

# Sun Life – 5<sup>th</sup> Annual Sustainability Bond Use of Proceeds Report

April 2024

## Background

Sun Life completed its inaugural sustainability bond offering in 2019, the C\$750 million Series 2019-1 Subordinated Unsecured 2.38% Fixed/Floating Debentures due 2029 (the “2019 Sustainability Bond”) and, in 2023, we completed a second sustainability bond offering, the C\$500 million Series 2023-1 Subordinated Unsecured 5.50% Fixed/Floating Debentures due 2035 (the “2023 Sustainability Bond”). As part of our Sustainability Bond Framework adopted in 2019 (the “Framework”), we committed to publishing an annual use of proceeds report. This report is the fifth annual report and presents the amount of net proceeds of the 2019 Sustainability Bond and 2023 Sustainability Bond (collectively, the “Sustainability Bonds”) allocated by category per the Eligibility Criteria<sup>1</sup> defined in our Framework.

The categories of our Eligibility Criteria are as follows:

- Renewable Energy;
- Energy Efficiency;
- Green Buildings;
- Clean Transportation;
- Sustainable Water Management; and
- Access to Essential Services.

## Alignment to Sustainability at Sun Life

At Sun Life, being sustainability driven matters deeply and is a core part of our enterprise strategy. Building from our foundation of operating as a trusted and responsible business, we aim to create a competitive advantage and differentiation for our business through the following focus areas of our sustainability plan: increasing financial security, fostering healthier lives, advancing sustainable investing and building resilience to climate change. As part of our focus on sustainable investing, we manage assets with material environmental, social and governance factors embedded in our investment processes, offer our Clients sustainable investing opportunities and invest our own assets to support the transition to a low-carbon and more inclusive economy.

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<sup>1</sup> The Framework’s eligible categories are aligned to the International Capital Market Association’s (ICMA’s) Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP) and Sustainability Bond Guidelines 2018. Eligible categories for the use of proceeds under GBP include renewable energy, energy efficiency, green buildings, clean transportation, sustainable water management, and access to essential services under SBP.

The eligible asset categories in our Framework are aligned to our Purpose and sustainability priorities. In line with the United Nations Sustainable Development Goals (SDGs), assets in these categories contribute to long-term health of communities and support the growing low-carbon economy. While we contribute directly and indirectly to many of the 17 SDGs, our work is aligned to the five where we believe we can have the greatest impact. These include: SDG 3 Good health and well-being, SDG 5 Gender equality, SDG 7 Affordable and clean energy, SDG 8 Decent work and economic growth, and SDG 13 Climate action. To learn more about sustainability at Sun Life, visit [sunlife.com/sustainability](https://sunlife.com/sustainability).

The charts below provide a breakdown of the allocated amount of net proceeds by eligible asset category, country and project type (new or existing)<sup>2</sup> for the Sustainability Bonds.

### 2019 Sustainability Bond

**#1** Allocation to eligible asset categories  
as of December 31, 2023



**#2** Allocation by country  
as of December 31, 2023



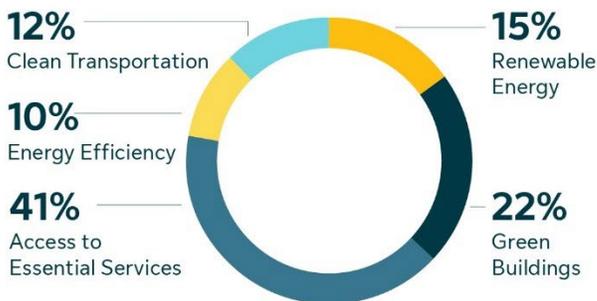
<sup>2</sup> For the 2019 Sustainability Bond, new projects are defined as those acquired on or after the bond issuance date (August 13, 2019) and existing projects are defined as those acquired prior to the bond issuance date. For the 2023 Sustainability Bond issuance, new projects are defined as those that were under development at the time of Sun Life's initial investment in the asset and existing projects are defined as those that were operational at the time of Sun Life's initial investment in the asset.

