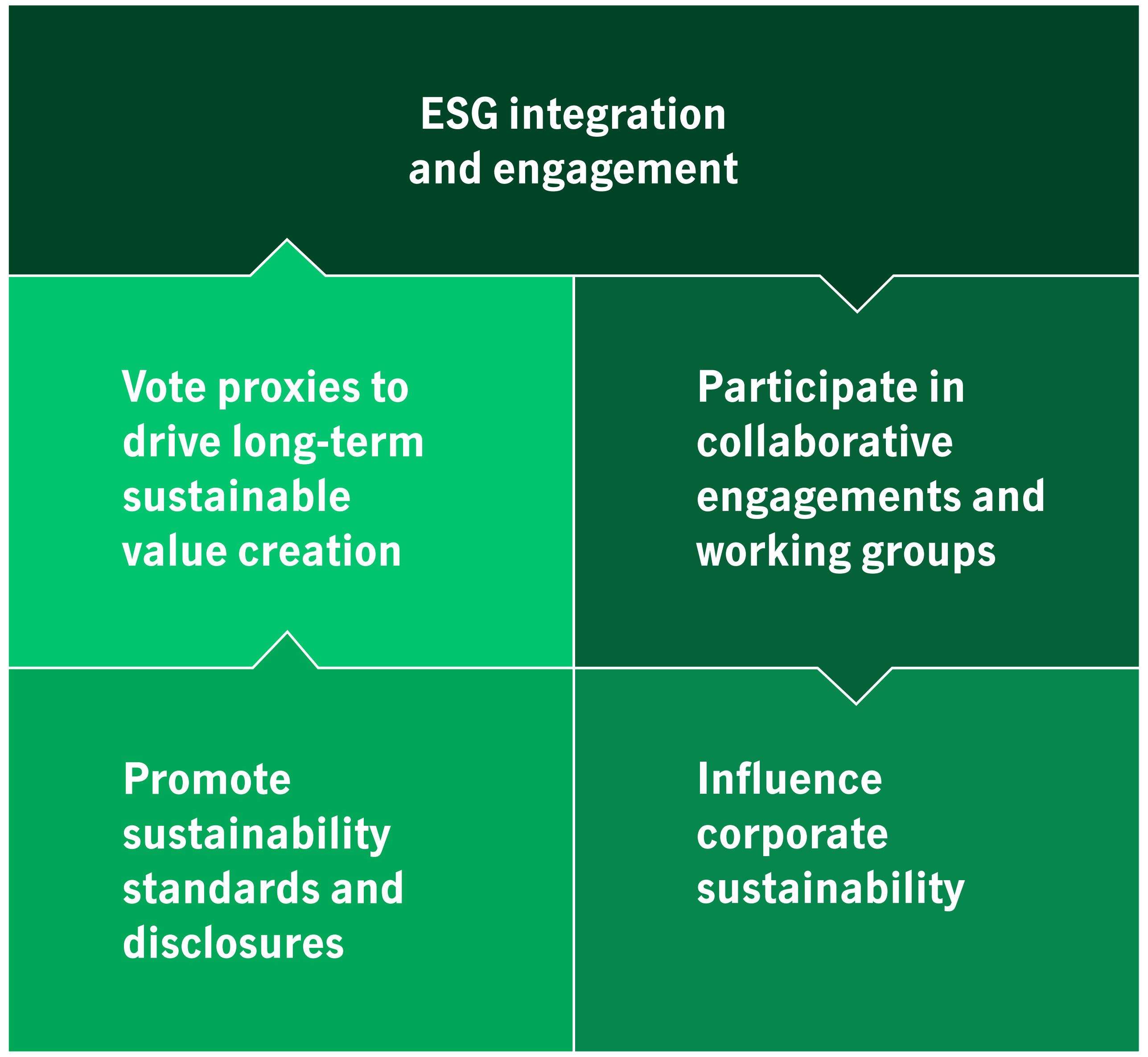
Connecting investing and stewardship

Active ownership is a key component of our investment and ESG integration processes. Through our stewardship activities, we exemplify sustainable management—or influence the management—of assets to preserve and unlock value within our portfolios.

As investors, we exercise our rights and engage with stakeholders to influence the adoption of best practices in operations, reporting, oversight, and governance of material sustainability risks and opportunities. Our investment teams execute active ownership rights and responsibilities in collaboration with partners in and outside the firm.

In the case of proxy voting, to take an important example, multiple functional areas collaborate with our investment and sustainability teams to execute our rights in accordance with voting policies while seeking to arrive at decisions that will benefit clients. Drilling down into another example, we adopt and execute on practices in forestry management to ensure that we can extract value from our timberland assets today while maintaining the sustainability of our assets over the long term. These stewardship practices are vital to the successful performance of our portfolios.

Stewardship activities can advance sustainability objectives and operating strength



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Looking ahead

Since adopting our inaugural ESG policy in November 2015, we've rapidly embedded sustainability factors into our investment processes and operations and demonstrated innovation and commitment in what continues to be an evolving field. We anticipate organizing more thematic training work in 2022 to focus more specifically on various emerging areas of sustainability, and we anticipate publishing further statements to assist clients in understanding our approach to a number of sustainability issues. We're committed to continuously improving our practices and, in that vein, we anticipate enhancing our public market ESG integration framework to encourage further progress for teams that have achieved our current highest level of integration.

Monitoring managers and service providers

Manulife Investment Management is committed to ethical business practices and good governance, both of which are integral to how we want to do business and to our long-term success. Achieving this requires a commitment to integrity and consistent high standards from all partners, including our vendors.

Our approach to working with providers

A vendor code promoting integrity and performance

To best ensure that our vendors act with integrity and meet our high standards consistently, we ask them to adhere to the requirements of Manulife's vendor code of conduct:

- **Full compliance with applicable laws and regulations,** including with anti-money laundering, antitrust, and anti-corruption laws
- **Robust security of firm and client data through adherence** to all privacy and nondisclosure agreements and policies, processes, and controls to ensure that all information provided by Manulife Investment Management remains confidential and secure
- **Commitment to its employees** through fair labor practices, a culture that treats associates with dignity and respect, and a workplace that provides protection against workplace harassment, abuse, discrimination, and violence

- **Processes to identify human rights violations in the supply chain,** first through compliance with all applicable antislavery and human trafficking laws, statutes, regulations, and codes, and then through due diligence processes across its operations
- **Safe workplaces** that provide healthy environments for its employees, with practices to minimize or eliminate any hazards
- **Limited impact on the environment** through documented policies and procedures that minimize, or mitigate, the environmental impacts associated with business activities

> We reserve the right to monitor, assess, and audit all vendors according to our vendor code of conduct, and we may discontinue business with any vendor that doesn't comply with our code's provisions.

Ongoing evaluation and oversight

We monitor vendor risk and performance throughout the life of a partnership with a vendor through both formal and informal avenues. Our procurement team partners with local business units to conduct regular reviews of service provider capabilities. Each review provides a snapshot of a vendor's performance at a specific moment. Aggregated together over time, these snapshots reveal performance trends over the term of the business relationship. We score vendors through these assessments on:

- Quality of products and services
- Knowledge and technical expertise
- Data integrity
- Billing and invoicing
- Focus on generating efficiencies
- Timeliness of services and reporting
- Incident response
- Relationship management
- Adequacy of staffing and resources
- Commitment to collaboration

We also communicate with our vendors—sometimes daily—regarding their products and services, and we frequently share best practices and, as necessary, offer suggestions to help our vendors make improvements to products and services. This communication creates more dynamic partnerships that allow us to respond quickly to the changing business environment and our clients' needs.

Supplier diversity

An important aspect of vendor procurement is supplier diversity. We're heading into a world in which historically underrepresented groups and their allies are challenging the status quo, and we believe more equitable wealth generation opportunities will help pave the way toward a sustainable future. Supplier diversity is one way to combat inequities when engaging with suppliers. Our supplier diversity program recognizes companies owned and operated by those who are part of traditionally underserved groups, including—but not limited to—minorities, women, LGBTQ+, persons with disabilities, veterans, service-disabled veterans, and Canadian indigenous peoples.

In cases where we operate assets in real estate, timberland, and agriculture, Manulife Investment Management's procurement teams representing the asset classes listed above oversee the specific procurement activities. They're supported by sustainable investing professionals, who seek to ensure observance of responsible contracting practices and assist in integrating responsible contracting terminology into contracts. These professionals also guide updates to responsible contracting practices and provide training on this approach to procurement professionals, as needed.

We remain focused on the integrity of ESG data

The quality, breadth, and delivery of ESG data and research are directly tied to our success as a firm, given our belief that ESG integration drives performance across the spectrum of our products and services. The dynamic nature of sustainable investing requires us to identify and partner with vendors that provide robust data and research today and also demonstrate the ability to innovate and anticipate the needs of tomorrow.

We regularly assess new products, emerging data sets, and tools to ensure that we continue to engage providers that best match the needs of our clients, our firm, and our stakeholders. In 2021, we continued to see emerging data providers in the ESG space, especially around the SFDR and EU taxonomy solutions providers.

We also work regularly with our existing ESG research and data providers to help them improve their services; we've generally found, for example, that ESG data and research are more widely available for public equities than for public debt. We're working with our providers to expand debt issuer coverage, especially for smaller issuers, emerging-market issuers, and issuers that don't have equity shares listed on a public exchange. We perform regular data quality assessments of our vendors and, in 2021, for example, we compared a corporate governance data set we currently use against a different vendor. While the other vendor had a greater volume of data points, we decided not to expand to that new vendor as the additional data points weren't material to our corporate governance analysis. In 2021, we also evaluated SFDR/EU taxonomy data providers and ran data quality analysis. In this very instance, the data quality is dependent on the way companies disclose information. While we anticipate European companies to align disclosure more quickly than those in other regions, we expect the disclosures to converge in the future, particularly as forward-thinking companies with a global presence lead by demonstrating best practices.

Confronting data errors

Where error rates are problematic, we have the data updated or corrected and seek assurance from the service provider that its processes are improved to prevent similar issues in the future. We track all such vendor engagements and requests for improvement for regular review so that we can address any substantial issues during the contract renewal process. In 2021, we had 27 interactions with service providers where we sought either a data update or corrections. Since 2020, we've been tracking over 120 outcome-oriented engagements with service providers where we sought changes to the methodology and delivery and expansion of additional key performance indicators (KPIs) and issuer coverage.

