

# Our Bold Ambition

As a business, Manulife is stronger when people and the planet thrive. Manulife recognizes the threats posed by climate change to our business, public health, and the livelihoods of the communities in which we operate, and the urgent need to preserve the quality of our natural environment.

This includes how we manage our operations, how we make investment decisions, and how we develop and offer financial products and services.

For more details on Manulife’s Climate Action Plan, please refer to **Manulife’s Climate Action Implementation Plan Report (manulife.com)**



In 2021, we released our first Climate Action Plan. Since then, we have made progress across all three pillars of our plan.



**Our Operations<sup>1</sup>**

Reduce the emissions footprint of our operated assets

We are developing solutions to reduce absolute scope 1 and 2 emissions by 40% by 2035<sup>2</sup>, with an immediate focus on decarbonizing assets we both own and operate.



**Our General Account Investments**

Invest in a sustainable future

We are mapping out a pathway to a net zero General Account investment portfolio by 2050 and working to achieve near-term science-based improvements in the carbon footprint of power generation project finance and listed debt and equity investments<sup>3,4</sup>.

**Power generation project finance:**

- 72% in per Kilowatt-hour (kWh) reduction in emissions intensity from project financing activities by 2035 and/ or in line with a 2035 International Energy Agency (IEA) target intensity of 0.14 kgCO<sub>2</sub>e/kWh.

**Listed debt and equity, excluding sovereigns, in all other sectors:**

- Reducing portfolio temperature from 2.9°C in 2019 to 2.5°C on a well-below 2°C pathway by 2027, based on issuer’s total value chain activities (scope 1, 2, and 3 emissions).
- Reducing portfolio temperature from 2.7°C in 2019 to 2.3°C on a well-below 2°C pathway by 2027, based on issuer’s operational activities (scope 1 and 2 emissions).



**Our Products and Services**

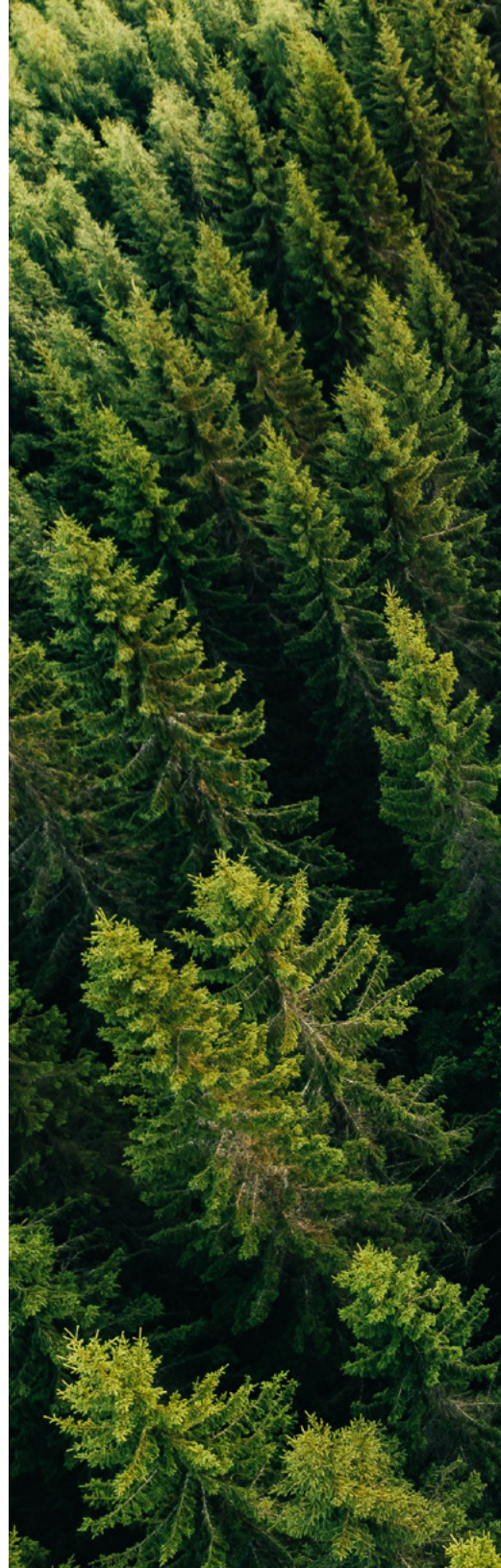
Build solutions to climate challenges

We are creating investment products that solve investor needs and contribute to a more sustainable future. We are enhancing the resilience of our life and health insurance products in light of climate-related risks and are evaluating necessary steps to better understand the impact of climate on morbidity and mortality.

