OCTOBER 2024

CANADIAN LIFECO NET ZERO PROGRESS

APPENDIX: DETAILED COMPANY ASSESSMENTS

INVESTORS *for* PARIS COMPLIANCE

APPENDIX: Detailed company assessments

Great-West 2024 net zero analysis

Company profile

Great-West Lifeco (Great-West), a subsidiary of Power Corporation Canada, manages assets of $1.1 trillion as of December 2023.[1] Of these assets, about 26.5% are from Great-West's general account, while the remaining 73.5% are managed by third-party asset managers, as of 2022.[2] These assets are spread across Great-West's operations in Canada, the U.S., and Europe, including both client assets and those invested from its own account.

Great-West's main AMs are a part of the following three subsidiaries:

1. The Canada Life Assurance Company ('Canada Life') ($500 billion AUM)[3]
    - Canada Life Investment Management ('CLIM') ($145.3 billion AUM)[4]
    - Canada Life Asset Management Ltd ('CLAM') ($67.54 billion AUM)[5]
    - GW Realty Advisors ('GW Realty') ($17.9 billion AUM)[6]
    - Setanta Asset Management Ltd. ('Setanta') ($21 billion AUM)[7]
    - Irish Life Investment Managers Ltd ('Irish Life', 'ILIM') ($166.3 billion AUM)

2. Empower Annuity Insurance Company of America ('Empower') ($459.7 billion AUM)[8]
    - Empower Advisory Group LLC ('Empower Advisory') ($186 billion AUM)[9]
    - Personal Capital Advisors Corporation ('Personal Capital') ($31.1 billion AUM)[10]
    - PanAgora Asset Management Inc ('PanAgora') ($26 billion AUM)[11]

3. Putnam Investment Management LLC ('Putnam') ($178 billion AUM)[12]

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[1] Great-West Lifeco, 2023 Annual Report, at page 103.
[2] Great-West Lifeco, 2023 CDP Report at 60; $41.58 billion invested in carbon-related assets represents 15.63% of the general account, indicating a portfolio value of $266.05 billion. Using 2022 AUM of $1.004 trillion, the general account constitutes 26.5% of the total.
[3] Canada Life 2023 Annual Report, at 6.
[4] Canada Life, Wealth and asset management, n.d
[5] Exchange rate: 1.7055 CAD [0.5863 GBP], March 30th, 2024; Canada Life, 'About us' (Mar, 2024).
[6] GW Realty Advisors, 'About us', n.d
[7] Exchange rate: 1.4592 CAD [0.6853 EUR], March 30th, 2024; Setanta, About us, n.d.
[8] Great-West Lifeco, 2023 Annual Report, at page 44.
[9] SEC, Emporium Advisory Group, LLC, n.d.; Exchange rate: 1.3851 CAD [0.7220 USD], July 30th, 2024
[10] SEC, Personal Capital Advisors, n.d.; Exchange rate: 1.3533 CAD [0.7389 USD], March 30th, 2023
[11] Fintel, Panagora Asset Management, n.d.; Exchange rate: 1.3574 CAD [0.7367 USD], March 30th, 2024
[12] As Putnam has been sold as of 2024, the former subsidiary will not be included in further analysis; Putnam Investments, Putnam is now part of Franklin Templeton (May 2023).

Key disclosures

- Great-West Lifeco, 2023 Annual Report (n.d).
- Great-West Lifeco, 2023 CDP Report.
- Great-West Lifeco, Advancing Inclusive Growth Update (December, 2023).
- Canada Life, Climate-related financial disclosure 2023, (n.d).
- ILIM, Our Climate Action Pledge and reaching Net Zero (June, 2022).
    - ILIM, NZAM Climate Pledge: 2023 Update (n.d).
- Setanta, TCFD 2022 Report, (n.d).
- GW Realty Advisors, 2023 Annual Review (June, 2024).