Manulife Investment Management holds a due diligence review of our proxy vendor on an annual basis. Functional specialists from across the firm attend this meeting, including leaders from procurement, compliance, legal, operations, information security, and investments, to ensure that various aspects of the proxy vendor's operations and business are closely scrutinized. We review ethics and conflicts of interest policies, regulatory updates, holdings management, vote execution, research, policy development, information security, service updates, and material changes to the vendor business over the past year. Items from this meeting can drive dialogue between Manulife Investment Management and the proxy vendor over the following months as we gather relevant information and work toward service enhancements.

Centralized ESG materiality framework

At Manulife Investment Management, we have a central research platform that our public markets investment teams can use to track issuers, keep research and engagement notes, and review relative performance, among other functions. We partnered with the vendor that provides the platform to create a custom application within the research platform that houses our proprietary ESG materiality framework into our central research database. In collaboration with our vendor, we launched this application on our research platform. This enhances our ESG integration by highlighting material ESG risks and opportunities for specific issuers.

Requirements for our real estate managers

In 2021, we migrated our U.S. real estate platform to third-party property managers. Included in both the requests for proposals and the property management agreements are ESG requirements and sustainability reporting. We require our third-party property managers to adhere to our own sustainability policies, to provide updates twice per year according to our own Sustainable Building Standards, provide utility bills on a monthly basis, and to provide requested ESG metrics for information on, for example, waste audits and diversion reports, energy audits, refrigerant or diesel consumption, tenant engagement activities, and occupancy counts.

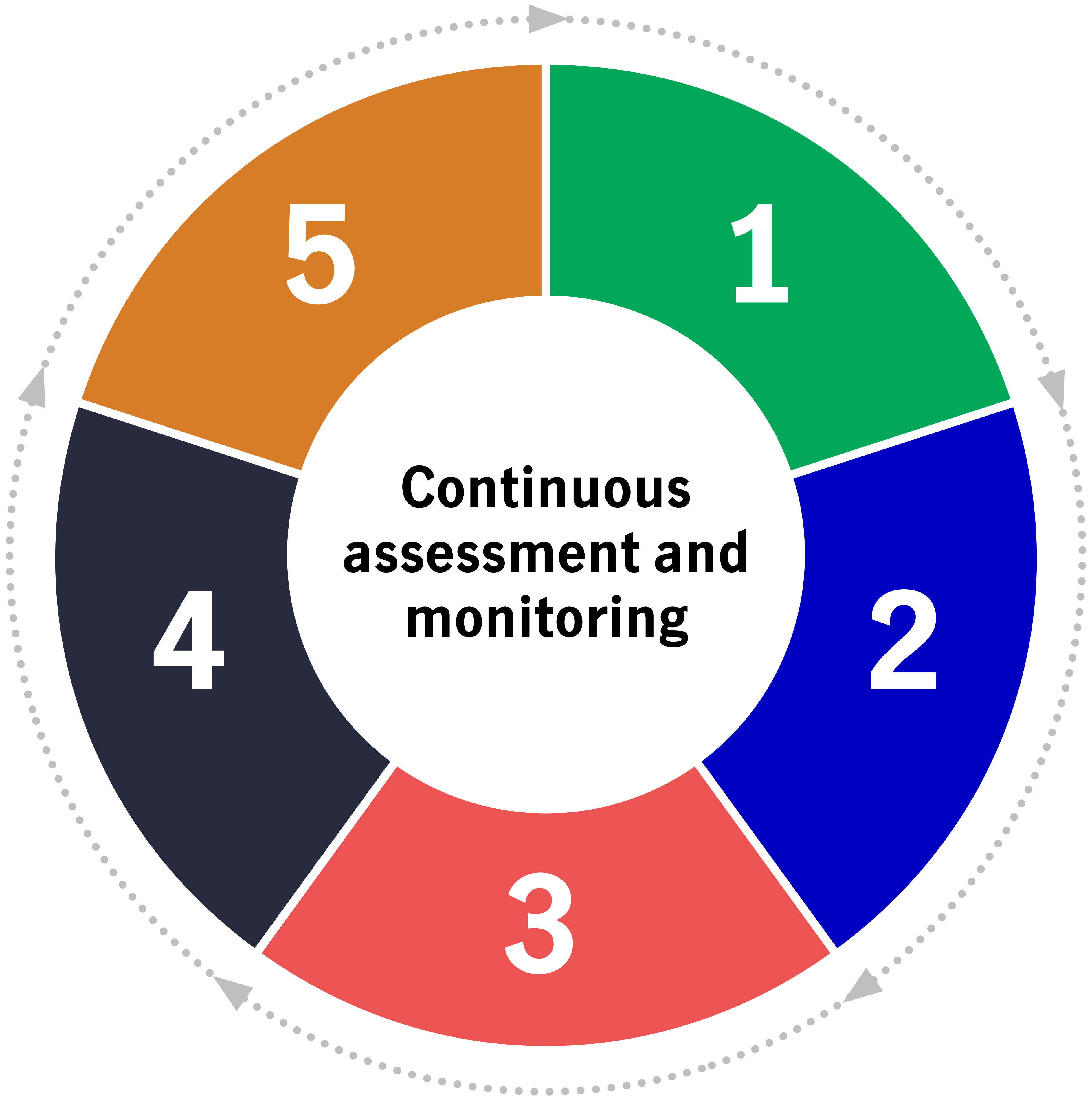
Selection and oversight of third-party managers

Our GMR team is responsible for investment evaluation, decision-making, and oversight of assets where Manulife Investment Management has delegated some, or most, investment management functions to a third-party manager. This team continuously monitors and assesses our delegated assets. The GMR team responded to industry demands by enhancing this oversight process with a review of ESG integration and stewardship activities at those third-party managers.

The team leverages multiple sources of information in its ESG and stewardship assessment:

- **ESG-dedicated sessions—**Held with portfolio teams during annual due diligence meetings; for larger strategic partners, the team will also meet with dedicated ESG-focused roles where applicable
- **Quarterly calls—**Coverage of ESG integration in the context of fundamental drivers of portfolio positioning during quarterly calls with investment teams
- **Due diligence questionnaire—**ESG-specific questions in the annual due diligence questionnaire sent to managers
- **Access to ESG data—**Team analysts have access to ESG reporting tools and data through FactSet, Morningstar Direct, and MSCI Barra
- **Formal internal assessments—**Holds formal ESG assessment discussions between analysts and the regional heads in which the regional heads check analyst reviews against a broader market perspective

Robust manager oversight process



1 Daily
- Monitor performance and positioning
- Interactions

2 Weekly
- Team meetings
- Sharing of best practices

3 Monthly
- Global research meetings
- Investment risk oversight committee

4 Quarterly
- Board and investment committee meetings
- Strategy investment reviews

5 Annually
- Due diligence meetings with portfolio managers, risk managers, and key executives
- Annual manager risk questionnaire

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Looking ahead

The ESG data, research, and ratings provider space is highly fragmented. No one company provides the coverage, quality, and solutions that meet the diverse investment exposures that Manulife Investment Management has through our portfolios. At the same time, vendor and data service offerings continue to evolve at a rapid pace, and we look forward to evaluating new vendor capabilities and functionality over the coming year. We hope to identify new features and providers that will help us best integrate sustainability data into our investment processes and support our product suite. We also look forward to publishing a statement regarding our oversight of delegated manager stewardship and ESG integration practices.

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Engagement

We believe that engaging with companies on their most material sustainability issues can enhance their long-term competitiveness and profitability, generating collective prosperity for investors, companies, and society as a whole.

Our approach to engagement

We use engagement as a tool to both gather information and influence other stakeholders to adopt best practices. Engagement with companies helps to deepen our understanding of the sustainability issues underpinning their strategies while providing opportunities for them to better understand our investment process and objectives. As investors, we also play a critical role in encouraging companies to adopt sustainable business practices that promote stable long-term growth and reduce the potential impact of material sustainability risks over time. We engage with companies on a range of substantive corporate, strategic, and ESG matters that could alter their valuation, fundamental standing, or strategy.

The diversity of our engagement approach

Given our boutique structure, engagement priorities will differ from investment team to investment team depending on their portfolios' focus and/or holdings profile. The size of a holding within portfolios and the varied nature of any given emerging risk or severe controversy are among the factors that can prompt and shape these engagements. In one example, following various taxation changes for U.S. banks, our financials team pivoted its focus toward engagement on tax governance to ensure that revenue recognition was appropriately reflected in executive compensation packages.

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Goals can also change by region. For example, disclosure of ESG information might be a focus for emerging markets where this regular disclosure isn't common practice, whereas improvements in ESG management and performance may be more commonly scrutinized in developed markets, given their stronger record on ESG disclosure. Given the varied composition of both our portfolios and assets, each investment team drives its engagement priorities alongside consideration of any of these relevant factors in consultation with our sustainability professionals.

Dividing audiences by asset class

We're aware that in our engagements with public markets that we may be having similar conversations across portfolios but with representatives that vary by asset class. In listed equities and corporate bonds, for example, we seek to interact with senior management teams. When engaging sovereign bond issuers, we look to speak with a government representative in an environmental or financial role. In the case of municipal bonds, we open a dialogue with local finance and elected officials.

In-house engagements focused on outcomes

Manulife Investment Management conducts all engagements using internal staff; we don't delegate the responsibility of engagement to a third party. We take this approach because we believe that what we learn from our engagement efforts is an important component for determining intrinsic valuation, which results in an improved risk/reward profile for our portfolios. In public markets, we prioritize engagement with companies when our assessment suggests that sustainability factors are potentially material to an investment's risk/reward profile. We may also consider the significance of the investment within a given portfolio, Manulife Investment Management's degree of influence, or the expected contribution to long-term value creation derived from successful engagements.

We establish both objectives and accompanying milestones in our engagement efforts. Once we've identified a material issue, we aim to collaborate with the company to address it. We then track its progress toward resolving the issue over a reasonable timeline. We regularly evaluate improvement and, in the event that we're unsatisfied with progress, may escalate any given issue.

All public markets' investment staff contribute to a centralized recordkeeping and tracking system maintained by the sustainable investing team. Using this system, we track requests to companies to check that management progress is meeting our outcome expectations against a defined timeframe. This internal portal is open and collaborative to encourage discussion among investment staff across strategies.

Our milestone system for public markets helps promote real change

1. Concerns raised with companies at the appropriate level
2. Acknowledgment of issues—agreement to take action (in writing/verbally)
3. Development of a credible strategy—setting stretch targets to address the concern
4. Implementation of a strategy/measures to address the concern

Case study

Addressing water risk at a semiconductor issuer

A large semiconductor production facility can process approximately 40,000 wafers a month, consuming 4.8 million gallons of water per day, which equates to the annual water consumption of a city of 60,000 people.[8] Considering this exposure to water risk, we engaged with one of our semiconductor holdings operating in China that had been rated with a low score by one of our third-party ESG data providers. We noticed the issuer's increasing water usage and, over the last 18 months, inquired about the company's water management practices. We subsequently encouraged the company to conduct water risk assessments, target increased wastewater recycling, reduce overall water consumption, and disclose physical climate risk based on TCFD recommendations.

