

Setting the standard for sustainable agriculture



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Businesses, governments, and people from all walks of life are increasingly recognizing sustainable and responsible business practices as crucial to confronting some of the world's most pressing economic, social, and environmental challenges. More so now than ever, consumers insist on knowing that they're buying and eating sustainably grown food. The problem is that the agriculture sector has lacked a definitive standard for defining and measuring adherence to sustainable farming practices that can be applied across all crop types and geographies. To address that critical gap, we collaborated with industry peers and nonprofit organizations to develop a new standard for sustainable agriculture. Already being implemented in the United States, our aspirations include seeing this standard gain global traction in the years ahead.

Sustainability goals are here to stay

Led by a vocal, rising generation, more people around the world are beginning to step up and do the right thing when it comes to sustainability—the implementation of practices now that will help future generations to attend to their own needs later.

In 2015, the United Nations General Assembly launched 17 Sustainable Development Goals, representing a “shared plan to end extreme poverty, reduce inequality, and protect the planet by 2030.” Clean water and sanitation, responsible consumption and production, and climate action are just a few of the items on this bold, ambitious, and integrated agenda of sustainability goals, adopted by 193 countries¹.

Strides toward sustainability also stem

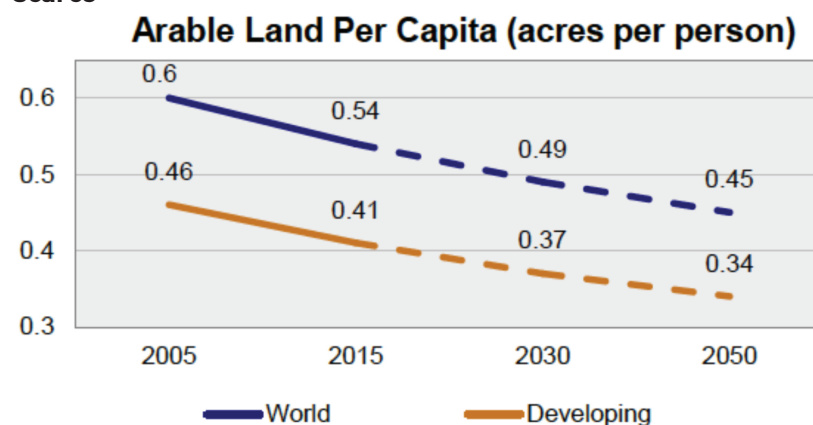
from more modest, spontaneous sources. Greta Thunberg, a young Swedish climate activist “began a global movement by skipping school,” in August 2018. Sixteen months later, Time magazine named her 2019 Person of the Year².

Deriving its forward momentum from the top down and the bottom up, it seems sustainability has reached a tipping point. We believe the practice of setting, implementing, and achieving sustainability goals has become a human imperative that's likely to endure.

People are demanding sustainably grown food

Any conversation about sustainability goals must begin with the basics—air, water, food. From a finite supply of arable land, the planet needs to nourish and sustain a global population that's already grown to 7.8 billion and is expected to continue to grow to nearly 10 billion by 2050³. Recognizing the challenge to feed our increasing population, there's been growing demand for assurance around responsible environmental, social, and governance (ESG) practices, and it starts with the consumer.

Arable land is finite and suitable water is becoming increasingly scarce



Source: FAO, “World Agriculture Towards 2030/2050, The 2012 Revision”, 2012

Consumers are more interested in knowing where their food comes from, how it's produced, and whether it's fundamentally safe. We expect the trend toward sustainably grown and supplied food to continue as a maturing cohort of millennials continues to distinguish itself from prior generations by embracing values-based consumption; in fact, three out of four millennials are willing to pay more for sustainable offerings⁴. Farmers and participants all along the food

supply chain have taken note, but the lack of a universal standard has been problematic when attempting to provide the assurances that consumers want. As a global producer of sustainable food and fiber for the benefit of our clients and communities, one of our goals was to have access to a standard that offered the public some comfort in knowing which food products were being produced in a safe, sustainable, and certifiable manner.

Our agriculture sustainability journey has roots in the forest sector

To that end, we've worked to expand the reach of sustainability practices established in our timberland business by applying that same thinking to our agriculture business. As a timberland and farmland investment manager, we have insight into market trends and gaps in both sectors. We were an early mover in third-party certification in our timberland investments, and we've now managed third-party certified forests for over two decades⁵. In 1999, the first of our managed timber properties was certified to the Forest Stewardship Council® standard, and by 2002, all of our North American tim-

berland properties were certified to the Sustainable Agriculture Program Standard. Similar to forest certification programs, the new sustainable agriculture standard is designed to meet the ESG interests of investors, consumers, and the supply chain.

