

Our approach to environmental, social, and governance investing

Objective

The following provides an overview of Manulife Private Wealth's approach to environmental, social, and governance (ESG) investing. Our aim is to outline our commitment to ESG investing, share our core beliefs, and describe how ESG factors are integrated into our investment processes.

Our commitment to ESG investing

We believe robust ESG integration can help deliver attractive risk-adjusted returns for our clients over the long term, and this belief is put into practice in our investment process. As a responsible investor and steward of client capital, we seek to understand how our investment managers apply ESG principles to their processes, including the risk-and-return profile of existing and future investments.

We fully recognize that the scope of ESG investing is continually evolving, and our approach will continue to develop and mature in tandem. We'll continue to look at industry best practices and leverage the experience of our parent company, Manulife Financial Corporation, where possible.

Our beliefs

As part of a trusted global financial institution, Manulife, we believe we have a role in making positive contributions to society beyond financial performance. With the establishment of this charter, our aspiration is to illustrate how and where ESG factors are employed in our investment process.

Our philosophy provides a flexible framework that supports implementation across different investment managers, asset classes, and investments we make into public and private markets on behalf of our customers. At Manulife Private Wealth, we're firm believers in the value of active investment management across all asset classes. Active management is connected with ESG investing, as it requires our managers to deeply understand and harvest the value of the companies in which they choose to invest.

The investment managers we invite onto our investment platform are largely signatories to the Principles for Responsible Investing (PRI)¹, an independent body supported by the United Nations that encourages responsible investment as a means to enhance returns and better manage risks.

¹ For more information on PRI please refer to: <https://www.unpri.org/>



ESG integration throughout the investment lifecycle

At Manulife Private Wealth, we look at the investment lifecycle to help us evaluate how and where to incorporate ESG factors into our investment philosophy.

Asset allocation

Manulife Investment Management's Multi-Asset Solutions Team is a key partner in modeling our asset allocation to generate returns on a risk-adjusted basis that achieve our clients' objectives. This team's process involves forecasting returns for over 140 asset classes while considering ESG risk factors. Those forecasts as well as standard deviations and correlations are used to generate optimized portfolios that adjust for ESG risk factors.

Investment managers

Our investment managers are empowered to make decisions in line with their investment philosophy and processes. Through the due diligence work performed by the Global Manager Research team at Manulife Investment Management, our investment managers' approach to ESG investing is reviewed and assessed along with many other qualifying criteria to earn and maintain their seat on our platform.

Investment counsellors

Through the Manulife Private Wealth Investment Committee, the investment counsellors are updated annually on our investment managers' philosophy and processes by the Global Manager Research team, including commentary on how ESG factors are being implemented within their investment mandate. In addition, Manulife Investment Management's Head of ESG Canada makes a presentation to the team annually to update the investment counsellors on developments and thought leadership in the field of ESG. We believe that the product and ESG knowledge derived from this communication will help investment counsellors align more closely with client ESG goals when building portfolios.



Our ESG relationship with our investment managers

Manulife Private Wealth leverages Manulife Investment Management's offering where it makes sense for our customers. We are extremely pleased to be aligned with an investment management firm strongly committed to sustainable investing. Manulife Investment Management received top scores from the PRI for strategy and governance; for equity integration; and for sovereign, supranational, and agency debt.² In addition, it was named to the PRI Leaders' Group 2020 for excellence in climate reporting.³

Manulife Private Wealth maintains its independence from Manulife Investment Management in terms of working with third-party investment managers in Canada, Europe, and the United States to fulfill our recommended asset allocation. We purchase their intellectual capital primarily to run our separately managed accounts. Most of our third-party investment managers are signatories to the PRI. The PRI further defines responsible investment as a "... strategy and practice to incorporate environmental, social, and governance (ESG) factors in investment decisions and active ownership."⁴

Private markets — real estate and agriculture

Manulife Private Wealth facilitates the investment of customer assets into private markets, notably direct investments into Canadian real estate and farming assets.

The Global Manager Research Team will use the same tools and approach in reviewing each private market vehicle offered at Manulife Private Wealth to assess ESG integration.



A note on exclusions

In general, we seek to integrate ESG investing principles into our investment process as much as possible rather than exclude companies from our managers' investment universe. To that end, we prefer to engage with investment management companies in an effort to fully understand their ESG practices.

Investment managers on our platform each have their own approach to ESG and policies on exclusions. For example, Manulife Investment Management's policy on cluster munitions⁵ which holds that Manulife Investment Management investment offerings will not knowingly make direct investments in companies that manufacture cluster munitions.

² For more information on PRI's methodology and for Manulife IM's full PRI assessment and transparency report please see: <https://www.manulifeim.com/institutional/global/en/sri-report>

³ <https://www.unpri.org/the-pri-leaders-group/4771.article>

⁴ https://www.unpri.org/pri/about-the-pri#How_is_the_PRI_funded

⁵ <https://www.manulifeim.com/institutional/ca/en/sustainability/cluster-munitions-policy>

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