The positive outcomes of this work are reflected in the firm's latest sustainability report, which highlights several steps the company has taken to better manage water risk, including:

- Using the WRI Aqueduct Water Risk Atlas tool to identify assets in areas undergoing water stress
- Formulating a plan to conduct water balance tests on a regular basis
- Establishing an emergency plan for tap water rationing to prepare for any interruption in municipal tap water supply networks
- Setting targets to reduce water consumption for 8-inch wafers by 12% from 2015 levels by 2030

Notably, our third-party data provider subsequently upgraded the issuer's rating.

8 "8 Things You Should Know About Water & Semiconductors," China Water Risk, 2013.

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Case study

Carbon risk in cement production

CO_2 emissions linked to the production of cement are significant, accounting for about 7% of global CO_2 emissions.[9] Yet it's essential to global infrastructure development and there isn't yet a viable sustainable alternative that can be used at sufficient scale. As a result, cement decarbonization is a major climate topic addressed during our engagements. Over the past year, we've continued collaborating with a cement producer in China that has already committed to making significant carbon reductions, with targets set at five-year intervals through 2035. The company intends to generate lower emissions per ton of cement generated by using natural materials and industrial solid waste. While this plan puts the issuer ahead of peers, we encouraged the company to verify its carbon reduction target and ensure full alignment with the <2°C goals of the Paris Agreement. We also requested that it publish a physical and transitional risk assessment using the TCFD framework. We continue to work with the company on its long-term decarbonization plan and to accelerate its interim targets.

9 "Global Cement Industry's GHG Emissions," Global Efficiency Intelligence, 2021.

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From engagement volume to a focus on impact

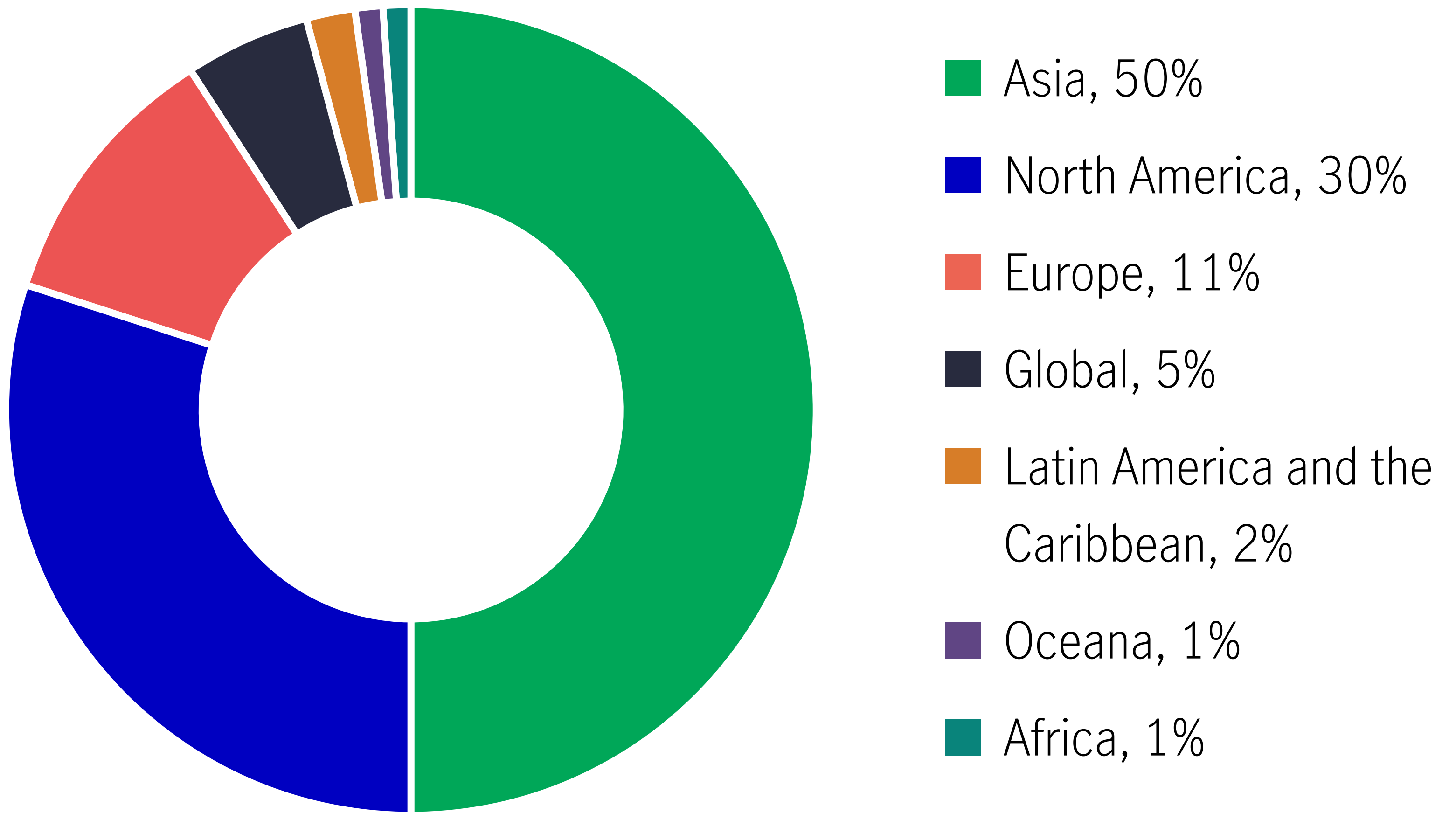
Over the last five years, Manulife Investment Management significantly increased the number of conversations with issuers across both the investment and sustainable investing teams in public markets. More recently, we shifted our focus from the volume of conversations to our success in influencing firms to mitigate the impact of material sustainability risks. Although we recognize that this focus on outcome-based engagements can take months—if not longer—to achieve our desired results, we believe our focus on collaboration with firms to mitigate risk is beneficial to our portfolios and clients over the longer term.

1,313 total engagements in 2021

805 issuers engaged

126 influencers, regulators, NGOs, governments, and vendors engaged[10]

All engagements by region[11]



10 NGO refers to nongovernmental organization. **11** The global category includes vendors, NGOs, and influencers with a worldwide focus and coverage. Mexico is included in the Latin America and Caribbean category. Percentages may not add up to 100% due to rounding.

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Case study

Safety and climate targets

We engaged with a Canada-based fertilizer company, one of the largest producers of nitrogen fertilizer in the world. The issuer is exposed to significant transition risk given the emissions generated during the production process. Furthermore, given the need to manage hazardous materials responsibly during production, the issuer must be vigilant about maintaining the highest safety standards for its employees. In early 2021, we engaged the issuer on both of these points, emphasizing our belief that validated science-based targets (SBTs) would best demonstrate the firm's commitment to decarbonization and enable its path to real-life reductions. We also encouraged the firm to provide disclosure on its annual safety assessments and safety data. By mid-2021, we were happy to learn that the issuer has since adopted SBTs and improved its health and safety disclosures, including data on management and metrics by business segment.

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Infrastructure sustainability improvements

After making an investment in a U.S. transportation asset, our private markets' infrastructure team engaged with its investment partner and portfolio company management to develop asset-level ESG-related initiatives. The team held workshop-style discussions with its investment partner to develop an ESG action plan focused on minimizing carbon impacts, improving roadway safety, and expanding support and relationships with the local community. Key initiatives discussed included greater use of renewable energy, advancing conversion of roadway lighting to LEDs, and fleet electrification. Select measures, along with enhanced tracking of ESG-related KPIs, are now being progressed by its investment partner and the portfolio company management team.

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Top engagement discussion topics in 2021[12]

Discussion topics	Engagement
GHG emissions	20%
General tag for ESG disclosure	19%
Energy management	16%
Sustainable finance	12%
Labor practices	8%
Board structure	7%
Executive compensation	6%
Physical impacts of climate change	6%
Product design, lifecycle management, and/or packaging	6%
Employee engagement, diversity and inclusion	5%
Water and wastewater management	5%
Employee health and safety	5%
Management of the legal and regulatory environment	4%
Board diversity (gender/ethnicity)	4%
Data security	3%
Product quality and safety	3%
Human rights and community relations	3%
Environmental business opportunities	3%
Waste and hazardous materials management	3%
Board independence	3%
Materials sourcing and efficiency	3%

12 This list relates to engagements with public markets issuers and was compiled using data from our proprietary engagement tracker, as of December 31, 2021. A single engagement may be represented across multiple topics as a single engagement often covers a range of issues. The list above reflects topics that we track that were discussed in at least 3% of our total engagements.

Engaging partners in private assets

Throughout the investment lifecycle of all private asset classes, we continuously engage with our co-investors, investees, and business partners to encourage adoption of best practices, and we monitor the ESG-related data available to help ensure the efficacy of our approach. In private markets, we directly operate our timberland, real estate, and agricultural assets and can weave sustainability into our operational strategies and execution.

Where we don't operate assets ourselves, we build meaningful partnerships with leading operators and sponsors. Once we invest, our team maintains a close relationship with the management teams of companies and our investment partners to continue monitoring material aspects of the investment, including ESG factors. In some cases, we may take a position on a board; in other cases, we may request protective governance rights and controls.

Looking ahead

In 2022, we'll continue to focus on outcome-based engagements. We'll continue to set goals for investment teams that ensure sufficient outcome-focused engagements are always in progress. We're also planning a review of our approach to prioritization of our engagement activity and exploring a thematic engagement campaign that addresses specific risks across our portfolios.

Collaboration

Around the globe, we participate in a wide variety of collaborative engagements with industry peers, nonprofits, NGOs, and supranational entities. This work allows us to expand the scope of our sustainability-focused activity while helping us build more resilient portfolios. Our collaborative engagements may focus on individual investments or systemic risks—and sometimes both.

Our approach to collaborative engagement

Collaborative initiatives allow us to pool resources with, and to learn from, peers and third parties while also amplifying our influence as we encourage changes across issuers, markets, and policymakers to build investment resiliency. These collaborative engagements have proven to be a valuable aspect of our stewardship activities.