# Our Path to Success

Front and center to all decision-making with respect to our climate objectives is the goal of “real-world” decarbonization. What does this mean? Simply put, the actions we take to manage our emissions should be reflected in both benefits to our business and be realized in the real economy. This approach focuses our decision-making towards better outcomes for our customers and shareholders at the same time as contributing to deployment of solutions across the economy.

This implementation plan outlines several steps forward in our journey to net zero, and our approach to decarbonization. That said, as a plan dependent on many factors beyond our direct control, it remains in progress and will evolve with iterative and incremental improvements.



# Playing Our Part

Manulife’s Climate Action Implementation Plan is the next step forward in our journey to net zero and Manulife’s transition plan remains in progress and will involve iterative and incremental improvements. Science-based targets support our alignment to credible pathways to net zero. We expect that not only these pathways, but also the best metrics against which to measure our alignment, may evolve over time. We intend to adapt our approach accordingly to reflect changes in the real economy and the best available information.

The scientific basis of global pathways to limit warming requires an unprecedented scale of cooperation and collaboration among actors. It requires fundamental shifts in how governments, organizations and communities function. The financial sector acts as a catalyst in the path to decarbonization through ways such as investing in and providing products targeted towards greening our economy. However, we do not act alone.

First and foremost, we rely on the ability of policymakers and technological innovators to drive significant and transformative interventions in the real economy. Secondly, we need access to reliable, credible, and timely information and data from our operating partners and investees on key metrics of decarbonization. Finally, we depend on the support of Manulife investors, clients, peers, and regulators, who recognize the importance of a just transition and encourage a sustained focus on our Climate Action Plan in line with our core business objectives.

Despite the urgency of action on climate, the transition to net zero will not follow the same pathway in every sector, across every region, and in every economy. We are committed to being clear and transparent on the risks, challenges, and opportunities ahead as we move forward.



# Our Operations

Among many other activities, Manulife is a steward of real assets (real estate, timberland and agriculture assets). Manulife Investment Management is the asset manager of our operated real assets, owned by both our General Account and third parties<sup>5</sup>.

In the near-term, Manulife is focused on targeted climate interventions in assets where we are able to exercise the greatest degree of influence – namely, the assets we directly own and operate, which are responsible for close to half of our real assets’ scope 1 and 2 emissions. Taking this degree of influence approach, we are able to take effective actions to invest in the decarbonization of our General Account portfolio of real assets. The decarbonization of these assets can be accelerated in our current decarbonization pathway, as informed by long-term asset value appreciation, resilience, and productivity opportunities.

Across our scope 1 and 2 emissions, our targeted climate interventions focus on the emissions in assets that Manulife both own and operate<sup>6</sup>.

Whether through explicit contractual terms, such as the Sustainable Building Standards for our global real estate portfolio, or through corporate collaboration, Manulife seeks to be partners in helping decarbonize tenant-operated as well as third- party owned assets. As we make progress on our decarbonization commitments, we plan to expand and iterate on our approach.

## Manulife is focused on:

### **i. Making the most of the energy we consume**

Our efficiency efforts focus on continuing to reduce energy inputs through retrofits. Several aspects across real estate, timberland and agriculture offer solutions, including upgrading to energy efficient alternatives (such as LED lighting, variable speed pumping, enhanced scheduling, improved motor efficiency, etc.), low-carbon logging transportation decisions, and precision silviculture, amongst other opportunities.

Reducing consumption of energy can mitigate climate transition risk in the long-term, particularly in jurisdictions contemplating added costs on carbon.