Net zero commitment

Great-West Lifeco has committed to achieving net zero emissions in its general account investments by 2050[13], which represents about 26% of its AUM, although less than 1% of these emissions are currently measured. Great-West's subsidiaries GWL Realty Advisors,[14] and Irish Life[15] have also stated their commitments to net zero across their entire AUM. Canada Life[16] and Empower[17] have only committed the assets they manage on behalf of shareholders, i.e. the general account. Setanta committed to set a net zero target by the end of 2023, but there is no evidence of follow up.[18]

Unlike Sun Life, Great-West does not have a comprehensive climate report for shareholders. Consequently, evaluating Great-West's climate actions requires piecing together information from subsidiaries or Great-West's CDP report, which is not clearly designed for shareholder use.

Emissions disclosures

Great-West discloses less than 1% of its general account financed emissions, which were reported to be 0.02 Mt CO_2e.[19] Only scope 1 and 2 emissions of investees are covered in this disclosure.

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[13] Great-West Lifeco, 2023 CDP Report, at 26.
[14] GW Realty Advisors, GW Realty Advisors Commits to Achieving Net-zero Greenhouse Gas Emissions by 2050 (Jan, 2022).
[15] ILIM, Our Climate Action Pledge and reaching Net Zero (June, 2022).
[16] Canada Life, Environmental responsibility (n.d.).
[17] Empower, Empowering our communities (n.d.).
[18] Setanta Asset Managers, The Task Force on Climate-related Financial Disclosures (TCFD) Recommendations 2022 Report, (n.d.).
[19] Great-West Lifeco, 2023 CDP Report, at 63.

As of year-end 2022, approximately 20% of Great-West's third party AUM portfolio emissions were disclosed at 9.4 Mt CO2e.[20] This covers ILIM equity and corporate bonds, GW Realty Advisors investment properties (58% of GW Realty Advisors AUM)[21], and 84.5% of Putnam's equity and corporate bonds. Putnam was sold in 2024 and therefore no longer contributes to Great-West's financed emissions, therefore the percentage of AUM emissions disclosure coverage may decline.[22]

While Great-West disclosed to the CDP their general account investments in coal[23] and oil and gas as $192 million

(0.07% of portfolio[24]) and $7.8 billion (2.93% of portfolio[25]) respectively, *Investing in Climate Chaos*, shows that Great-West has investments of $4.6 billion in coal, and $10 billion in oil and gas. These larger numbers reflect Great-West's broader fossil fuel investments across its third-party asset management business, which it does not disclose to CDP.

Interim targets

Great-West has set an interim goal of a 37% reduction for its general account, scope 1 and 2 financed carbon intensity by 2030 from a 2019 baseline.[26] This goal is made up of the following sub-asset class financed emissions intensity reduction targets: 38% for listed corporate bonds, 31% for listed equities, and 43% for commercial real estate investments. These in-scope assets make up an estimated 48%-68% of the general account,[27] though without scope 3 emissions this represents only a fraction of the real general account emissions.

The following asset classes are out-of-scope and excluded from the 37% goal: mortgages, sovereign debt, private debt and equity, and scope 3 emissions of issuers.

For the 20% of AUM ILIM committed to net zero, it has set the following interim targets:

- 2025: 25% reduction of scope 1 and 2 emissions intensity from a 2019 baseline,
- 2030: 50% reduction of scope 1 and 2 emissions intensity.[28]

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[20] Ibid.
[21] GW Realty Advisors, 2023 Annual Review, at 3.
[22] Great-West Lifeco, Great-West Lifeco completes sale of Putnam Investments to Franklin Templeton (Jan, 2024).
[23] A threshold of companies generating more than 40% of their revenue from thermal coal was used.
[24] The denominator for calculating "percentage of portfolio value" was the general account value as at 12/31/22 and includes asset classes for which this question is not relevant (such as real estate and sovereign bonds).
[25] Great-West Lifeco, 2023 CDP Report, at 60 & 61.
[26] Great-West Lifeco, Advancing Inclusive Growth Update (December, 2023).
[27] Great-West Lifeco, 2023 Annual Report, at 115.
[28] ILIM, Our Climate Action Pledge and reaching Net Zero.