Our collaborative efforts take various forms but typically focus on the identification and mitigation of systemic risks. Common topics for collective engagement include climate change, governance, risk management, human rights, diversity, and appropriate sustainability disclosures. The collective action we may take to address these risks can be an effective pathway to leverage influence and enact change with the goal of reducing risk and capturing opportunities. Our activities may target change at a systemic level, such as through creation of a biodiversity framework for disclosure; at the industry level through our role on the SASB Financials Standards Advisory Group; or we may target a group of companies on a thematic issue as through Climate Action 100+. We may also join a collaborative effort as a means of escalation regarding risks at a single issuer and will prioritize collective engagements when we have the confidence of likely success. Through this work, we never lose sight of the goal of building resiliency in the assets we manage.

Amplifying our impact through collaboration

Market education

We engage with a wide range of industry participants and seek to be a leading voice

Regulator/policy focus

We support regulators' efforts to formalize the sustainable investing industry

Issuer focus

Our collaborative leadership helps us steer markets and the economy

For illustrative purposes only.

Engaging on systemic risks one investment at a time

Several initiatives to which we belong work to address systemic risks but do so by working toward singular outcomes at individual issuers. We believe that addressing some risks through coordinated and focused action will gradually lead to a strong sustainability profile across our portfolios.

As part of our evaluation of various initiatives, we consider the size of our investments covered by the initiative, the materiality of a given issue, and the resources we'd need to dedicate to the collaboration, among other factors. Once we decide to join a collaborative engagement, we work to lead discussions with those investments in which our holdings are most affected. Apart from outcomes achieved through our efforts in engaging individual management teams, we also deepen our expertise on issues by learning from our peers and other market participants across a range of sustainability issues and stewardship practices.

Influencing the market through collaboration

We work to shift market practices through the development or support of sustainability standards in peer collaborations. Rather than focus on a single issuer in a given engagement, we work through these initiatives to encourage entire industries or markets to adopt best practices in governance, operating, or disclosure standards. We find that these initiatives help us articulate what practices and information we find most valuable in our investments while learning from peers and third parties about the most recent research and thinking on current and emerging risks.

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2021 collaborative activity

We continued to participate in collaborative initiatives where we believe we can have a substantial impact. We recognize the pace of change can be slow but maintain consistent efforts for change. For example, we participated in the working group that became the TNFD in 2021, and with Climate Action 100+, we accepted the opportunity to be the lead engagement investor with a large chemical company. As a result of the overall success of Climate Action 100+, we supported and are a founding member of Climate Engagement Canada (CEC). Finally, in alignment with our viewpoint that the degradation of biodiversity is a significant risk, we became a signatory to the Finance for Biodiversity Pledge.

The following examples of collaborative engagements provide additional context of our involvement in the intended benefits.

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A partnership with Climate Action 100+

We joined Climate Action 100+ as a founding member in 2017 in order to encourage firms to improve climate-related governance and disclosure and to reduce emissions across the value chain. We've led, and continue to lead, several issuer engagements since joining. Most recently, we accepted an additional role as lead engagement investor for a large global chemical company. Although our investment in the company isn't large, we view our efforts as an opportunity to address systemic risk on both a local basis and globally. We're in the process of interviewing stakeholders, conducting research, and defining our goals for this engagement.

In 2021, through our membership in the Asia Investor Group on Climate Change (AIGCC) we also took the lead in an engagement with one of the largest cement manufacturers in the world based in China. We're working with the company to provide a report using the TCFD framework and to verify its carbon reduction target.

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Taking climate action in Canada

We're a founding member of Climate Engagement Canada (CEC). Formed in 2021, the CEC is a finance-led initiative that facilitates dialogue between the financial community and Canadian corporate issuers to promote a just transition to a net zero economy. The CEC is akin to Climate Action 100+ with the purpose of driving more substantial conversations with issuers on the risks and opportunities deriving from the climate transition. As a global asset manager headquartered in Canada, we feel confident that we can bring a wide range of viewpoints and suggestions to this critical topic for the benefit of issuers and investors.

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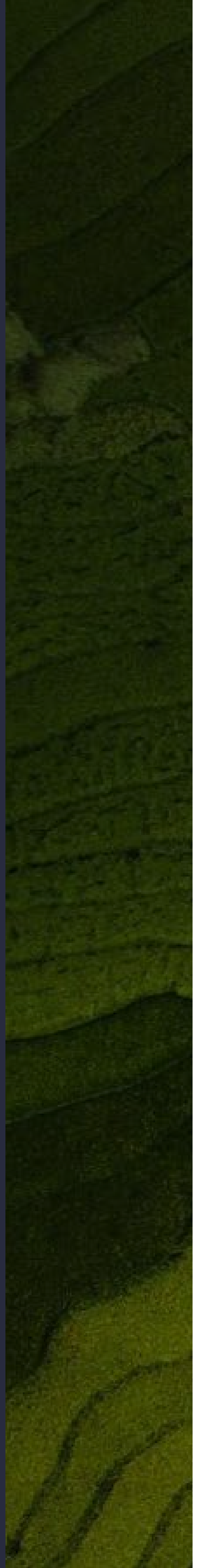

Supporting job creation and emissions reductions in Canadian real estate

In 2021, we participated in a working group of Canadian building owners and managers to help inform the design of the National Building Energy Retrofit Financing Program. The program aims to:

- Advance long-term GHG emissions reduction in privately owned commercial, institutional, and industrial buildings across the country
- Support economic recovery and create, or maintain, highly skilled jobs for Canadians
- Transform the building retrofit market

Working with ILPA to help develop a tool to assess general partner ESG capabilities

As members of the Institutional Limited Partner Association (ILPA) ESG Assessment Framework Working Group, our sustainable investing team assisted in the development of the ILPA ESG Assessment Framework. The framework is a resource for limited partners (LPs) looking to build a tool to evaluate and understand the various stages of ESG integration that peers are observing among general partners (GPs) in the market today. It's designed to help LPs evaluate and benchmark GP responses to due diligence efforts, inform goal-setting conversations with GPs, and measure ESG integration progress over time. The framework categorizes activities and processes across four levels: not present, developing, intermediate, and advanced. The working group met over a six-month period and worked to establish the key categories that GPs should be assessed on from an ESG perspective.

Working with peers on policy

The regulatory environment and momentum around sustainable investing have shifted significantly over the last several years. As we navigate these regulatory developments, we work to influence policymakers and advocate for an operating environment that encourages sustainable business operations, protects and enhances investor rights, and encourages disclosure of material nonfinancial data and information. We find that our views on these matters often align with those of our peers, and we've found significant benefits in partnering through investment manager associations, including the Securities Industry and Financial Markets Association (SIFMA) and the Investment Company Institute (ICI Global). SIFMA and ICI Global facilitate peer dialogue on developing regulations and disclosure frameworks that provide a forum to deliberate over the ramifications of certain proposed policies and ultimately provide feedback to regulators and other standards-setting bodies through comment letters.

In 2021, Manulife Investment Management demonstrated support for the following responsible investment activities as investor cosigner with other asset managers and asset owners:

- **Global Investor Statement to Governments on the Climate Crisis**—The statement calls for governments to raise their climate ambition and take meaningful action by implementing policies that will attract capital to create significant investment opportunities in clean technologies, green infrastructure, and other assets, products, and services needed to accomplish the low-carbon transition. As an investor in corporate and sovereign credit, this statement aligns with our interest in reducing emissions.
- **CDP Science-Based Targets Campaign**—The campaign encourages the world's largest and highest-impact companies from a carbon emissions standpoint to set science-based emissions reduction targets in line with a 1.5°C warming scenario. We're a proponent of this campaign, as companies who set SBTs see an average emission reduction of 6.4% annually.[13]
- **Finance for Biodiversity Pledge**—By signing the pledge, we've committed to collaborate and engage with companies on biodiversity and assess our own biodiversity impact. This will enable us to set targets and disclose appropriate reporting on biodiversity aspects by 2024. As an entity with a deep heritage in sustainable agriculture and forestry, biodiversity is particularly relevant to us.

13 "Financiers with $29 trillion ask 1600 companies for science-based targets ahead of COP26", CDP, September 29, 2021.

In 2021, we contributed to and supported many collaborative initiatives in our capacity as lead investor, founding member, supporting member, or group participant. Below is a nonexhaustive list.

Climate

- Climate Action 100+—Founding member, co-lead several engagements across North America and Asia
- UNEP FI TCFD pilot project (Phase II 2021)—Member
- Asia Investor Group on Climate Change (AIGCC)—Member and chair of the physical risk and resilience working group
- Ceres Paris Aligned Investment Initiative—Working group participant
- Hong Kong Green Finance Association—Member
- Japan TCFD Consortium—Member
- Climate Engagement Canada (CEC)—Founding member
- CDP—Member
- Climate Smart Land Network (CSLN)—Member

Corporate governance

- Asian Corporate Governance Association (ACGA)—Member and participant in the China and Korea working groups
- Canadian Coalition for Good Governance (CCGG)—Member with representation on the environmental and social committee
- International Corporate Governance Network (ICGN)—Active member of the stewardship committee

ESG disclosure and transparency

- Value Reporting Foundation (SASB standards)—Member of the SASB Alliance
- Emerging Markets Investors Alliance—Member
- Cambridge Institute for Sustainability Leadership—Member of the Investment Leaders Group
- PRI—Signatory and active member of advisory committees (fixed income, listed equity, sovereign bond, infrastructure, and real estate)
- ILPA ESG Assessment Framework—Working group participant
- Singapore Standards Council (SSC), Enterprise Singapore—Member

Gender and diversity

- 30% Club Investor Group, Canada—Member
- 30% Club Investor Group, Japan—Member
- Board Diversity Hong Kong Investor Initiative—Founding member

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Nature and biodiversity

- Sustainable Forestry Initiative (SFI)—Member, engaged on the resources committee
- Leading Harvest—Board of directors
- Finance for Biodiversity Pledge—Signatory
- National Alliance of Forest Owners (NAFO), United States—Representation on the board of directors, operating committee, and climate change and environment task groups
- Programme for the Endorsement of Forest Certification (PEFC)—Involvement on the board of directors
- World Business Council for Sustainable Development (WBCSD)—Member, involved in the Nature Action and Scaling Positive Agriculture programs and the Forest Solution Group

Policy development

- Securities Industry and Financial Markets Association (SIFMA)—Member
- Investment Company Institute (ICI)—Member
- Real Estate Roundtable—Member of the Sustainability Policy Advisory Committee (SPAC)
- REALPAC Canada—Member of the ESG Committee
- The Investment Association (IA)—Member
- European Fund and Asset Management Association (EFAMA)—Member

A full list of our collaborative initiatives can be found in our annual sustainable and responsible investing report.