### **ii. Finding new and better ways to operate**

Reducing reliance on fossil fuels is key to the net zero transition. Electrification and fuel switching will reduce our reliance on carbon intensive fuels such as diesel and gasoline, with a preference for lower carbon alternatives. Technology plays an important enabling role. We intend to take advantage of proven technologies, such as heat pumps in real estate.

As “hard to abate” sectors, Manulife's forest and farm operations will also explore the cost-effectiveness of earlier-stage technologies, such as biofuel and low carbon options for heavy equipment, and enhancing fertilizer efficiency. We will also find better ways to optimize how we use fertilizer and undertake prescribed burns.

We will also look to invest in onsite renewable energy sources across our assets to further support decarbonization. A key aspect of potential real estate decarbonization resides outside our direct control—in the decarbonization of the electric grid. Rapid upscaling of renewables by utilities in North America, are expected to benefit all users of electricity.

### **iii. Acting as a good steward of natural climate solutions**

Forestry and agriculture are recognized as natural climate solutions (NCS) for their ability to provide one-third of the cost-effective climate change mitigation required to achieve the Paris Agreement. The co-benefits of NCS to climate and nature are increasingly evident. In agriculture, regenerative practices such as growing cover vegetation that lead to healthier soils, are recognized as critical for capitalizing on agriculture's potential not only to feed the world, but to combat climate change and nature loss. Most NCS pathways are focused on carbon removal and storage (e.g., reforestation, improved forest management). This is reflected in our business, through our issuance of carbon credits<sup>7</sup>.

Due to Manulife's management approach, many of the properties we manage have demonstrated the opportunity to develop carbon offsets and insets that can help clients meet climate goals and generate incremental revenue.

### **iv. Enhancing data coverage and reliability**

Manulife requires reliable data to make good decisions in alignment with our decarbonization plan and investment objectives. Emissions accounting guidance for forests and farms continues to evolve and relies on our ability to collect data from operations that are not always well-equipped to provide accurate information. As these are biological rather than purely mechanical assets, relatively few of their constitutive chemical processes are metered. This requires us to focus on novel measurement methods, including advanced LiDAR (Light Detection and Ranging) and remote sensing technologies, as well as emerging solutions such as hydrogen-powered heavy equipment and nitrogen-inhibiting fertilizers that mitigate nitrogen loss and enhance soil health.

Manulife is working to attain accurate property-level data for fuel use (diesel, gasoline, propane, and natural gas). As field level data quality and coverage improves, we are better positioned to monitor assets performance and evolve our strategy to help inform our decarbonization efforts in the future.





# Our General Account Investments

Manulife's General Account invests capital to achieve returns to support the operations of our business and ensure we meet the promises we make to our insurance customers worldwide. We invest in public and private markets that support developed and growing economies, create and sustain jobs, and contribute to improvements in quality of life globally.

We believe climate change will have a systemic impact on our global economy. As investors, we intend to seize the opportunity presented by the transition to a low-carbon economy.

At the same time, we believe that transition risks will increasingly create negative market conditions for unabated, carbon-intensive activities.

Further, physical risks associated with a changing climate, such as increases in extreme weather, have potential negative impacts on our portfolio.

Continued work to measure the scale and impact of transition and physical climate-related risk drivers may influence the pace and scale of decarbonization of our portfolio.

## Manulife is focused on:

### **i. Financing the development and scaling of real-world decarbonization solutions**

In practice, this means dedicating and deploying capital to encourage the expansion of low-emitting technologies and services, to replace high-emitting ones, facilitate emissions removals from the atmosphere and ultimately, accelerate the net zero transition. Given the large and growing pool of such potential investments, these opportunities can often be at varying stages in terms of scale, scope, and risk.

Manulife's General Account has a long history of financing key infrastructure and power generation projects in North America, Asia, and Europe. This includes financing renewable energy projects that produce zero carbon emissions during operation, such as wind and solar. We have also established an initial C\$690 million commitment of funds dedicated to deploying capital to transition-related growth equity investments, with a focus on solutions for high-emitting sectors.