The Sustainable Agriculture Working Group got it done together

Just as we worked together with a broad coalition to address sustainability challenges in the timber sector, we partnered with colleagues across the agriculture sector to forge a shared standard for farmland management. Following two years of internal work on a sustainable agriculture standard, in 2017 we helped convene the Sustainable Agriculture Working Group, which consists of two leading environmental nonprofit organizations, the Conservation Fund and Manomet, and eight professional owner and management entities representing roughly 1½ million farmland acres across 22 U.S. states and an additional 2 million acres in 7 other countries.

At the time, the agriculture sector lacked a sustainability standard that could work across different crop types, production systems, scales, and geographies. While we determined that the needs of professional owners and managers of farmland were unmet, we were confident that our working group's collective scale could lead the agriculture sector toward greater adoption of sustainable farming by developing and launching a new standard.

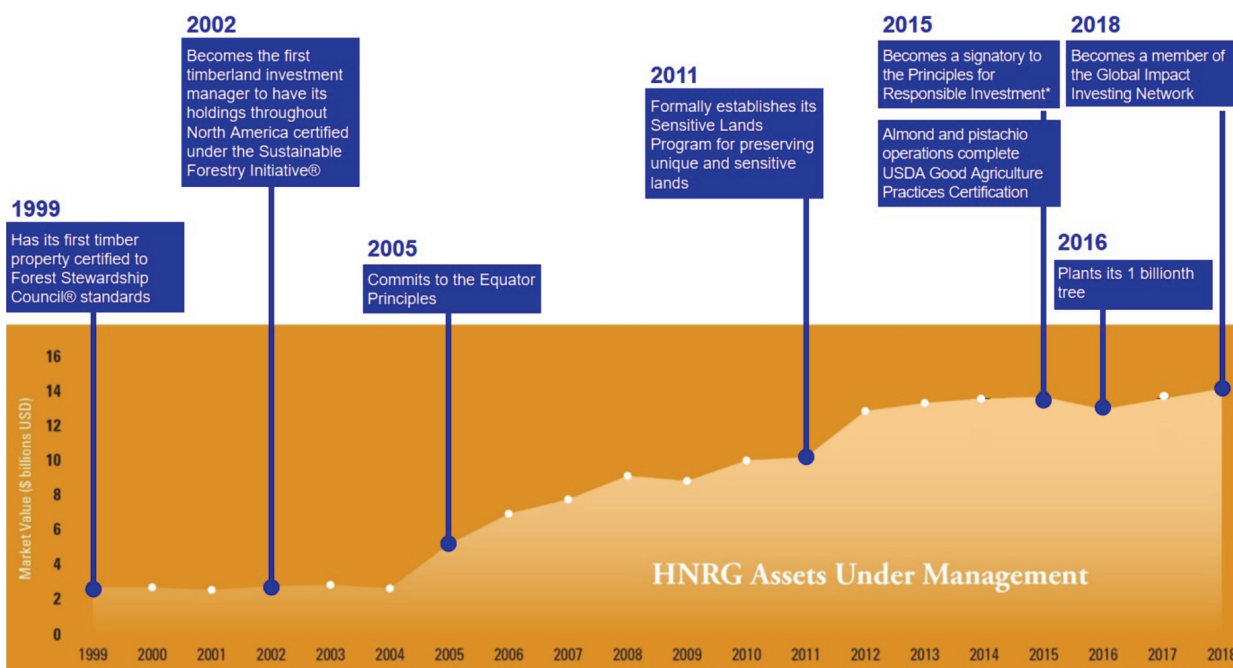
Using the SFI blueprint to create a similar standard for farmland, we collected input from a broad representation of interested parties, some four-dozen different sources, including farmers, environmental leaders, academics, government agencies, and investment managers.

The resulting standard is performance based and designed to help land managers achieve sustainability through continuous improvement on 13 specific operational objectives, collectively rigorous and complete, yet practical and obtainable.

The standard is designed as a shared responsibility for sustainable practices throughout all areas of food production and distribution, applying to farmers, landowners, the supply chain, and consumers alike.

ber holdings were certified to the Sustainable Forestry Initiative® (SFI®) Program standard. Today we're one of the world's largest timberland investment managers, and we manage 100% of our forests globally in accordance with third-party sustainability standards.

In 2014, we began to mirror, adapt, and extend the sustainability protocols internalized in our timberland properties to our farmlands by establishing a set of steward-



As of December 31, 2018 *Manulife Investment Management, the global asset management business of Manulife, is the signatory to the UNPRI which includes HNRG

tions by all of us to be able to achieve globally sustainable agricultural practices. We believe this is an important area of focus, especially for investors who want to align their portfolios with ESG goals. Clients, employees, and communities can count on us to continue to do our part.

