

# Sun Life Financial Inc.

**Type of Engagement:** Annual Review

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## Introduction

In 2019 and 2023, Sun Life Financial Inc. (“Sun Life”) issued two sustainability bonds (the “2019 Sustainability Bond”) and (the “2023 Sustainability Bond”), collectively (the “Sustainability Bonds”) to finance or refinance a variety of green and socially impactful projects. In 2024, Sun Life engaged Sustainalytics to review the projects financed with proceeds from the Sustainability Bonds (the “Nominated Projects”), and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Sun Life Sustainability Bond Framework (the “Framework”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in March 2019.<sup>2</sup> This is Sustainalytics’ fifth annual review of allocation and reporting of the instruments issued under the Framework, following a previous review in March 2020, March 2021, March 2022,<sup>3</sup> and March 2023.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators <sup>5</sup>
<b>Renewable Energy</b>	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources, including: <ol style="list-style-type: none"> <li>i. Wind</li> <li>ii. Solar</li> <li>iii. Geothermal</li> <li>iv. Hydro (run of river, small scale &lt;25MW, upgrades of existing facilities or other hydro facilities subject to an ESG assessment)<sup>6</sup></li> <li>v. Biomass (waste or other non-food feedstock that does not deplete existing terrestrial carbon pools)</li> </ol>	Renewable energy capacity installed (MW)

<sup>1</sup> Sun Life, “Sustainability Bond Framework”, (2019), at:

[https://cdn.sunlife.com/static/Global/Investors/Sun\\_Life\\_Sustainability\\_Bond\\_Framework\\_March\\_2019\\_FINAL-s.pdf](https://cdn.sunlife.com/static/Global/Investors/Sun_Life_Sustainability_Bond_Framework_March_2019_FINAL-s.pdf)

<sup>2</sup> Sustainalytics, “Second-Party Opinion, Sun Life”, (2019), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sun-life-financial-sustainability-bond-second-party-opinion-03272019.pdf?sfvrsn=cfb16074\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sun-life-financial-sustainability-bond-second-party-opinion-03272019.pdf?sfvrsn=cfb16074_3)

<sup>3</sup> Sustainalytics, “Annual Review”, (2022), at: <https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/sustainability-bond-second-party-review-report-2021-e.pdf>

<sup>4</sup> Sustainalytics, “Annual Review”, (2023), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sun-life-financial-inc.-sustainability-bond-annual-review-2023.pdf?sfvrsn=f2162a8e\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/sun-life-financial-inc.-sustainability-bond-annual-review-2023.pdf?sfvrsn=f2162a8e_1)

<sup>5</sup> Sustainalytics notes that the choice of environmental and social impact metrics was guided by the Harmonized Framework for Impact Reporting published by the International Capital Market Association.

<sup>6</sup> To determine if other hydroelectricity facilities > 25 MW constitute an Eligible Asset, Sun Life will assess the investment relative to Sun Life’s Environmental, Social and Governance (“ESG”) framework. This ESG assessment will include the location, size and any other relevant environmental and social risk factors related to the hydroelectricity facility. Sun Life’s ESG assessment will be subject to review by a qualified third party.

<p><b>Energy Efficiency</b></p>	<p>Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> <li>i. Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment</li> <li>ii. Systems for capture and recycling of waste heat such as district heating and heat recovery</li> <li>iii. Projects that improve efficiency in the delivery of bulk energy services such as energy storage, smart grids, demand response</li> <li>iv. Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems</li> </ul>	<ul style="list-style-type: none"> <li>i. Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO<sub>2</sub> equivalent)</li> <li>ii. Annual energy savings (MBtu)</li> </ul>
<p><b>Green Buildings</b></p>	<p>Investments in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, or energy ratings such as:</p> <ul style="list-style-type: none"> <li>i. LEED: Platinum or Gold</li> <li>ii. Other equivalent certification schemes, such as BOMA BEST, ENERGY STAR</li> </ul>	<p>Green Building Certifications</p>
<p><b>Clean Transportation</b></p>	<p>Investments in sustainable and efficient transit infrastructure including:</p> <ul style="list-style-type: none"> <li>i. Rolling stock, infrastructure and vehicles for fully electric or non-motorized public transport</li> <li>ii. Infrastructure dedicated to mass public transportation</li> </ul>	<p>Expected vehicles/year</p>
<p><b>Access to Essential Services</b></p>	<p>Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services including:</p> <ul style="list-style-type: none"> <li>i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers</li> <li>ii. Infrastructure for the provision of child, youth or adult education and vocational training services</li> </ul>	<ul style="list-style-type: none"> <li>i. Number of care beds added</li> <li>ii. Number of shelter apartments added</li> <li>iii. Number of shelter beds added</li> </ul>