Looking ahead

In 2022, we'll continue to participate in collaborative initiatives that we believe will achieve a lasting impact for us and the responsible investment industry. The focus areas this year include nature and biodiversity and a continued emphasis on climate-related issues. We'll focus, in particular, on progress toward net zero emissions by 2050 through our work with Climate Action 100+, the Ceres Paris Aligned Investment Working Group, and CEC, among other activities. We'll also accelerate the volume of sovereign engagements through our expanded membership with the Emerging Markets Investors Alliance.

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Escalation

Manulife Investment Management works to employ best practices in risk mitigation across assets and portfolios and will escalate a given risk where management isn't meeting that best-practices expectation and standard.

Our approach to escalation

Encouraging best practices in risk mitigation and opportunity maximization

Through our stewardship practices, we collaborate with stakeholders to work toward best practices in management of financial and nonfinancial risks, in addition to capturing opportunities. We do this because we believe it's the best way to protect and enhance the value of our clients' investments. As a natural extension of that work, we may need to escalate our efforts on a given front where we believe the current mechanisms in place to mitigate risk or maximize opportunity are unsatisfactory.

Throughout our escalation processes, we seek the views of our investment professionals as well as those of representatives from legal and compliance, as necessary. The escalation process, and the stakeholders involved, differ across asset classes in relation to the rights associated with each investment. We have a robust approach to escalation and continually seek to strengthen the program, whether in terms of interaction efficacy, timing, or collaboration opportunities. We continue to realize positive and tangible outcomes from our efforts.

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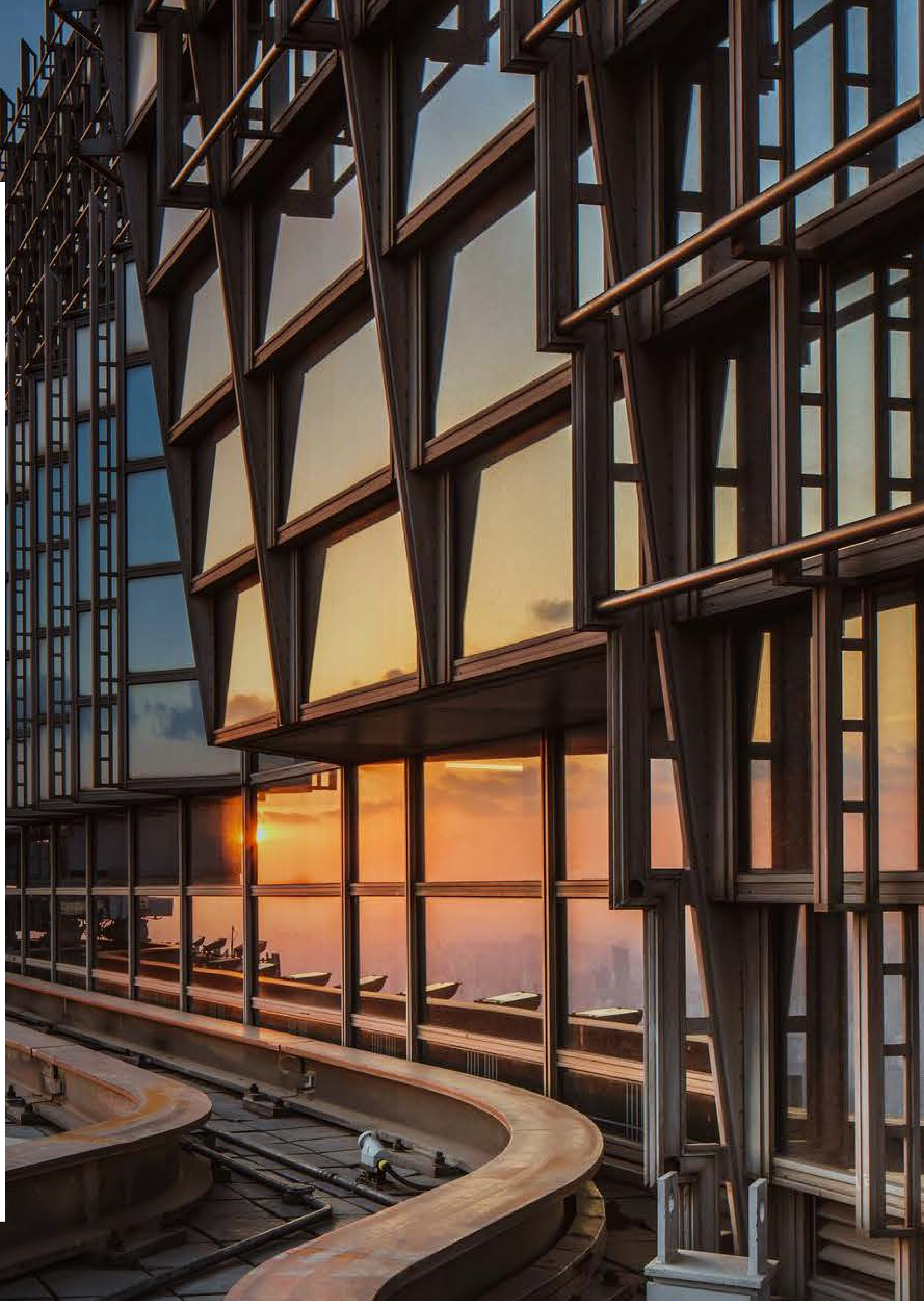
Board entrenchment at an Asian property developer

This equity holding is a family-founded firm that's demonstrated prudent management of its business activities. However, over time, the company hadn't evolved its governance toward best practices, since its percentage of independent directors was extremely low. This concern was raised in a meeting, but the board of directors remained entrenched on the issue. The investment team therefore began its escalation process by withholding support for three nonindependent directors at its annual general meeting in October 2020.

In early 2021, the investment team sent a letter to the company outlining the team's disappointment and concern around lack of attendance by a specific director at all executive meetings, annual general meeting (AGM), and board meetings that occurred in 2019. One month later, the company announced the resignation of this director due to his retirement.



We escalate to preserve and unlock value for our clients

We fundamentally believe in active ownership while recognizing that not all engagements will meet our predetermined objectives. Escalation is an important instrument in our active ownership tool kit that enables us to influence the management teams and other stakeholders in our investments. Ultimately, escalation both preserves and unlocks value to benefit our clients and investors by encouraging best practices in risk mitigation and opportunity maximization.

We escalate on case-specific timeframes

As we monitor our investments, we identify issues that, if left unaddressed, may affect the value of individual investments—or entire portfolios. We collaborate with management teams and other stakeholders to address these risks over time. Depending on the progression of the issue, the actions taken by an issuer, and whether our engagement objectives are met within a reasonable timeframe, we may choose to escalate a matter. The preferred timeframe for seeing substantial, demonstrable action is generally 24 months, but we may set a longer or shorter interval conditional on the specific issue. We schedule semiannual check-ins to assess progress and may decide to escalate before the timeframe ends if, for example, a management team is nonresponsive to outreach or rejects our viewpoint entirely.

We tailor escalations based on the facts and circumstances

The levers at our disposal for escalating issues of concern vary by asset class and market. For that reason, it’s necessary to evaluate the appropriate course of action for a given escalation on a case-by-case basis. Regardless of asset class or geography, however, we prioritize escalations based on the materiality of the issue, time horizon of the risk assumed by the company, and size of our investment exposure.

The first step in escalation with public equity and public fixed-income issuers is usually through direct engagement with a management team or stakeholders. We may request to speak to board leaders (including the chair of the board), the lead independent director, or the chair of the audit committee. We may also send private letters to the board or executive leadership. Where bilateral engagement with the company is ineffective, or where we own a small position, we may determine that collaboration with other like-minded investors is the appropriate avenue. Finally, if we’re unable to gain traction and the company remains inactive on the issue, we reserve the right to divest.

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Perpetuation of the dual share class for a home builder

A family-founded home builder, a core equity holding for one of our investment teams, has generated substantial value for shareholders over time. The investment team regularly holds meetings with the company to discuss business fundamentals, including material ESG factors. The company employs a dual share class structure that's been in existence for over a decade, and the investment team's concerns pertaining to this dual listing increased as the CEO/chair neared retirement. At the most recent AGM, a shareholder resolution was filed to recapitalize and eliminate the dual share class. Since the company has delivered significant shareholder value, as well as shareholder alignment by management, the investment team supported the management's recommendation and voted against the resolution. However, the investment team recognized the spirit and value of the resolution and maintains ongoing engagement with the company on this specific topic.

Although the company has demonstrated prudent capital allocation, the investment team is working to ensure that an adequate succession plan exists and is actively exploring elimination of the dual share class on retirement of the CEO. This issue has since been escalated to the full board for consideration and demonstrates that a longer-term approach to change is sometimes warranted.

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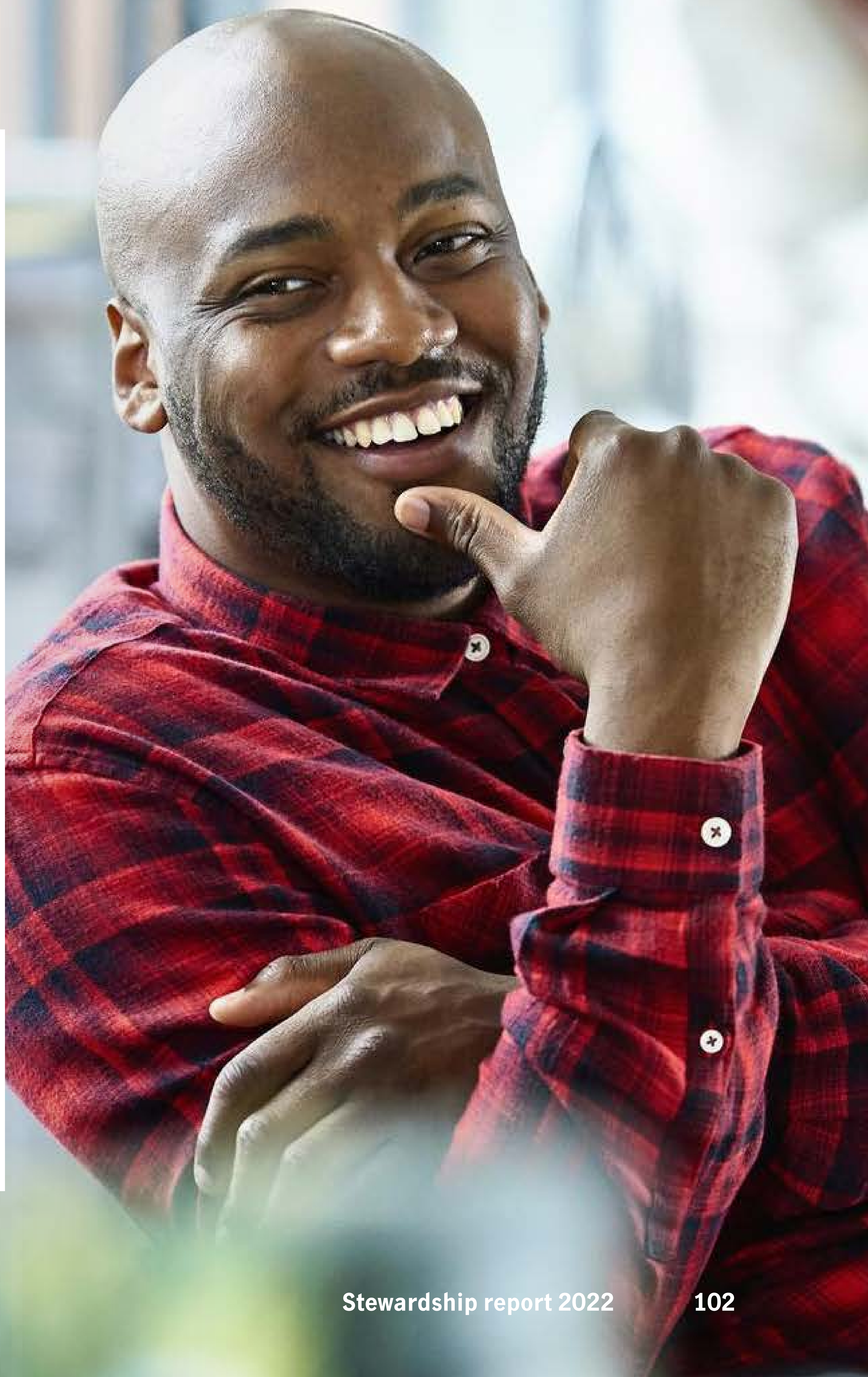
Racial equity audit resolution at a financial institution