About Hancock Natural Resource Group

Hancock Natural Resource Group (HNRG) is part of Manulife Investment Management’s comprehensive private markets platform, which includes private equity and credit, infrastructure, real estate, timber, and agriculture. HNRG’s timber division manages approximately 5.6 million acres of timberland across the United States and in Canada, New Zealand, Australia, and Chile. HNRG’s agricultural investment group oversees approximately 400,000 acres of prime farmland in major agricultural regions of the United States and in Canada and Australia.

About Manulife Investment Management

Manulife Investment Management is the asset management arm of Manulife Financial Corporation, a global financial institution that has protected investor assets since 1887. Our unique perspective is shaped in part by more than 90 years of private market investing and more than 120 years of on-the-ground experience in Asia. With over £320 billion⁶ under management, we offer highly differentiated strategies across public and private markets, with specialist portfolio teams building on our heritage of risk management and fundamental research, leveraging the deep local expertise of our more than 450⁷ investment professionals worldwide.

FOOTNOTE

- 1 unfoundation.org/what-we-do/issues/sustainable-development-goals/?gclid=EAlalQobChMIqL7S3qPl5gIVgZ-zCh0UYQ16EAAAYASAAEgJNcvD_BwE
- 2 time.com/person-of-the-year-2019-greta-thunberg/
- 3 worldpopulationhistory.org/map/2020/mercator/1/0/25/
- 4 nielsen.com/wp-content/uploads/sites/3/2019/04/Global20Sustainability20Report_October202015.pdf
- 5 newswire.ca/news-releases/hancock-natural-resource-group-successfully-completes-inaugural-sustainability-examination-of-select-managed-agricultural-operations-862400846.html
- 6 Manulife Investment Management data as of September 30, 2019, rounded to the nearest billion (GBP). Includes assets managed by the institutional asset management arm of Manulife Investment Management on behalf of external clients, the Insurance business and other affiliated businesses, as well as £285M of unfunded committed capital of HCIM. The methodologies used to compile the total assets under management are subject to change.
- 7 As of September 30, 2019

13 Objectives of the Sustainable Agriculture Program Standard

Objective

- 1 Sustainable agriculture
- 2 Soil productivity and health
- 3 Protection of water resources
- 4 Use of agricultural chemicals
- 5 Energy use and atmospheric emissions
- 6 Waste management
- 7 Conservation of biodiversity
- 8 Protection of special sites (social and cultural)
- 9 Efficient production of agricultural products
- 10 Local communities
- 11 Personnel and contract management company employees
- 12 Legal and regulatory compliance
- 13 Management review and continual improvement

“HNRG has been at the cutting edge of sustainability for more than two decades,” said Larry Selzer, CEO of the Conservation Fund. “First they were an early leader in the certification of sustainable forestry and now in the emergence of a sustainability standard for agriculture. Along with other pioneering members of the Sustainable Agriculture Working Group, they have created something that will fundamentally and profoundly improve the transparency of sustainability for consumers, investors, and farmers⁵.”

The first independent accountants’ exam marked another milestone

Individual company conformance to the standard is verified through voluntary, independent third-party auditing. Confirming that our own practices met this new standard was the next logical step in our ongoing commitment to ESG integration for our clients and the communities in which we operate. We began pilot testing third-party auditing of farming practices in 2017.

We continue to lead the sector by having recently completed the first third-party audit to the new standard for select managed agricultural operations in the United States. We commissioned K-Coe Isom, a leading consulting and CPA firm in the food and agriculture industry, to perform this first-of-its-kind independent examination of sustainability performance on managed agricultural operations and to determine conformance to the standard. K-Coe Isom examined our managed properties in California, Washington, and Wisconsin, which primarily produce almonds, pistachios, apples, and cranberries. K-Coe Isom’s ex-

amination found zero nonconformances, three opportunities for improvement, and thirteen notable practices, and expressed an opinion that our U.S. agricultural operations fully conform to the standard.

Our aspirations are global

We’ve always believed that good stewardship is good business, and the inaugural examination confirms that we’re safeguarding our environment and the communities we touch.

While the working group’s efforts have been dedicated to the agriculture sector in the United States, food security is a global issue. Now that we’ve helped advance the U.S. agriculture sector’s commitment to implementing sustainable practices in the management and operation of farmland investments, we’re optimistic that this new standard will help bring transparency to the market and drive widespread adoption for the sector around the world.

To that end, we’re part of a contingent that has initiated parallel discussions in Australia, where we held the first meeting of a similar, but smaller, group in October 2019. We’re confident that conversation will yield comparable advances in sustainable agriculture. Ultimately, we’d like to see certification systems like these go global, much as they have in the forest sector.

We think we can continue to be a part of the global dialogue on sustainability, to help inspire those who produce and consume crops grown on farms around the globe. Big actions by a few players won’t get the job done; it’ll take a lot of small ac-