ILIM says it will phase in scope 3 gradually.[29]

GW Realty, who has not disclosed what share of its AUM is covered by its net zero target, has committed to an interim carbon footprint reduction goal of a 50% reduction by 2030 from a 2019 baseline, mostly comprising scope 1 and 2 whole-building GHG emissions from energy use.[30]

Transition plan

Fossil fuel phase out policies

A portion of Great-West Lifeco's general account has a coal screen policy that avoids investing in companies generating over 15% of their revenue from coal, unless there is a target to reduce this to below 5% by 2030.[31] This policy is only applied to the portion of the general account managed by CLAM, which represents the UK holdings. The exact portion under CLAM's management isn't disclosed, therefore a significant portion of Great-West's AUM remains unaffected by any coal exclusion policy. In 2023, over half of base earnings from insurance and annuities came from Europe, which may suggest a similar proportion of the general account is subject to the coal screen policy.

Irish Life Investment Managers (ILIM) also has a coal exclusion policy, avoiding companies with over 10% of revenue from coal extraction and over 25% from thermal coal power generation. ILIM aims to phase out unabated coal by 2030 in developed markets and by 2040 in emerging markets.[32] Additionally, ILIM excludes companies with more than 10% of revenue from "tar sands" and Arctic oil and gas,[33] and prioritizes reducing fossil fuel exposure to align its portfolio with net zero.[34]

Escalating engagement

By 2025, ILIM aims to engage with companies responsible for 70% of its financed emissions, expanding this to 90% by 2030.[35] ILIM manages 1.72% of Great-West Lifeco's portfolio, and while their engagement strategy seems proactive, it's important to note that this engagement strategy is limited to a very small portion of Great-West's overall assets. The rest of Great-West AUM is not subject to any robust escalation strategy.

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[29] Ibid.
[30] GW Realty Advisors, 2023 Annual Review (June, 2024) at 28.
[31] Great-West Lifeco, 2023 CDP Report, at 64.
[32] ILIM, Our Climate Action Pledge and reaching Net Zero, at 5.
[33] Ibid.
[34] Ibid.
[35] Ibid, at 6.

ILIM's escalation strategy includes the option of voting against the re-election of one or more board directors, voting against the Chair of the Board of Directors, and voting against the approval of annual financial statements.[36] These actions are taken on a case-by-case basis, with no disclosed criteria for when or if they have been implemented. Where ILIM has discretion, it may also underweight positions or, in severe cases, exclude holdings entirely.[37]

Climate solutions

Through its general account and in partnership with Power Sustainable, the Company has invested over $6.35 billion in wind, solar, hydroelectric renewable energy projects in Canada, as well as in "environmentally-minded" private equity investments including a sustainable food and agriculture fund.[38] However, the criteria for what qualifies as an "environmentally-minded private equity investment" remains undisclosed. Consequently, the impact of the $6 billion investment is unclear and these investments could be seen as more of a superficial commitment rather than a strategic move towards investing in climate solutions.

In 2022, ILIM launched a 'Climate Solutions Range' with a goal of increasing its overall portfolio exposure to companies with lower carbon intensity, valued at $247 million in 2022 and representing 0.02% of its total portfolio.[39]

Climate lobbying

Great-West Lifeco does not have a clear climate lobbying policy.

[36] Great-West Lifeco, 2023 CDP Report, at 51.
[37] ILIM, Engagement Policy October 2023 (Oct, 2023).
[38] Great-West Lifeco, 2023 CDP Report, at 14; Power Sustainable and Great-West Lifeco announce Strategic Partnership (May 6, 2024).
[39] Great-West Lifeco, 2023 CDP Report, at 29.