In 2020, we saw a significant focus applied to DEI across multiple industries. A payments company held by one of our portfolio teams received a shareholder resolution for the 2021 AGM requesting the company to contract with an independent third party to conduct a racial equity audit. At Manulife Investment Management, we recognize the value of diversity and supported the resolution. Prior to the AGM, we had engaged with the company to articulate our support for the resolution while encouraging the company to disclose more diversity metrics within its public reporting.

The company released an in-depth diversity and inclusion report with multiple data points articulating the actions it's taken, giving quantifiable results. Many were extremely positive, but a limited number didn't meet expectations. We reengaged with the corporate secretary in late fall on the same resolution to learn that the filer had decided to withdraw the resolution based on the increased disclosures provided.



Escalation through our proxy voting rights

We escalate our concerns with an issuer through our proxy vote as an expression of our dissatisfaction with public issuer progress. For example, we may vote contrary to management recommendations on the following proposals:

- **Advisory vote on executive compensation—**We may vote against the advisory say-on-pay vote if a company isn't responsive to our concerns across a range of executive compensation issues. These may include misalignment between firm performance and executive remuneration, weak targets for executive bonus, or our wish to see executive performance benchmarked against different metrics.
- **Director vote—**We may vote against directors if the board is unresponsive to requests made through our engagement with them or if we see significant failures relative to executive compensation, board composition, audit oversight, or general governance.
- **Shareholder proposals—**Where we engaged with a company on a topic covered in a shareholder proposal, we may choose to escalate the matter by supporting a shareholder resolution on the same issue.

Fixed-income escalation

For publicly issued fixed income, our escalation requires a different approach given that bond investing carries unique ownership rights and responsibilities. Aside from bilateral engagement, we may take a collaborative engagement approach. One example of this is our membership of the Credit Roundtable, an association of corporate bond market participants focused on education, outreach, and advocacy designed to give debt holders a stronger voice with debt-issuing companies.

Our fixed-income team in Asia has developed a unique approach to escalation given that this market has a primary rating agency. This team will negatively notch issuer credit ratings for failure to address material ESG risks, ultimately implying a lower valuation.

Case study

Executive compensation for an internet media company

Executive compensation for this small/mid-cap internet company was modest, but its compensation structure was arcane, using long-term metrics measured on a one-year basis only. Our investment team recognized that the compensation program required improvement and voted against the say-on-pay recommendations of the company at the 2021 AGM. In addition, the investment team escalated its voting rationale to the company through two subsequent engagements.

During one of these engagements, the investment team, in conjunction with our dedicated sustainability professionals, spoke directly with the chair of the board to articulate our view on best practices for executive incentive compensation over both the short and long term. We encouraged more comprehensive disclosure of equity award targets and potential maximums for award grants. We also requested better disclosure regarding the compensation mix of performance compensation versus equity awards that vested solely based on the passage of time. Our recommendations for the company were consistent with those found in our executive compensation framework statement.

Case study

Engaging on gender diversity without using shareholder rights or proxy voting

We engaged with a Chinese consumer staples company on both gender diversity and environmental topics. The company had a large female customer base but no women on the board. Initially, we shared academic studies justifying the positive correlation between the board gender diversity ratio and financial returns. In addition, we highlighted the company's lack of board gender diversity compared with other Chinese and global consumer peers and asked the company to add at least one female director to its all-male board.

As one of the founding members of the Board Diversity Hong Kong Initiative, we champion gender diversity on boards for better leadership and improved corporate governance. Ultimately, we believe diversity increases performance and competitiveness for both companies and their shareholders. We shared our findings with other investors in the Board Diversity Hong Kong Initiative and encouraged them to raise the same issue with the company, a key issuer in the market due to its size, sector, and potential for impact. We additionally leveraged pending regulatory requirements and contributed to the Hong Kong Exchange's and Clearing's (HKEX) consultation paper, which proposed to end single-gender boards with a three-year transition period. We explained how this would require companies to set targets and timelines for gender diversity at the board level and across the workforce, and this consultation was subsequently concluded and passed into effect.

It's rare to see a consumer staples company with zero female representation among its directors since gender diversity of consumer-related boards is often the highest for all primary sectors. We engaged with the company to reiterate the importance of increasing the number of female directors on its board, offering coordination with the 30% Club Hong Kong to help search for qualified candidates. The company later shared its intention to add its first female director to the board in early 2022.

Influence in private asset classes

Our approach to escalation in private markets is on a case-by-case basis and is situation-specific. In some instances, we own, or own in partnership with others, substantial equity interests in these companies. Alternatively, we're the companies' largest lender, which also gives us significant leverage in decision-making. In other cases, our control over escalating issues may be limited: When we become aware of an issue requiring management, we engage with our investment partners to discuss the situation and voice our concerns. In our fund investments, these discussions may lead to a limited partner advisory committee (LPAC) vote.

We enter into our infrastructure investments having performed significant due diligence on the other owners and management teams of these investments. As a result of that due diligence and planning, we seek to have clear expectations set across these parties and alignment of interests within the shareholder group. In the infrequent instances of meaningful misalignment across stakeholders, we then work to propose and implement solutions. If other stakeholders aren't willing, or able, to address our concerns, we consider strategies to exit the investment and may limit the future business we engage in with those parties.

Looking ahead

We continuously review the most effective means to achieving our goals in relation to the engagements we undertake, including that of escalation. In 2022, we'll continue to explore fresh, multipronged approaches to the framework of our escalation, remaining steadfast in our belief that escalation must be evaluated and executed on a case-by-case basis.

Exercising rights and responsibilities

Asset manager rights and responsibilities differ across asset classes, but the central goal remains the same as we execute across our portfolios: We seek to enhance value for our clients and instill resilience across our investments.

Our approach to exercising our rights and responsibilities

Ownership rights vary significantly across asset classes. Equities carry perhaps the most prominent of investment rights in proxy voting, for example, but voting rights can also accrue to fixed-income investments as debt is converted to equity through bankruptcy. Indeed, with fixed-income rights, influence and leverage change significantly depending on timing in the investment cycle. In private markets, our influence runs a spectrum from the right to sit on a board to the responsibility to operate assets sustainably.

Asset manager rights and responsibilities vary by asset class

Fixed income

- Monitoring
- Issuer engagement
- Collaborative engagement
- Valuation

Listed equity

- Monitoring
- Issuer engagement
- Collaborative engagement
- Proxy voting

Externally managed

- Selection
- Appointment
- Monitoring

Real estate

- Sustainable operations
- Engagement

Timberland and agriculture

- Sustainable operations
- Engagement

Infrastructure

- Monitoring
- Engagement
- Board seats

Private equity

- Monitoring
- Engagement
- Board seats

Private credit

- Monitoring
- Engagement

For illustrative purposes only.

Encouraging best practices through proxy voting

Our global proxy voting policy and procedures document outlines the processes and governance structures we have in public markets to help guide our execution of proxy voting rights while also providing broad principles on our expectations regarding corporate governance, shareholder rights, and management of material sustainability risks and opportunities. As we vote proxies, we're ultimately attempting to preserve and enhance shareholder value over the long term by encouraging issuers to adopt what we've identified as best practices.

We use a third-party proxy voting research, vote execution, and vote disclosure provider to aid us in our proxy voting efforts. This vendor provides us with initial proxy voting research reports and voting recommendations that align with our voting policy. While we most often will use the initial recommendation of the proxy voting advisor, we can—and will—override the initial recommendation where we believe substantive information wasn't considered in forming the recommendation, where there is new information or action from the issuer, and/or in cases in which there are substantial and convincing reasons that argue for voting contrary to the recommendation. In 2021, we voted contrary to the initial recommendations under our policy at approximately 1.6% of our voted meetings.

We have a global proxy operations group (proxy operations) that oversees the proxy voting execution and account maintenance in coordination with investment professionals, the public markets sustainability team, and our proxy voting vendor, among other stakeholders. Proxy operations ensures that proxies are voted and submitted in a timely manner and maintains records of votes cast and records of proxy statements received in connection with proxy votes. The proxy operations team performs various administrative functions associated with voting and supports reporting of proxy voting activities. Ultimately, it's through this team and its daily collaboration with the proxy voting vendor that we track our voting rights and ensure that we're executing our voting rights wherever we can and doing so as efficiently as possible.

Monitoring proxy voting rights and executing votes

As a high-level overview of proxy voting administration, when an account or fund is onboarded, proxy operations provides a signed letter of authorization (LOA) to the custodian. The LOA directs the custodian to forward ballots to our proxy voting vendor. Proxy operations works with the vendor to set up the accounts and connect our voting policy to those ballots. On a daily basis, Manulife Investment Management proxy operations generates a positions report and sends that report directly to the proxy vendor's secure server. The vendor reviews that report to identify securities with an upcoming meeting and reconciles holdings against ballots received from the custodian. We receive daily reports to highlight any reconciliation issues and take action accordingly to ensure we can execute voting instructions across portfolios.

