

Manulife Environmental Risk Policy



1. Objectives and Scope

Manulife recognizes the threats posed by climate change and biodiversity loss to our business, public health, the livelihoods of the communities in which we operate, and the urgent need to preserve the quality of the natural environment.

Manulife employs an enterprise-wide approach to all risk-taking, risk appetite, and risk management activities, as documented in the Company's Enterprise Risk Policy. The objective of the Environmental Risk Policy (the "Policy") is to set out an enterprise-wide framework to govern the management of environmental risks to business activities within Manulife Financial Corporation ("Manulife", "MFC", the "Company", "our", or "we")¹.

This Policy provides guidance for identifying, assessing, managing, monitoring, and reporting environmental risks in support of the Company's financial, risk, capital, operational, and strategic objectives, in alignment with Manulife's Enterprise Risk Policy. It includes elements relating to the identification and management of the following types of environmental risks:

- Climate change-related risks ("**climate-related risks**") to the Company that could result in negative impacts to our business model and strategy, our financial and operational resilience, our reputation, or create legal risk; and
- Nature degradation-related risks ("**nature-related risks**") from the Company's business operations and investment activities that could result in financial loss or reputational damage.

Climate-related Risks

Climate-related risks refer to the potential negative impacts of climate change on the Company's business model, strategy, and financial and operational resilience. These risks are considered transverse, meaning they can manifest through or amplify existing Principal Risks and act as causal driver of the Company's existing risks². These drivers may emerge through a variety of pathways, including both physical- and transition-related channels. **Physical risk drivers** include acute risks that are event-driven (e.g., extreme weather events caused by climate change) or chronic risks which are longer-term shifts in climate patterns (e.g., changing precipitation patterns). Physical risk drivers may also arise indirectly, when climate-related hazards lead to secondary effects (e.g., changes in infectious disease distribution). **Transition risk drivers** include risks associated with the shift, or lack thereof, to a low-carbon economy, including changes in regulation (including public policy), market dynamics (including consumer preferences and reputational considerations), the legal environment, and technology advancements.

¹ The Policy applies to all Directors, Officers, and employees of MFC and its subsidiaries. With regards to Manulife Investment Management (MIM), this Policy applies to the management of General Account assets only and does not apply to the management of third-party assets governed by MIM's investment related, including sustainable investing, policies.

² Principal Risks encompass Strategic (including Reputational), Market & Liquidity, Credit & Investment, Insurance, Operational, and Technology & Cyber Risks.

Nature-related Risks

Nature-related risk is another type of risk driven by direct harm to the environment (e.g., living and non-living) as a result of our operations. These risks may originate from the real assets which we own, lease, manage, and/or finance (i.e., directly through mortgages by the Company or via investments held in the General Account). Real assets include commercial real estate, infrastructure, timberland, and agriculture properties.

Direct harm to the environment can include but is not limited to intentional or unintentional actions causing air pollution, water or soil contamination, land degradation, resource depletion, biodiversity loss, leading to financial loss (e.g., fines, penalties, settlements, remediation costs) or reputational damage. It could also be due to non-compliance with applicable environmental permits or the failure to obtain required environmental permits prior to conducting business operations.

2. Principles

We recognize that environmental risks (climate- and nature-related) are inherent to our business and can materially impact our financial position and operational resilience. These risks are embedded in our business model and strategy, and we actively monitor and manage a wide range of environmental issues, which may have adverse impacts on our ability to operate or meet financial objectives. The Company's strategic direction and its overall risk appetite are mutually reinforcing. We look to align our environmental risk-taking activities with defined risk management principles, which guide how environmental risks are assessed across the Company. These principles support alignment with our environmental risk objectives and organizational values. We anticipate that our ambitions will continue to evolve as our understanding of environmental risks and internal capabilities mature.

Climate-related Risk Management Principles

- We seek to reduce the Company's carbon emissions footprint by establishing and implementing a transition plan, as outlined in our Climate Action Implementation Plan. We recognize that the criteria used by our stakeholders to evaluate our exposure to, impact on, and performance with respect to climate-related risks may differ from our own.

- We seek to better understand the impact of climate-related physical and transition risks and opportunities on the Company and will develop strategies to reduce our exposure to climate-related risks and optimize our exposure to climate-related opportunities as part of our overall strategy.
- We seek to understand the impact of climate-related risks on our customers' needs and preferences which could impact the design and delivery of the Company's products and services.
- We will avoid any misrepresentation of (including by omission) our sustainability or climate-related disclosures. Similarly, we will apply the same approach to product labeling as we seek to develop products and services that will support a more sustainable future and create shareholder value.
- We accept that there are climate-related physical events which may disrupt operations until business continuity plans restore service within a reasonable timeframe. The Company maintains continuity plans to reasonably mitigate the risks associated with disruptive events.
- We are committed to ensuring that business practices are in line with emerging regulatory expectations and guidance on climate risk management across all jurisdictions in which we operate.

Nature-related Risk Management Principles

- We seek to avoid and where possible, mitigate and offset harm caused on the natural environment as a direct result of our operations.
- We will comply with relevant and applicable environmental laws and regulations across all jurisdictions in which we operate and have a low appetite for financial losses as a result of any non-compliance of such laws and regulations.
- We aim to proactively assess and manage nature-related risks and opportunities across our General Account investments.
- Where MIM operates private assets on behalf of Manulife's General Account, MIM will follow specific guidelines provided by the General Account in relation to nature and biodiversity. Furthermore, MIM seeks to actively manage our direct-operated timberland and agriculture investments according to region-specific best practices recommended by third-party sustainability certification, which includes best practices on biodiversity and the protection of threatened and endangered species.

3. Environmental Risk Management

Our environmental risk management approach, aligned with the Company's Enterprise Risk Policy, follows a **Three Lines of Defense** model. The **First Line** is responsible for managing environmental risks within their risk appetite, supported by appropriate controls and documentation. The **Second Line** provides independent, objective oversight and challenge to ensure robust risk management. Impacts of the risks are considered across short- (1-5 years), medium- (5-15 years), and long-term (15+ years) horizons, recognizing that their materiality may vary across the Company.

The application of this Policy may be tailored across the Company to reflect the scope, nature, and scale of business activities. All reasonable efforts should be made to integrate relevant aspects of the Policy into business practices, including but not limited to the establishment and operationalization of business-specific policies, guidelines, or standards consistent with the principles set forth in this Policy.

Through the activation of this Policy and supporting tools and resources, we aim to enhance organizational awareness of environmental risks. This increased awareness will enable better integration of potential impacts into strategic planning, business decision-making, and existing risk management processes and activities. Senior Management across the Company are accountable for ensuring effective implementation and adherence to the Policy's requirements.

We expect all our businesses to promptly escalate any material environmental risks to Senior Management where such risk may have a significant impact on current business operations or is anticipated to have a significant impact on business model or strategy. Issues are to be reported to the appropriate management committees, risk and compliance functions, or executive and Board-level committees as needed to discuss impacts, and any necessary remediation or mitigation actions.

The Company's Chief Risk Officer is the owner of this Policy. It is reviewed at a minimum every three years and approved by the Company's Executive Risk Committee. We recognize this is a fast-developing topic and expect our policy to evolve as the industry overall matures its understanding of climate-related and nature-related risks. We strive to align this Policy with regulatory expectations as well as emerging industry best practices. The Policy will be updated to reflect changes in these and other relevant frameworks over time.