Sun Life 2024 net zero updates

Company profile

As of December 2023, Sun Life had $1.4 trillion in AUM,[40] about 15% of this is its general account, and 85% are invested on behalf of third parties via its asset management businesses.[41] In 2023, approximately 40% of Sun Life's revenue was derived from its wealth and asset management business, and 60% from its life and health insurance business.[42]

Sun Life's three main asset management arms are:

1. Sun Life Capital Management ('SLC Management') with $277 billion AUM, which has several subsidiaries
    - SLC Fixed Income with $136 billion in AUM,
    - Bentall Green Oak ('BGO') with $82 billion in AUM,
    - Crescent Capital with $43 billion in AUM,
    - Infrared Capital Partners (Infrared) with $12 billion, and
    - Advisors Asset Management (AAM) with $4 billion in AUM;[43]
2. Sun Life Global Investments Inc (SLGI) with $55 billion in AUM;[44] and
3. the much larger MFS Investment Management (MFS) with $824 billion in AUM.

Some of these subsidiaries provide their own climate reporting, while others do not. High level climate commitments of the subsidiaries are summarized in Sun Life's Net Zero by 2050 report.

Sun Life has informed Investors for Paris Compliance that it manages climate risk differently for its owned assets versus its managed assets, citing the need to align with client objectives, which may vary. However, we hold both types of financial activities to Paris-alignment standards in our analysis, regardless of differing client objectives.

Key disclosures

- Sun Life, Net Zero by 2050, Sun Life's Climate Journey (March 2024)[45]
- Sun Life, Sustainability Report, 2023 Performance (March 2024)
- Sun Life, 2023 CDP Disclosure (n.d.)
- Sun Life, 2023 Annual Report (February 2024)

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40 Sun Life, 2023 Annual Report (February 2024) at 10.
41 Ibid, at 22 ($1,233 B = third party AM, including segregated funds; general account = $205 B).
42 Ibid, at 94.
43 SLCManagement.com, "Our Specialty Managers" (accessed July 17, 2024).
44 Sun Life Global Investments.com, "Who We Are" (accessed July 17, 2024).
45 Living document, updated on a rolling basis.

- MFS, 2023 Sustainability Report (April 2024)
- MFS, 2023 Strategic Climate Action Plan
- BGO, 2023 Environmental, Social and Governance Report (n.d.)
- Infrared, Sustainability Report 2024 (n.d.)

Net zero commitment

Sun Life has a net zero commitment for its general account, which represents $200 billion of its total $1.4 trillion in AUM). Several of Sun Life's subsidiary asset managers have also independently committed to investing some or all of their managed assets in alignment with net zero by 2050. This includes:

- MFS, which has committed 90% of its assets;[46]
- SLGI, which has committed 24% of its AUM;[47] and
- SLC Management subsidiaries:
    - SLC Fixed Income, which has committed 20% its of AUM,[48]
    - BGO, which has committed all of its assets,[49] and
    - InfraRed, which has committed 83% of its AUM.[50]

Missing from this list are Sun Life subsidiaries AAM and Crescent Capital.

It is a good start that Sun Life reports high-level net zero-related commitments from its subsidiaries along with links to relevant documents in its climate report. However, as we have mentioned in previous reports, there is a need for net zero coordination across its subsidiaries.

Emissions disclosures

In 2024, Sun Life began disclosing scope 1 to 3 financed emissions for a fraction of its General Account – its corporate bonds and directly managed listed equity – which represent 21.4% of its AUM and 8.9 $MtCO_2e$ (2.3 Mt CO_2e from scope 1 and 2, and 6.6 from scope 3 emissions).[51] Last year Sun Life reported scope 1 and 2 financed emissions for these same asset classes, which then represented 29% of its GA AUM, but without scope 3 represented only 3.4 $MtCO_2e$ of financed emissions.[52] It is important to note that many, but not all, of the asset classes not included do not yet have internationally accepted accounting methodology standards, such as

[46] Sun Life, Net Zero by 2050, at 6.
[47] Ibid, at 4 and at 9.
[48] Ibid, at 7; see also NZAM, Signatory Disclosure: Initial Target Disclosure (Nov. 2022).
[49] BGO, 2023 Environmental, Social and Governance Report, at 23.
[50] Sun Life, Net Zero by 2050, at 9.
[51] Sun Life, 2024 Sustainability Report, at 54.
[52] Investors for Paris Compliance, Sun Life & Manulife Net Zero Progress Report 2023 (September 2023) at 7.