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Progress at an oil major

In 2021, there was a significant proxy contest at a major oil firm that we held in some portfolios. A minority shareholder made a strong case for board turnover due in part to strategic missteps and operational underperformance. The dividend growth rate, for example, averaged 8% from 2001 through 2016, but slowed to 4% between 2017 and 2020. A third prong of the shareholder's argument was compelling from an environmental standpoint: The issuer had failed to adequately address climate risk, as evidenced by the fact that peers had earmarked significantly more capital expenditure for low-carbon technologies while the company hadn't set meaningful emissions reduction targets. We saw these as compelling arguments and supported the shareholder's entire proposal. Ultimately, three of the four shareholder's nominees were elected to the company's board. In addition, the company more recently committed to achieve net zero scope 1 and scope 2 emissions across its operations by 2050.

The goals of our proxy voting working group

Manulife Investment Management established a proxy voting working group to leverage functional expertise across the organization as we scrutinize voting decisions and work to improve our processes and policies going forward. Representatives from investment, legal, compliance, risk, operations, and the sustainable investing team are members of this group, which, among its other duties, reviews situations in which an equity investment team believes we should vote differently relative to how our voting policy would dictate. These reviews have improved communication across the investment function regarding voting decisions, led to more consistent decision-making, and built subject matter expertise related to proxy voting analysis across multiple functional areas.

Special arrangements with clients and securities lending considerations

Manulife Investment Management and our clients shape the proxy voting relationship by agreement. Generally, our clients delegate proxy voting decision-making to Manulife Investment Management, and client shares are therefore voted in line with our global voting policy. We may also agree with clients to other proxy voting arrangements in which Manulife Investment Management doesn't assume proxy voting responsibility or will only vote in limited circumstances.

We also take action through our share-lending program to better preserve proxy voting rights. Shareholders can lose voting rights if shares are on loan during a certain period before a shareholder meeting. To remedy that, in 2020, we implemented a new process that, on a best-efforts basis, restricts and recalls shares from loan during that time for issuers where we own 2% of shares outstanding or more. We believe this strikes a balance between generating additional revenue from lending for our client funds and ensuring we hold our rights where we have significant influence.

Annual review of proxy voting principles

On an annual basis, we also review the proxy voting principles that drive our voting decisions. We keep pace with the evolution of proxy voting and expectations regarding corporate governance, and we work to keep current with best practices. We also engage with our proxy voting research and services vendor to aid us in our effort to encourage outcomes that preserve and enhance share value over the long term.

In 2021, we significantly amended our voting policy to support a greater number of shareholder proposals, specifically related to climate issues. Our intent through this change is to escalate pressure on issuers to not only provide better reporting regarding ESG risks and opportunities, but also to improve management of those factors. Looking at the sample identified by Ceres, for example, we moved from supporting approximately 62% of climate shareholder proposals in 2020 to 88% in 2021. This change is a direct result of changes to our proxy voting policy.

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Supporting proposals encouraging issuers to perform civil rights assessments

Throughout the 2021 proxy season, we reviewed several shareholder proposals requesting that firms perform a review of implicit biases in products, services, processes, and operations that may unintentionally reinforce systemic racism. Reviews at other issuers not only worked to highlight risk in operations, but also unexplored opportunities for business lines. Given this success elsewhere, we supported approximately 93% of proposals calling for similar reviews at our own holdings. Although these proposals generally didn't achieve majority support, they received enough votes to warrant attention from the issuers where filed. We anticipate that any reviews that issuers do conduct won't only provide greater transparency to shareholders regarding risks and opportunities at those firms, but also complement company strategy and build shareholder value over time.

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Selected proxy voting data 2021

In 2021, Manulife Investment Management voted on a total of over 81,000 proposals across more than 8,900 shareholder meetings globally. We voted at over 99% of meetings where shares were held.[14]

Management proposals

Proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Director elections	52,783	11%	• Poor attendance • Lack of independence • Diminishment of shareholder rights • Lack of gender diversity • Problematic executive remuneration practices
Executive compensations (say on pay)	4,458	15%	• Misalignment between pay and performance • Lack of performance-based remuneration • Short vesting periods • Lack of rigor in performance metrics • Outsize pay versus peers • Discretionary payments • Problematic severance arrangements

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

14 Some reasons we may not vote at a given meeting, or a vote may not be tallied, are listed in our global proxy voting policy and procedures. Reasons include, but are not limited to, short notice of a meeting, restrictions on sales of shares in order to vote, requirements to publicly disclose commercially sensitive information, and requirements to vote in person.

Shareholder proposals on environmental issues

Shareholder proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Climate change action and reporting on climate change	51	84%	Disclosure would help shareholders assess governance and strategy related to the management of physical and transition risks associated with climate change
Community—environmental impact	8	100%	• Reporting would help assess management of deforestation risks in the supply chain • Reporting would provide information regarding regulatory and other risks associated with the continued use of single-use plastics
GHG emissions	13	62%	Disclosure would help assess company strategy in the face of increasing costs associated with emissions
Request for advisory vote on climate change	6	100%	The advisory vote provides shareholders with another voting outlet to assess climate risk and opportunity management

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

Shareholder proposals on social issues

Shareholder proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Human rights risks assessment standards or policies	12	75%	Reporting would help shareholders assess human rights risks in operations and the supply chain
Gender/racial pay gap	6	83%	Poor current disclosure on diversity and inclusion initiatives toward equal pay
Labor issues	25	88%	Reporting on harassment issues and rates of complaints will help shareholders assess company culture and associated risks
Equal opportunity employment data	12	83%	Data would help shareholders assess representation through employee base and associated promotion rates

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

Shareholder proposals on governance issues

Shareholder proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Require independent board chair	40	88%	• Recent failures suggest independent oversight is needed at the board level • Role of lead independent director is undefined • Generally support separation of roles
Lobbying and political contributions	51	94%	• Current disclosure is inadequate to assess risks and benefits of firm lobbying activities • Disclosure would allow shareholders to assess alignment between trade associations and current firm initiatives
Board diversity	8	50%	Current board composition lags peers
Link executive pay to ESG criteria	6	67%	• Public concern over pricing poses reputational risk that should be considered in compensation • Risk related to public and regulatory scrutiny over privacy protections should be reflected in remuneration
Shareholder rights	180	92%	We generally support creation/enhancement of shareholder rights, including the ability to nominate and vote on directors, call a special meeting, and align voting rights with economic interest

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

Timing of rights in fixed income

As fixed-income investors, our rights differ depending on when we hold a bond within its lifecycle. Our global fixed-income teams regularly review prospectus and transaction documents as part of their initial due diligence, ongoing risk monitoring, and credit research processes. This provides them with an evolving view on which improvements to instrument characteristics might benefit debt holders.

As an example, in the syndication process, our teams offer feedback on terms, conditions, and covenants that would make the investment offer more attractive for our clients, and this dialogue can result in covenant changes. By engaging with companies when they need to fundraise, we can also influence those issuers to commit to adopting best practices in sustainable risk mitigation. Finally, through credit events, we may also have the opportunity to renegotiate terms or may emerge from the event with equity and voting rights that we exercise to protect our interests. Ultimately, we aim to strategically time our engagements in order to maximize our influence.

We continue to build our influence over debt issuers and are finding that bondholders may be underusing their rights to advance sustainable outcomes. We've heard from some issuers, for example, that they're generally not engaged by debt holders on sustainability risks and opportunities and can be surprised when we approach them. This feedback is encouraging to us, and we've learned that firms are receptive to our feedback as debt holders.

Partnerships in private markets

Our rights and responsibilities in private markets can range from direct management of an asset, as with timberland, agriculture, and real estate, to the establishment of partnerships with fellow investors, lenders, sponsors, and management to seats on boards. We tailor our activities to each asset class and, more specifically, to each role we hold.

Considering our infrastructure investments as an example, our investment team typically seeks to monitor and influence an investment through a board seat, protective controls, or governance—or a combination of these. These rights enable the investment team to exert influence or veto power regarding key decisions made with respect to a company's commercial or financial operations, as well as management and oversight of relevant sustainability risks and opportunities. Board seats, in particular, allow us to engage directly in the activities of a given investment.

In some of our investments that don't have boards, we participate in key decisions as a member of the investment company or as a member of the LPAC; this gives our team access to all key decision makers at the ownership and management levels. When holding a seat on an LPAC, we may specifically review certain matters, including conflicts of interest and waivers of LP restrictions. Although we may be one investor as part of a consortium, most significant decisions are made at the board or member level with the full support of all parties.

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Sharing our subject matter expertise with co-investors

Our infrastructure team sits on the board of a regulated utility that serves hundreds of thousands of customers in the southeastern United States. Our team works closely with the equity partners and senior management of the utility to support the development of solar generation offerings within the firm's power generation portfolio. Our infrastructure team shares its substantial knowledge of renewable energy, which we've gathered over years of owning and financing renewable assets, and that expertise is helping the utility pursue its renewable development goals.

Looking ahead

We'll continue to evaluate our proxy voting process and policy approach in 2022 as well as our relationship with our proxy voting research vendor. We'll continue to engage with this vendor to enhance capabilities to meet our needs. We also anticipate using other stewardship tools at our disposal, potentially in collaboration with peers.

Appendix

Global collaboration

Below are examples of current sustainability/ESG industry groups and initiatives with which we're engaged.

Organization	Year joined	Region	Focus	Manulife Investment Management's involvement
30% Club Canadian Investor Group	2019	Canada	A group of asset owners and asset managers committed to exercising their ownership rights to encourage increased representation of women on corporate boards and in executive positions	We have a target list of Canadian companies established annually; we engage with select companies from this list.
30% Club Japan Investor Group	2021	Asia	A group of investors committed to achieving a minimum of 10% female representation on TOPIX 100 boards around 2020 and 30% female representation on TOPIX 100 boards around 2030	We participate regularly in working groups.
Asian Corporate Governance Association (ACGA)	2016	Asia	Promotes implementation of effective governance practices in Asian companies on behalf of institutional investors and regulators	We're an active member in the association in addition to participating in the China and Korea working groups.
Asia Investor Group on Climate Change (AIGCC)	2016	Asia	Works with Asian asset owners and financial institutions to create awareness about the risks and opportunities associated with climate change and low-carbon investing	We're an active member of the group and chair the physical risk and resilience working group.
Board Diversity Hong Kong Initiative	2018	Asia	Commits to an ongoing engagement on diversity at all levels with listed companies in Hong Kong, starting with the board of directors	We're one of the founding members of the Board Diversity Hong Kong Initiative. We believe diversity on boards encourages better leadership and better corporate governance, and it ultimately increases corporate performance and global competitiveness for both companies and their shareholders.
Building Owners and Managers Association (BOMA) Canada	2018	Canada	Implements timely, responsible, and consistent policy positions on important issues to the Canadian real estate industry; acts as the voice representing the industry by advocating on members' behalf on a national or provincial platform	We attend quarterly meetings and aid in developing tools and standards for the commercial real estate industry on how to integrate resilience best practices and adapt to changing climate conditions.
Canadian Coalition for Good Governance (CCGG)	2012	Canada	Focused on corporate governance organization in Canada	We have representation on the environmental and social committee.

