

Manulife Environmental Risk Policy



1. Objectives and Scope

Manulife recognizes the threats that climate change and nature degradation pose to our business, public health, the livelihoods of the communities in which we operate, and the urgent need to preserve the quality of our natural environment.

The objective of the Environmental Risk Policy (the “Policy”) is to set out an enterprise-wide framework to address the management of environmental risks to business activities and owned assets of Manulife Financial Corporation (“Manulife”, “MFC”, the “Company”, or “we”)¹. Manulife employs an enterprise-wide approach to all risk-taking, risk appetite, and risk management activities that is documented in the Company’s **Enterprise Risk Policy**.

This Policy provides guidance for identifying, assessing, monitoring, and reporting environmental risks in support of the Company’s financial, risk, capital, and strategic objectives. It includes elements relating to the identification and management of the following types of environmental risks:

- Climate change-related risks (“**climate risks**”) to the Company that could result in financial loss, reputational damage, or both; and
- Nature degradation-related risks (“**nature risks**”) from the Company’s business operations that could result in financial loss, reputational damage, or both.

Climate Risks

Climate risk is a type of environmental risk driven by potential impacts from climate change, and these impacts can generally manifest as physical risks, transition risks, or systemic risks. **Physical risk** includes acute risks that are event-driven (e.g., severe weather events) or chronic risks which are longer-term shifts in climate patterns (e.g., higher temperatures). Physical risks also arise when natural systems are compromised, due to the impact of climatic events. **Transition risk** includes risks associated with transitioning to a lower-carbon economy and may entail extensive policy (including regulatory), legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. This also includes developments aimed at halting or reversing damage to the natural system. **Systemic risk** includes failures in and/or cascading effects of physical and transition risks, which could trigger instability.

Climate risk is unique given the diverse set of pathways in which risks can manifest. As such, it is a transverse risk, since it has the potential to impact any of our principal risks, including strategic, market, credit, product, or operational risk, as well as legal and reputational risk.

Nature Risks

For this Policy, nature risk is another type of environmental risk driven by direct harm on the natural environment (e.g., living and non-living) as a result of our operations. These risks may originate from our own real assets which include commercial real estate, infrastructure, timberland, and agriculture properties, and in certain buildings which we lease, where applicable.

¹ The management of environmental risks (and other social and governance risks) by our third-party investment management activities (e.g., management of third-party client assets) is governed by our separate Manulife Investment Management sustainable investing policies.

Direct harm to the environment can include intentional or unintentional actions causing air pollution, water or soil contamination, land degradation, resource depletion, biodiversity loss, etc. leading to financial loss or reputational damage (e.g., fines, penalties, settlements, remediation costs). 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.

We look to align this Policy with developing industry best practices including the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and will be updated to reflect changes in this and other emerging industry frameworks and regulatory expectations.

2. Key Principles

We recognize and accept that environmental risks are an inherent part of the business, and we aim to monitor and manage a wide range of environmental issues which can have material adverse impacts on our financial position or our ability to operate. The Company’s strategic direction and its overall risk appetite are mutually reinforcing, and we have established an initial set of principles to articulate our ambition to mitigate the impacts from climate change to our business, as well as to actively contribute to the transition towards a low-carbon economy. We anticipate that our ambitions will evolve and mature as our own understanding of climate change impacts and internal capabilities for environmental risk management further matures.

Climate Risk Management Principles

- We seek to reduce the Company’s overall carbon emissions footprint by pursuing decarbonization plans but accept that the criteria used by our stakeholders to measure our performance may differ from our own criteria.
- We seek to better understand the impact of climate transition risks on our General Account invested assets and develop strategies to reduce our exposure to climate transition risks as part of our overall General Account investment strategy.
- We seek to understand the impact that climate risks will have on our customers and other stakeholders, their needs and preferences, which could impact the design and delivery of the Company’s products and services.
- We endeavor to avoid any misrepresentation of 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 support a more sustainable future and create investor value.

- We accept that there are climate-related physical events which may disrupt operations until business continuity plans restore service within a reasonable timeframe. We maintain business continuity plans to reasonably mitigate the risks associated with disruptive events.
- We are committed to adopting business practices that comply with regulatory expectations, and we look to adopt best practices and guidance on climate risk management, in jurisdictions in which we operate.

Nature Risk Management Principles

- We seek where possible to avoid, mitigate and offset harm caused on the natural environment as a direct result of our operations.
- We are committed to complying with applicable environmental laws and regulations in jurisdictions in which we operate.
- We seek to understand the impact that nature risks and opportunities could have across our investing and underwriting activities.
- We seek to manage our natural capital investments according to the region-specific best practices recommended by third-party sustainability certification, which includes best practices on biodiversity and the protection of threatened and endangered species.
- We seek to promote environmental responsibility and conservation to all employees.

3. Environmental Risk Management

Businesses activities that are most impacted by environmental risks include:

- General Account investing activities (including acquisitions, financing, lending, asset management, etc.)
- Corporate operations (including office and sales operations, staffing, data centres, third-party vendors, etc.)
- Underwriting activities (including reinsurance activities)

Environmental risks are transversal in nature and can manifest across any of the Company’s key risk types, including strategic, market, credit, product, operational, and reputational risks. Through the activation of this Policy and other tools and resources, we will increase organizational climate change awareness, which better enable us to incorporate the potential impacts from climate change into strategic and business planning, and existing risk management activities.

This Policy sets out key overarching principles for the Company as it further contemplates environmental-related risks and opportunities across its various business activities (e.g., investments, operations, underwriting). The adoption of this Policy will vary across the Company, based on the scope, nature, and size of the business activity as well as our ownership interest in certain assets where we do not have full operational control; however, reasonable efforts should be used to pursue relevant aspects of the Policy into business practices, including but not limited to the establishment of business-specific policies, guidelines, or standards consistent with the key principles set forth in this Policy.²

We expect all our businesses to promptly escalate any material environmental-related risks to senior leadership where such risk may have a significant impact on current business operations or is anticipated to have a significant impact on business strategy. This may include any instances of significant non-compliance with applicable environmental laws, regulations, permits, etc. Issues should be reported to the appropriate management committees, risk and compliance functions, or executive and Board-level committees as needed to discuss impacts, and any remediating or mitigating 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 and nature-related risks.

² This Policy is not intended to apply to assets managed directly or indirectly by Manulife Investment Management on behalf of third-party clients. This Policy also does not directly apply to third party accounts managed by the General Account, General Account assets managed by external parties, or Manulife Investment Management-advised General Account assets unless specifically obligated by contract. However, clients that engage in co-investments with the General Account may indirectly benefit from the underwriting of relevant material risks associated with the firm's joint investment process.



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