ETFs, municipal bonds, segregated funds, asset-backed securities, and mortgage-backed securities.

Since last year's reporting, Sun Life's GA corporate bonds and public equity appear to have experienced a significant decline in scope 1 and 2 emissions, but Sun Life does not explain the nature of this change in its reporting, it could simply be due to methodological changes, which were not shared. In its Sustainability Report, Sun Life does not provide its baseline or previous years' financed emissions. This makes tracking progress impossible.

In terms of its third-party asset managers, this year, MFS also expanded its emissions reporting to include downstream scope 3 financed emissions for the same asset classes as Sun Life's general account, but these represent the majority of MFS' AUM (about 85%). With the addition of scope 3, MFS' emissions disclosures went from nearly 20 Mt CO2e last year to more than 10 times that, to 202 Mt CO2e this year.[53]

Infrared continued reporting all of its scope 1 to 3 financed emissions, in absolute terms.[54] BGO also disclosed scope 1 and 2 emissions for 44% of its AUM's financed emissions, as it is primarily invested in real estate, scope 3 is not considered material.[55]

Crescent, AAM, and SLGI still do not disclose their financed emissions.

In summary, similar to its interim emissions targets, about half of Sun Life's AUM has associated financed emissions disclosure. This year much of these disclosures have expanded to include material scope 3 financed emissions, which tend to represent the vast majority of a company's carbon footprint.

Excluded from these disclosures are most of Sun Life's general account, SLC Fixed Income and BGO, and all of Crescent, Asset Advisors Management, and SLGI. It would be helpful if Sun Life specified what share of its GA is excluded for lack of accounting methodologies. Emissions disclosures gaps where there are accepted accounting methodologies will need to be closed in the near future as a result of OSFI-B15. We expect to see significant expansion of Sun Life's financed emissions reporting in its upcoming disclosures.

Interim targets

This year Sun Life has added one interim emissions reduction target to its two pre-existing targets for its general account. Together these still cover less than a third of its GA AUM. Sun Life has set targets for its corporate bonds and directly managed listed equities, and not for its other assets, including private equity, sovereign debt and externally managed equities.

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[53] Ibid; see also MFS, 2023 Sustainability Report, at 19.
[54] Infrared, Sustainability Report 2024, at 15.
[55] BGO, 2023 Environmental, Social and Governance Report, at 51.

For its listed debt, it continues to target a minimum 40% reduction in carbon intensity by 2030 against 82.4 tCO2e /million$ in 2019 and an absolute financed emissions baseline of 3.2 MtCO2e.

In addition, this year it has set a new portfolio alignment target for some of its most carbon-intensive listed debt, that by 2030, 65% of its top 50 financed emitters in material sectors are achieving net zero 'aligned' or 'aligning' (vs. 'committed' & 'not aligned'). This is compared to a 2022 baseline of: 0% achieved net zero, 2% aligned, 34% aligning, 34% committed, and 30% not aligned. These categories are based on criteria set out in the Net Zero Investment Framework ('NZIF').[56]

For its directly managed listed equity, Sun Life continues to target a 50% reduction in carbon intensity against its 2019 baseline of 59.3 tCO2e per million dollars invested.

Sun Life has assured us that downstream scope 3 financed emissions are captured in its GA targets.