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Canadian Infrastructure Bank—National Energy Efficiency Retrofits Financing Program Owners & Operators Working Group	2020	Canada	Intent is to accelerate deep energy retrofits in buildings in private, commercial, institutional, and industrial buildings through a targeted federal government investment of up to $4 billion over 6 years	We actively engage in the working group.
CDP	2018	Global	Advocates for disclosure of company data to measure and manage the environmental impact (carbon, water, forestry); one of the first ESG disclosure initiatives in the financial industry	We're a member of CDP and participate in various initiatives such as the Science Based-Targets initiative (SBTi).
Ceres Investor Network	2016	Global	Promotes discussion and collaboration on how to address climate risk and other sustainability challenges among institutional investors	We participate in discussions and initiatives brought forward by Ceres. We're also a member of the Investor Water Hub and founding member of the valuing water investor working group.
Climate Action 100+	2018	Global	Collaborative engagement with largest corporate GHG emitters	We're a founding member of Climate Action 100+ and co-lead several engagements across North America and Asia.
Climate Engagement Canada	2021	Canada	A finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy	We're a founding participant of Climate Engagement Canada.
Climate Smart Land Network (CSLN)	2015	North America	Provides forest landowners and managers with direct access to forest and climate experts and the opportunity to benefit from other forest landowners in the network	Our timberland and agriculture team has been a member since CSLN's inception. We continue to share information at their annual member gatherings as well through emails and monthly calls aimed to support the acceleration of natural climate solutions.
Concordia University	2020	Canada	The sustainable investing practicum (SIP) enables undergraduate business students to better understand the principles of ESG investing in a capital market environment. Students make fund management recommendations to a supervisory committee based on sustainable investing criteria	Concordia's John Molson School of Business signed a partnership agreement with Manulife Investment Management that established the first SIP at a Canadian university.
Emerging Markets Investors Alliance	2015	Global	A central hub for information, education, and networking for investors in emerging markets	We're an active member of the extractive industries working group.
Finance for Biodiversity Pledge and Foundation	2021	Global	Commitment of financial institutions to protect and restore biodiversity through their financing activities and investments	We're a signatory to the pledge and an active member of the engagement, impact assessment, and public policy working groups.
Global Compact Investing Network (GIIN)	2018	Global	Organization dedicated to increasing the scale and effectiveness of impact investing	We're a member company and contributor to sector-specific databases and reports and a participant in the sustainable agriculture working group.

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Global Real Estate Sustainability Benchmark (GRESB)	2015	Global	Validates, scores, and benchmarks ESG performance data for real assets, providing business intelligence and engagement tools to investors and managers	We report to the GRESB real estate and infrastructure assessments on an annual basis.
Hong Kong Green Finance Association (HKGFA)	2018	Hong Kong	Promotes adoption of green finance and investment by gathering industry experts to provide policy suggestions to the Hong Kong government and other regulators	We contribute to the working groups, including on topics such as green bonds and product innovation as well as external collaborations.
Institutional Limited Partners Association (ILPA)	2014	Global	Engages, empowers, and connects LPs to maximize their performance on an individual, institutional, and collective basis	We're an active member of the ILPA ESG working group.
International Corporate Governance Network (ICGN)	2019	Global	Promotes effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide	We're an active member of the stewardship committee.
Investment Company Institute (ICI)	2015	Global	Encourages adherence to high ethical standards by all industry participants; advances the interests of funds, their shareholders, directors, and investment professionals; and promotes public understanding of mutual funds and other investment companies	We're involved in calls and discussions on sustainability-related disclosures for asset managers.
University of Cambridge Investment Leaders Group (ILG)	2020	United Kingdom	A global network of pension funds, insurers, and asset managers, with over £14 trillion under management and advice, committed in its mission to advance the practice of responsible investing A voluntary initiative, driven by its members, facilitated by the Cambridge Institute for Sustainability Leadership (CISL), and supported by academics in the University of Cambridge	We're an active member of the CISL ILG, striving to create an investment chain that prioritizes economic, social, and environmental sustainability.
Leading Harvest	2020	United States	Advances sustainable agriculture, providing assurance programs comprising standards, audit procedures, training and education, and reporting and claim offerings	Our timberland and agriculture business was a founding member; in addition, our global head of agriculture, Oliver Williams, is current chair of the board of directors.
Long-term Infrastructure Investors Association (LTIIA)	2017	United States	Works with a wide range of stakeholders—infrastructure investors, policymakers, and academics, among others—to enable the long-term, responsible deployment of private capital in public infrastructure projects around the world	Recep Kendircioglu, portfolio manager, head of infrastructure investments, sits on the board.
MIT Joint Program on the Science and Policy of Global Change	2016	Global	Studies interactions among human and earth systems to provide a sound foundation of scientific knowledge	We're an active sponsor and project representative.

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National Alliance of Forest Owners (NAFO)—United States	2008	United States	National advocacy organization committed to advancing federal policies that ensure sustainable practices and strong markets of our working forests	We have representation on the board of directors, operating committee, and climate change and environment task groups.
Principles for Responsible Investment (PRI)	2015	Global	United Nations-supported international organization that works to promote the incorporation of ESG into investment decision-making	We're a signatory and active member of various working groups, including the fixed-income advisory group, sovereign bond working group, and the listed equity integration subcommittee.
Programme for the Endorsement of Forest Certification (PEFC)	2007	Global	Global alliance of national forest certification systems	We're actively involved on the board of directors.
Real Estate Roundtable Sustainability Policy Advisory Committee (SPAC)	2019	United States	Seeks to educate policymakers and the public about real estate and its significance to the economy	We participate in monthly meetings and engagement on federal or state policy and regulations affecting commercial real estate.
REALPAC Canada ESG Committee	2017	Canada	Members include publicly traded real estate companies, real estate investment trusts, private companies, pension funds, banks, and life insurance companies with investment real estate assets each in excess of $100 million	We participate in monthly meetings and engagement on federal, provincial, or municipal policy.
Responsible Investment Association (RIA) Canada	2019	Canada	Promotes responsible investing and ESG integration into the investment process in Canada	We actively participate in initiatives and roundtables organized by the RIA.
Singapore Standards Council (SSC), Enterprise Singapore	2019	Asia	Facilitates the development, promotion, and review of standards and technical references in Singapore	We're a member of the working group, providing input on the development of an International Organization for Standardization (ISO) standard for sustainable finance.
Value Reporting Foundation (SASB standards)	2019	Global	Engages with leading companies to encourage a market standard for ESG disclosure and to foster adoption of SASB disclosure metrics	We're an organizational member of the SASB Alliance.
Securities Industry and Financial Markets Association (SIFMA)	2015	United States	Industry trade group representing securities firms, banks, and asset management companies that advocates on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed-income markets, and related products and services	We've engaged in the International Organization of Securities Commissions consultation on sustainability-related disclosures for asset managers and the UK Financial Conduct Authority climate disclosure consultation with SIFMA.
Sustainable Forestry Initiative (SFI)	2002	North America	Collaborates with a diverse network to provide forest-based solutions to local and global sustainability challenges	We've engaged on the resources committee.
Taskforce on Nature-related Financial Disclosures (TNFD)	2020	Global	Focused on redirecting flows of finance at scale toward nature-positive activities to allow nature and people to flourish	We were members of the Informal Working Group developing the scope for TNFD.

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Task Force on Climate-related Financial Disclosures (TCFD) Consortium (Japan)	2019	Asia	Comprises corporate and investor members and aims to foster best practice in TCFD reporting	We're a member of the investor group, supporting companies to provide decision-useful disclosure.
UN Environment Programme Finance Initiative (UNEP FI) Property Working Group (PWG)	2019	Global	Drives innovation in responsible property investment by facilitating access to relevant information and best practices for systematically applying and integrating ESG criteria into investment and lending decisions	We attend and contribute to the quarterly working group meetings.
UNEP FI TCFD Pilot Project (Phase II 2021)	2021	Global	Paid membership to participate in banking and investor pilot project in 2021, with the objective of providing financial institutions with leading approaches for assessing climate risks and opportunities	We've participated in various modules: real estate, assessing climate tools and disclosure of physical and transition risk. We're a member of UNEP FI Pilot on Climate Change Scenario Analysis (Phase I and Phase II).
World Benchmarking Alliance (WBA)	2018	Global	Seeks to increase the private sector's sustainability impact; creates benchmarks to incentivize and accelerate companies' efforts toward achieving the UN's SDGs	We're a supporter of the initiatives.
World Business Council for Sustainable Development (WBCSD)	2019	World	CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world	We're a council member and liaison delegate. Our timberland and agriculture team actively participates in the WBCSD's forest solutions group, scaling positive agriculture and nature action projects in collaboration with industry partners focused on scaling forestry and agriculture as natural climate solutions.

Global codes that guide our stewardship

Stewardship principle	Canada Last updated in 2020	Hong Kong Last updated in 2016	Japan Last updated in 2020	Taiwan Last updated in 2020	U.K. Last updated in 2020
Purpose, strategy, and culture	Not explicitly referenced	Not explicitly referenced	Not explicitly referenced	✓	✓
Governance, resources, and incentives	✓	Not explicitly referenced	✓	✓	✓
Conflicts of interest	✓	✓	✓	✓	✓
Promoting well-functioning markets	✓	Implied	Implied	Partially referenced	✓
Review and assurance	Not explicitly referenced	Not explicitly referenced	✓	✓	✓
Client and beneficiary needs	✓	✓	✓	✓	✓
Stewardship, investment, and ESG integration	✓	✓	✓	✓	✓
Monitoring managers and service providers	Not explicitly referenced	Partially referenced	Partially referenced	Partially referenced	✓
Engagement	✓	✓	✓	✓	✓
Collaboration	✓	✓	✓	✓	✓
Escalation	✓	Implied	Implied	Implied	✓
Exercising rights and responsibilities	✓	✓	✓	✓	✓

Source: Stewardship codes by location, Manulife Investment Management, as of March 2022. Manulife Investment Management is a signatory to these global codes.

Manulife Investment Management

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