#3 Allocation to new/  
existing projects  
as of December 31, 2023

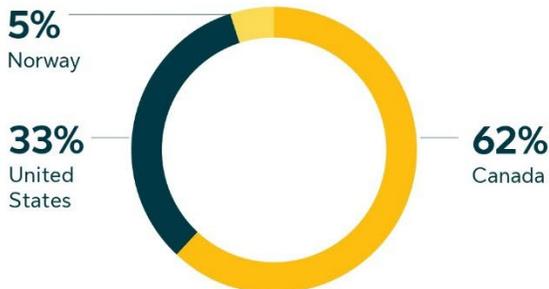


**2023 Sustainability Bond**

#1 Allocation to eligible  
asset categories  
as of December 31, 2023



#2 Allocation by country  
as of December 31, 2023



#3 Allocation to new/  
existing projects  
as of December 31, 2023



## External Review

As part of selecting the eligible assets for the Sustainability Bonds issuances, the assets were reviewed by an independent external party<sup>3</sup> to confirm that they met the Eligibility Criteria. The scope of the review included verification and confirmation that:

- i) the selected assets met the Eligibility Criteria, and
- ii) Sun Life has reported on appropriate key performance indicators that aligned to the Eligibility Criteria category of the Framework.

See Appendix A for the Methodology used to develop this report.

## Use of Proceeds

The net proceeds of the Sustainability Bonds have been fully allocated to eligible assets across five of the categories noted above (Renewable Energy, Energy Efficiency, Green Buildings, Clean Transportation and Access to Essential Services). There are no remaining unallocated proceeds<sup>4</sup> <sup>5</sup>. As summarized below, the allocations were consistent with our disclosed Framework that we published in March 2019.

## Sustainability Performance

The tables below summarize the use of proceeds for the Sustainability Bonds. Based on Sun Life's share of investment in the projects<sup>6</sup>, we report expected impact metrics such as installed capacity, annual energy savings and number of available shelter beds.

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<sup>3</sup> Morningstar Sustainalytics, a globally-recognized provider of environmental, social, and governance ("ESG") research, ratings and data.

<sup>4</sup> For some eligible assets, only a portion of Sun Life's total investment was included in the allocation.

<sup>5</sup> Each year, we will review the assets that are supporting the Sustainability Bonds. As is a normal part of our business, fixed income investments may prepay sooner than expected. If this occurs, we will find an eligible substitute investment and report that change as part of the annual reporting of the Sustainability Bonds.

<sup>6</sup> Sun Life's share of investments in the project is based on our debt and equity investments deployed in the projects as a proportion of the projects' net book value or other measure where relevant.

**Table 1: Use of Proceeds – 2019 Sustainability Bond**

Sun Life Sustainability Bond Category	Number of Assets	Value at December 31, 2023 (C\$M)	Expected Impact Metric <sup>7</sup>	Bond's Share of Impact Metrics
Renewable Energy	1	\$133	Renewable energy capacity installed (MW)	53
Energy Efficiency	1	\$70	Annual energy savings (MBtu)	168,443
	1	\$18	Annual GHG emissions reduced or avoided (metric tonnes of CO <sub>2</sub> e)	9,470
Green Buildings	2	\$447	Green building certifications	LEED Gold LEED Platinum BOMA BEST Platinum
Access to Essential Services	1	\$69	Available patient beds	128
	1	\$13	Available shelter apartments	37
<b>Total</b>	<b>7</b>	<b>\$750</b>		