In regards to its asset management subsidiaries, its largest, MFS, has set an interim target for 90% of its in-scope assets (i.e. equity and corporate bonds) to be net zero aligned or aligning by 2030, and 100% by 2040.[57] Again, relying on the NZIF framework. These asset classes represent the vast majority of MFS' AUM, around 90%.[58]

Sun Life's smaller subsidiaries have set the following interim targets:

- SLC Fixed Income has committed approximately 20% of AUM, namely the listed debt and equity it manages on behalf of the GA.
- This year BGO committed that by 2030, 44% of its AUM will achieve a 50% reduction (residential buildings) and 57% reduction (commercial buildings) in emissions intensity against a 2019 baseline.
- Infrared, an infrastructure and energy transition focused investment boutique, has committed this past year that by 2030, 70% of in-scope AUM will be net-zero aligned (50%) or aligning (20%). This is from a 2021 baseline of 8% aligned or aligning.
- This past year, SLGI also set a target for 24% of its AUM by 2030 to be on the path towards achieving net-zero GHG emissions by 2050.[59]

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[56] IIGCC, Net Zero Investment Framework 2.0 (2024) at 21.
[57] MFS, 2023 Sustainability Report, at 32.
[58] Ibid, at 115.
[59] Sun Life, Net Zero by 2050, at 6-9.

It is good to see some progress at Sun Life with regards to expanded interim emissions reduction targets as a result of their additional corporate listed debt target for the GA and some new targets for some of Sun Life's subsidiaries.

More than half of Sun Life's AUM are now subject to an interim target. Missing from these targets are all of Crescent and Asset Advisors Management, as well as significant portions of its general account, SLGI, SLC Fixed Income, and BGO.

Two of the three GA targets are intensity based, which creates a challenge in aligning with the absolute emission reductions required by science. However, it is positive that Sun Life also reports the associated absolute baseline financed emissions, by asset class, for both of these GA targets.

Transition plan

Fossil fuel phaseout policies

Within Sun Life, only Infrared has fossil fuel-specific investment policies; namely, an exclusion policy for existing and new investments in:

- Coal,
- Oil from tar sands,
- Oil from shale, and
- Arctic oil and gas.

In addition, InfraRed will not pursue new investments in gas-fired power stations and gas transport, storage and distribution infrastructure unless the investment is viewed as a legitimate bridge to, or an enabler of, a net zero future.

Infrared shows what is possible and best practice in terms of fossil fuel exclusion policies that align with a net zero commitment. Any exceptions must be tied to a company having in place and implementing a legitimate net zero transition plan.

Escalating engagement

Sun Life has set an engagement strategy targeting 65% of its top 50 listed corporate debt emitters, aiming for them to be net zero aligned or aligning (as defined by NZIF) by 2030. Sun Life also reports the 2022 baseline for these 50 companies: 0% achieved net zero, 2% aligned, 34% aligning, 34% committed, 30% not aligned.[60] However, Sun Life does not define what it means by "escalation."

[60] Sun Life, Net Zero by 2050, at 5.

There appears to be an expansion to MFS' engagement policy this past year, which now includes a target that:

> "By 2030, 90% of MFS' financed emissions in material sectors will be subject to direct or indirect engagement, which will include:
> - Initiating and support dialogue with investee boards to set Paris-aligned strategies;
> - Encourage better climate-related disclosure practices among investees; and
> - Encourage investees to set a science-based emissions reduction target."[61]

This engagement policy includes voting for and filing climate-related shareholder resolutions, and where engagement is unsuccessful they may divest if the investee "is not making sufficient progress toward addressing the climate risks in their operations."[62]

This represents some key elements of a robust escalating engagement strategy that will apply to the majority of its AUM within a few years. It is robust because it spells out some specific net zero alignment expectations of investee companies and escalating engagement practices where progress is not made, including the potential for divestment. Ideally, we would like to see this strategy include time-bound expectations for progress, and annual reporting of portfolio progress along this maturity scale.

As promised, this past year Infrared further developed its engagement strategy. It has provided some additional details on the focus of its engagement, by sector, for the coming year. For example, for its renewable energy investments, it will focus on engaging with the supply chain where the majority of emissions are found to try to support emissions reductions.[63]

On the other hand, Sun Life's general account has started to report annual progress of one of its asset classes along this maturity scale, but does not outline implications for failure to progress.