## Issuer's Responsibility

Sun Life is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the Sustainability Bonds. The work undertaken as part of this engagement included collection of documentation from Sun Life and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Sun Life. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Sun Life.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>7</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Sun Life has disclosed to Sustainalytics that the proceeds from the Sustainability Bonds were fully allocated as of December 2023.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>7</sup> Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Appendix

In 2019, Sun Life issued the 2019 Sustainability Bond and raised CAD 750 million, of which 61% of the proceeds were used to refinance existing projects and 39% to finance new projects.

**Table 3: Allocation and Reported Impact from the 2019 Sustainability Bond**

Use of Proceeds Category	Project Description	Reported Impact Metric	Reported Impact	Net Proceeds Allocation (CAD million)	Percentage of Net Proceeds Allocated
<b>Renewable Energy</b>	Financing a wind farm located in Quebec	Renewable energy capacity installed	53 MW	133	18%
<b>Energy Efficiency</b>	Energy improvements to a major public library building in the US	Annual energy savings	168,443 MBtu	70	9%
	Energy efficiency improvement for public school systems in US	Annual GHG emissions reduced or avoided	9,470 t/CO <sub>2</sub> e	18	2%
<b>Green Buildings</b>	Investment in office tower located in Canada	Green building certification	LEED Gold	308	41%
	Investment in office development in Canada	Green building certification	LEED Platinum	139	19%
<b>Access to Essential Services</b>	Financing the construction of behavioral health center in New York city.	Available patient beds	128	69	9%
	Providing temporary emergency shelter for families experiencing homelessness	Available shelter apartments	37	13	2%
<b>Total Net Proceeds Allocated (CAD million)</b>				<b>750</b>	<b>100</b>

In 2023, Sun Life issued the 2023 Sustainability Bond and raised CAD 500 million, of which 33% of the proceeds were used to refinance existing projects and 67% to finance new projects.

**Table 4: Allocation and Reported Impact from the 2023 Sustainability Bond**

Use of Proceeds Category	Project Description	Reported Impact Metric	Reported Impact <sup>8</sup>	Net Proceeds Allocation (CAD million)	Percentage of Net Proceeds Allocated
Renewable Energy	Wind farm	Renewable energy capacity installed	41 MW	22	4%
	Hydroelectric facility			31	6%
	Hydroelectric facility			26	5%
Energy Efficiency	Installation of energy conservation measures at U.S EPA lab.	Annual energy savings	13,957 MMBtu*	26	5%
	Installation of energy conservation measures at U.S agency headquarters.	Annual GHG emissions reduced or avoided	1,079 t/CO <sub>2</sub> e*	27	5%
Green Buildings	Investment in industrial building in Canada.	Green building certification	LEED Gold*	35	7%
	Investment in retail Mall in Canada	Green building certification	BOMA Best Platinum	73	15%
Clean Transportation	Investment in transit project for a new subway line in Canada	Passenger vehicles off the road	78 per year*	61	12%
Access to Essential Services	Financing a 256-bed long-term care home in Canada	Long-term care beds	203*	87	18%
	Providing financing for a family emergency shelter.	Available shelter apartments	30	14	3%
	Financing a 200-bed intake shelter for single women and a 200-bed shelter for homeless in US	Available shelter beds	227*	98	20%
<b>Total Net Proceeds Allocated (CAD million)</b>				<b>500</b>	<b>100%</b>

<sup>8</sup> Projects with an \* denote those that are under development and thus the impact is projected.

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