### **ii. Aligning portfolio management decisions to credible climate pathways in the real economy**

Science-based targets, have been developed for 42% of Manulife's General Account invested assets, covering just under half of our estimated baseline financed emissions footprint<sup>8</sup> and in line with a well-below 2 degrees of warming pathway.

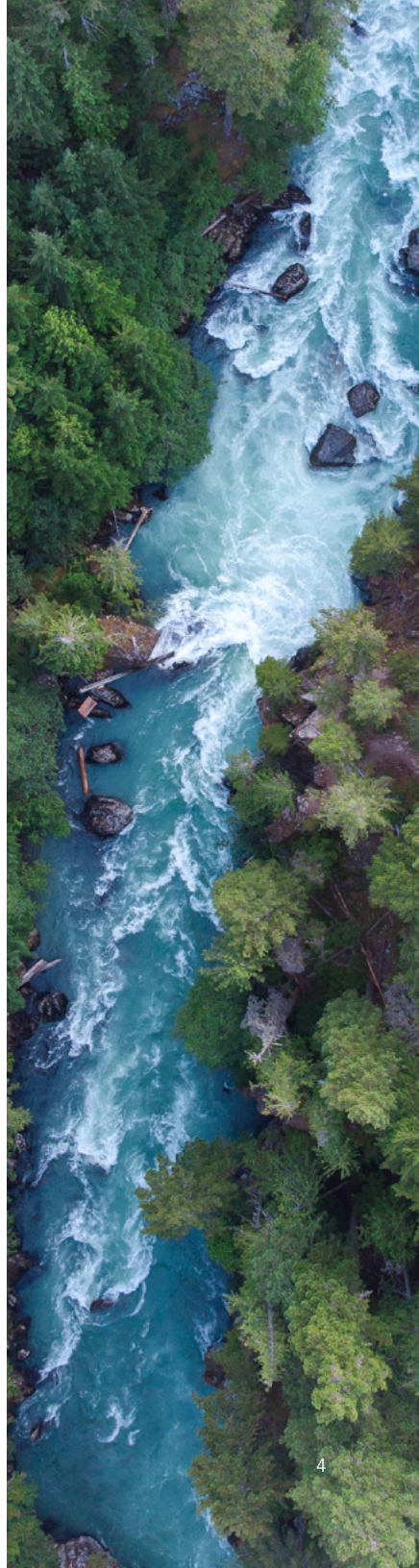
As we prepare to manage long-term transition risks, we seek to tilt our portfolio towards companies that are committed to implementing their own strategies to achieve emissions reductions in alignment with credible decarbonization pathways. This approach supports our management of climate-related transition risk and positions us to capitalize on emerging opportunities.

Manulife's General Account seeks to invest in issuers who disclose targets that result in absolute emissions reductions, tailored to their sector and operations, and make appropriate investments in their business to deliver against these targets over time. Disclosure of emissions, in line with global standards is also a core expectation.

### **iii. Investing in the transition of high-emitting assets**

Manulife acknowledges the need for supportive enabling conditions to facilitate investment to transition toward a low-carbon global economy, such as a sufficiently accommodating and stable policy environment, and the availability of cost-effective alternatives and financial mechanisms.

Manulife continues to evolve its underwriting assessment of fossil fuel investments in light of climate change and continues to evaluate our investment approach towards higher-emitting sectors on an ongoing basis. We support companies with credible plans to reduce emissions and track records of decarbonizing their operations in North America and Europe. Manulife does not currently directly lend to, or have equity in, new projects for thermal coal mining or coal-fired power generation and have limited interest in pursuing future investment in new unabated projects in this area.







# Our General Account Investments Transition Toolkit



Take advantage of natural decarbonization in the real economy and through the inertia of portfolio roll off.



## **Allocate**

Pursue profitable investment opportunities that tilt investments towards lower emission intensity, green or transition factors.



## **Engage**

Proactively and constructively provide feedback and support to issuers exposed to transition-related risk, with enhanced minimum due diligence expectations.



## **Advocate**

Directly and/or indirectly advocate for stable policies that unleash investment in transition solutions.