Climate solutions

It is positive that Sun Life reports annually on AUM invested in renewable energy. In 2023, Sun Life had $12.3 billion in direct renewable energy investment AUM across owned and select managed assets.[64]

However, Sun Life's GA has only set a general sustainable investment target of $20 B by 2025. More information is needed to understand whether and how these investment types enable Sun Life's net zero transition.

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[61] Sun Life, 2023 CDP disclosure, at C-FS12.1c.
[62] Ibid, at C-FS3.6c.
[63] Infrared, Sustainability Report 2024, at 12.
[64] Sun Life, 2023 Sustainability Report, at 30.

Infrared is the only part of Sun Life with a climate solutions investment target. By 2025, it has committed that 50% of its AUM will be invested in climate solutions – from a 2021 baseline of 45%.

In terms of climate solutions investing, Sun Life is missing out on the opportunity to learn from its subsidiary Infrared and set a target for increased investments in the energy transition.

Climate lobbying

There has been no update on Sun Life's climate lobbying policy since our last report (at 9).

Manulife 2024 net zero updates

Company profile

Manulife is a life and health insurer in Canada, the US, and increasingly in Asia, that has expanded substantially into third-party asset management. As of December 2023, it held about $1.2 trillion in assets under management, of which 35% or $417 billion was in its general account and about $775 billion were assets under management for third parties.[65] Its third-party asset management business is run by Manulife Investment Management ('MIM').

While Manulife cites little influence over the investments MIM makes on behalf of third parties, parent companies are held responsible for the transition of their entire business.

Key disclosures

- Manulife, 2023 Annual Report (Feb. 2024)
- Manulife, 2023 Sustainability Report (May 2024)
- Manulife, 2023 CDP Report (n.d.)
- Manulife, 2023 Climate Action Implementation Plan Report, v1.0 (Dec. 2023)
- Manulife Investment Management, 2023 Sustainable and Responsible Investing Report (Aug. 2024)
- Manulife Investment Management, 2023 Climate-Related Financial Disclosures (Aug. 2024)
- Manulife Investment Management, 2023 Stewardship Report

Net zero target

To date, Manulife is only committed to net zero financed emissions by 2050 within its general account's investment portfolio.[66] Manulife's general account represents 35% of its total AUM.

Emissions disclosures

Manulife has not updated its general account financed emissions disclosures from last year and continues to disclose scope 1, 2, and upstream scope 3 financed emissions for 36% of the AUM within its general account (its listed equity and debt).[67]

[65] Manulife, 2023 Annual Report, at 1 (segregated funds, mutual funds, institutional asset management) and 15; MIM, 2023 Sustainable and Responsible Investing Report, at 6.
[66] Manulife, CDP Report 2023, at C.01.
[67] Manulife, CDP Report 2023, at C-FS4.1d.

Manulife's emissions decreased by about 24% in absolute terms from 2021 to 2022, from 29 to 22 $MtCO_2e$.[68] Manulife also provides a breakdown of emissions for each sector of its GA portfolio within these asset classes.

As with Sun Life, Manulife is also missing sovereign debt and private equity from its GA emissions disclosures.[69] Both have established financed emissions accounting methodologies.

This year Manulife Investment Management began disclosing about ⅔ of its financed emissions, for its listed equity and debt, real estate, timberland, and agriculture portfolios.[70] It discloses absolute emissions, including scope 3, upstream and downstream, as well as intensity metrics.

Interim emissions targets

Manulife has not updated its two GA interim financed emissions targets for its listed equity and debt and for its power project financing, which were assessed last year (at 11).

Manulife reports that in 2023 its debt and equity portfolio (scopes 1-3) was on track with a 2.6°C future, from a baseline of 2.9°C. It appears that this decline is driven primarily from scope 1 and 2 emissions reductions. As noted above, Manulife reduced its absolute financed emissions for listed equity and debt by nearly a quarter from its first year reporting. It is unclear what has driven this decline.

It is important that Manulife also reports its annual absolute emissions associated with its temperature alignment portfolio targets, since this type of target is difficult to interpret and is based on a company's projected future emissions. As a result, the TCFD advises that these targets only be used as complementary targets to emissions reduction targets and reporting.[71]

MIM has not yet set an interim target, citing that it cannot impose emissions reductions targets on its external third-party clients without their agreement/direction.

Transition plan

Escalating engagement

This year, Manulife committed to "escalating engagement" with the 10 most carbon-intensive companies in its GA. No further details were provided regarding the criteria against which the companies are being held accountable, consequences for failure to progress, or timelines.

[68] Ibid.
[69] Ibid; see also 2023 CDP report at 73-75.
[70] MIM, 2023 Climate-related Financial Disclosures, at 49, 50, 58 - 59..
[71] TFCD, Measuring Portfolio Alignment Technical Considerations (2021), at 4.

Manulife says it will provide further details on its engagement strategy in its 2024 Sustainability Report.

It is positive that Manulife acknowledges the need to establish an escalating engagement policy, and has advised Investors for Paris Compliance that it is working on finalizing an escalating engagement program. Further details and reporting against this policy are expected in the coming year.

MIM's engagement policies are currently limited to company meetings and proxy voting. MIM has reported efforts in the past year to align its external asset managers' proxy voting practices.[72] In addition, MIM has developed comprehensive guidelines for engaging with Asian utilities to support their energy transition via their work with the Asia Investor Group on Climate Change.[73]

Fossil fuel phaseout policies

Manulife has committed to phase out its direct "legacy" investments in oil and gas assets within its GA, although with no associated timeline.[74]

Manulife has a limited general account thermal coal exclusion, which is limited to new investments within North America and Europe with the relatively high threshold of

> "20% revenue from mining thermal coal or unabated thermal coal power plants or with more than 20% share of installed capacity is thermal coal. Project finance for thermal coal mines and power plants beyond construction and expansion remains permitted, only where the funds are used to support the issuer's transition away from thermal coal. These restrictions apply to new, direct investments made by Manulife and its wholly owned life insurance companies globally."[75]

For third-party asset management, Manulife offers clients optional coal exclusions.[76] Though we continue to urge Manulife to expand its exclusion of thermal coal across its entire business.

Climate solutions

This year, Manulife began tracking its equity investments into transition-related solutions for high emitting sectors, such as industrial decarbonization, solar, hydrogen, carbon sequestration and storage, electrification of transport ($690 million) in addition to its pre-existing, broader

[72] MIM, 2023 Stewardship Report, at 75.
[73] Ibid, at 91.
[74] Manulife, 2023 Annual Report, at 42.
[75] Manulife, 2023 CDP, at 28.
[76] Manulife, Sustainability Report 2023, at 23.

target into green investments, such as renewable energy, energy-efficient real estate, and sustainable forestry and agriculture ($45.7 billion).[77]

This additional transparency Manulife provides into the company's net zero aligned investments is a positive step. Also positive is MIM tracking and reporting of the amount it has invested in renewable energy, as of 2023.

Climate lobbying

As reported last year (at 12), MIM's climate lobbying distinctions include membership in the UK Stewardship Code,[78] and signing on to a September 2022 letter to Environment and Climate Change Canadian encouraging action on methane in the oil and gas industry. The letter encouraged increased ambition to reduce and eliminate methane from flaring, venting, and fugitive emissions.[79]

This past year, MIM began highlighting its work as the Chair of Energy Transition Working Group of the Asia Investor Group on Climate Change, with which it has pushed for policies in several markets to enable national transition road maps and in particular, a managed coal phaseout.[80]

[77] Manulife, Sustainability Report 2023, at 31-32.
[78] MIM, 2023 Sustainable and Responsible Investing Report, at 17.
[79] MIM, 2023 Climate-related Financial Disclosures, at 68.
[80] MIM, 2023 Stewardship Report, at 91.