## **Offset**

Own carbon offsets or net negative carbon assets (e.g., sustainably managed timberland) and invest in projects that generate credible offsets in hard to abate sectors.



## **Exit or restrict**

Exit and restrict new positions where irreversibly and significantly misaligned to investment goals and risk appetite.





# Our Products and Services

Recognizing the benefits of a transition to a net zero world and a healthier planet, the products Manulife offers can empower clients to invest in products which align to their own sustainable choices and support their resilience in the face of a changing climate.

## Manulife is focused on:

### i. Helping clients meet their own climate objectives

A range of products are designed for Manulife Investment Management clients to help meet their financial goals, alongside climate objectives. They include both ESG integration and dedicated thematic investment products in private and public markets.

In climate-thematic strategies, the aim is to combine the pursuit of attractive risk-adjusted returns with positive environmental attributes across a portfolio, such as lower portfolio temperature, lower carbon intensity, and higher clean technology revenues, among other attributes, and to align capital with those companies best positioned to be successful in the face of climate change<sup>9</sup>. Unique to Manulife Investment Management, our forest climate strategy offers qualified investors the ability to participate in natural climate solution markets, amplifying their potential benefits.

### ii. Understanding climate risk in the context of our business

Manulife has developed a process to understand potential variations of associated climate-related risks within specific countries in which we operate. This analysis is further supported by future projection tools to help us understand short and long impacts, based on various climate scenarios.

In Manulife's life and health insurance business, our focus is on research and data collection to inform products, product pricing, underwriting, claims, and actuaries as we learn more about the impact of physical climate-related risks on morbidity and mortality rates. We continue to evaluate how climate risk may influence product design and pricing in a manner that best supports our customers.



# Cautionary Statement

## Cautionary statement regarding the use of this report and forward-looking statements

This report contains forward-looking statements, which are made pursuant to the “safe harbour” provisions of Canadian provincial securities laws and the U.S. Private Securities Litigation Reform Act of 1995. The forward-looking statements in this report include statements with respect to our Climate Action Plan and its implementation, our journey to net zero, and statements related to other sustainability-related strategies. Forward looking statements can generally be identified by the use of words such as “may”, “will”, “could”, “should”, “would”, “likely”, “suspect”, “outlook”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “forecast”, “objective”, “seek”, “aim”, “continue”, “goal”, “restore”, “embark” and “endeavour” (or the negative thereof) and words and expressions of similar import, and include statements concerning possible or assumed future results. Although we believe the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The factors and assumptions which may impact the forward-looking statements in this report include limited availability of quality emissions and issuer data; variations in measurement methodologies; varying sector specific decarbonization efforts and our ability to implement decarbonization initiatives; shifting stakeholder and regulatory expectations; evolving economic conditions, technological advancements, and public policies; balancing sustainability commitments with an orderly transition across regions; and strategic, market, reputational, system and environmental risks.

In particular, we have relied on external methodologies to guide our emissions measurement and target setting approach for Manulife’s scope 1 and 2 greenhouse gas emissions target and scope 3 financed emissions targets. Our decarbonization approach described in this report relies on currently available climate science, and on assumptions and estimations based on publicly available information and internal data. We caution that there are inherent limitations and uncertainties with available climate data and scenarios, and with quantification methodologies, that may impact our underlying assumptions and estimations.

Within our General Account, interim targets support us in understanding how our investments can contribute to decarbonization of the real economy and provide guideposts against which to measure our progress towards our long-term commitments. However, our targets, and our progress toward achieving them, may need to be revisited if the assumptions underlying net zero scenarios and pathways prove incorrect, or if regulatory, economic, technological and other external factors needed to enable such scenarios and pathways fail to evolve. Manulife’s commitment to achieve net zero financed emissions within our General Account’s investments by 2050 does not include investments of our third-party clients, which are managed by Manulife’s Global Wealth and Asset Management business.

Our reporting on progress towards achieving our short-term and long-term targets relies on various external frameworks, methodologies, taxonomies and other standards, which may change over time, resulting in changes to, or restatements of, our reporting processes and results. The availability of quality and reliable data is a notable factor in our ability to set targets, make effective decisions against, and report

on our progress towards, our targets and strategic areas of focus for us. While we rely on third-party data sources, Manulife has not independently verified any third-party data, or underlying assumptions of such data, and cannot guarantee the quality of the data used. As a consequence of incomplete, inadequate, or unavailable data, our targets, and our progress toward achieving them, may need to be revisited. Additionally, our use of third-party data must not be taken as an endorsement of the third party or its data or be construed as granting any form of intellectual property.

Across all areas of our Climate Action Plan, we have assumed standard growth rates and changes to our business in the development of our targets and decarbonization approaches. Any changes to our business, including, our own investment, financing, underwriting and lending activities, may have a material effect on our ability to achieve our targets and to decarbonize.

This report is provided solely for informational purposes, does not promote any business or business interest of Manulife, and does not constitute an offer or a solicitation to buy or sell any security, product or service in any jurisdiction. Additionally, this report is not intended to provide investment, financial, legal, accounting, tax or other advice, and such information should not be relied or acted upon for providing such advice. Nothing in this report shall form the basis of or be relied upon in connection with any contract, commitment or investment decision whatsoever. The recipient is solely liable for any use of the information contained in this report, and neither Manulife nor any of its affiliates nor any of their respective directors, officers, employees or agents shall be held responsible for any direct or indirect damages arising from the use of this report by the recipient.

This report is intended to provide information from a different perspective and in more detail than is required to be included in mandatory securities filings. While certain matters discussed in this report may be of interest and importance to our stakeholders, the use of the terms “material”, “significant”, “important” or similar words or phrases should not be read as necessarily rising to the level of materiality used for the purposes of securities or other laws and regulations. References to “ESG,” and “net-zero” or similar sustainability-related terms in this document are intended as references to the internally defined criteria of Manulife and not to any jurisdiction-specific regulatory definition that may exist. We have no obligation to update the information or data in this report.

Important information about risk factors that could cause actual results to differ materially from expectations and about material factors and assumptions applied in making our forward- looking statements may be found in our most recent Annual Report under “Risk Management and Risk Factors” and elsewhere in our filings with Canadian and U.S. securities regulators. The forward-looking statements in this report are, unless otherwise indicated, stated as of the date this report is issued and are presented for the purpose of assisting stakeholders in understanding how we intend to achieve our decarbonization commitments set out in our Climate Action Plan and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements except as required by law.

<sup>1</sup> At Manulife and Manulife Investment Management, we define our organizational boundary using the operational control approach for scope 1 and scope 2 emissions, per the Greenhouse Gas (GHG) Protocol. Under the operational control approach, a company accounts for 100% of the GHG emissions from operations over which it has operational control, regardless of financial ownership of the entity. It does not account for GHG emissions from operations in which the company owns an interest but has no operational control.

<sup>2</sup> Relative to a 2019 baseline. Our 2019 baseline year reflects a typical year for our operations. The COVID-19 pandemic resulted in a remote work scenario across our operations, as such our 2020 emissions are not representative of a typical year.

<sup>3</sup> Project finance is defined in accordance with Science Based Target Initiatives (SBTi's) Financial Institution guidance, as an on-balance sheet loan or equity (private) with known use of proceeds that are designated for a clearly defined activity or set of activities, such as the construction of a gas-fired power plant, a wind or solar project, or energy efficiency projects.

<sup>4</sup> Relative to a 2019 baseline estimate. Near-term targets include interim targets for 2035 and 2027.

<sup>5</sup> We operate within a framework defined by our clients' mandates and objectives and can only pursue investment and sustainability activities where clients have delegated that authority to us.

<sup>6</sup> As of December 31, 2023, approximately half of our scope 1 and 2 emissions are from assets operated by Manulife Investment Management, and owned by our General Account, the other half are owned by Manulife Investment Management clients.

<sup>7</sup> As of December 31, 2022.

<sup>8</sup> Targets developed in line with the ambition of the Science-based Targets Initiative (SBTi) for Financial Institutions (version 1.0).

<sup>9</sup> Impact varies by strategy and is unique to its own designed structure. There is no guarantee of financial performance or returns on investments.