**Table 2: Use of Proceeds – 2023 Sustainability Bond**

Sun Life Sustainability Bond Category	Number of Assets	Value at December 31, 2023 (C\$M)	Expected Impact Metric <sup>7</sup>	Bond's Share of Impact Metrics
Renewable Energy	3	\$79	Renewable energy capacity installed (MW)	41
Energy Efficiency	1	\$26	Annual energy savings (MMBtu)	13,957 <sup>8</sup>
	1	\$27	Annual GHG emissions reduced or avoided (metric tonnes of CO <sub>2</sub> e)	1,079 <sup>8</sup>
Green Buildings	2	\$108	Green building certifications	LEED Gold <sup>8</sup> BOMA BEST Platinum
Clean Transportation	1	\$61	Equivalent passenger vehicles off the road (expected vehicles/yr)	78 <sup>8</sup>
Access to Essential Services	2	\$87	Available long term care beds	203 <sup>8</sup>
	1	\$14	Available shelter apartments	30
	2	\$98	Available shelter beds	227 <sup>8</sup>
<b>Total</b>	<b>13</b>	<b>\$500</b>		

See Appendix B for lists of eligible assets supporting the Sustainability Bonds. Due to provisions in non-disclosure agreements typical for transactions completed in the private

<sup>7</sup> There are not yet standardized and universal methodologies for calculating the impact of proceeds, and guidance and market practices in this area continue to evolve, particularly in respect of estimating avoided greenhouse gas (GHG) emissions. See the disclaimer below.

<sup>8</sup> Projected metric for project that is in development.

markets, we do not disclose the name of individual investments. We do, however, report non-identifying information on the positive impact of each investment to the environment and society.

## Appendix A – Methodology

The decision on which environmental and social impact metrics to report was informed by the *Harmonized Framework for Impact Reporting*<sup>9</sup> and *Working Towards a Harmonized Framework for Impact Reporting for Social Bonds*<sup>10</sup> published by the International Capital Market Association in 2019 and more recently in 2023. This framework outlines core principles and performance indicators for impact reporting.

Sustainability bond proceeds allocated to equity investments in the Green Buildings category are reported at “Total Cost”. Total Cost includes all initial acquisition costs in addition to investments in the time periods in accordance with the Sustainability Bond Framework.

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<sup>9</sup> International Capital Market Association, *Harmonized Framework for Impact Reporting*, June 2019 and June 2023  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

<sup>10</sup> International Capital Market Association, *Working Towards a Harmonized Framework for Impact Reporting for Social Bonds*, June 2019 and June 2023

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Framework-for-Social-Bond-Reporting-Final-06-2019-100619.pdf>

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf>

**Appendix B – Assets Backing Sustainability Bonds**
**Table 3: 2019 Sustainability Bond**

								Amount Allocated	
Category	Link to Category	Asset	Description	Acquisition Year	Maturity Year	Country	Sustainable Investment Description	C\$M at Dec 31, 2023	%
<b>Renewable Energy</b>	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources	<b>1</b>	Canadian Wind Farm	2017	2042	Canada	Financing for a wind farm located in Quebec	<b>\$133</b>	18%
<b>Energy Efficiency</b>	Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources	<b>2</b>	Energy Improvements to a Major Public Library Building in the United States	2019	2039	United States	Energy Savings Performance Contract ("ESPC") for energy improvements to a major US library	<b>\$70</b>	9%
		<b>3</b>	Eastern US School System	2019	2034	United States	Sole lender to finance Contingent Payment Performance Contract for 17 projects at 29 public schools to improve energy efficiency in a major US public school system	<b>\$18</b>	2%
<b>Green Buildings</b>	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	<b>4</b>	LEED Gold Building in a Major Canadian City	2019	n/a	Canada	Class AAA office tower located in a downtown core Canadian market that is LEED Gold and BOMA Best Platinum Property	<b>\$308</b>	41%

	according to third party verified green building standards, or energy ratings	<b>5</b>	LEED Platinum Building in a Major Canadian City	2020	n/a	Canada	Class AAA office development located in a downtown core Canadian market that is LEED Platinum	<b>\$139</b>	19%
<b>Access to Essential Services</b>	Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services	<b>6</b>	Behavior and mental health center Improving Access to Mental Health in a Major US City	2019	2051	United States	Financing for the construction of a behavioral health center focused on mental health in New York City	<b>\$69</b>	9%
		<b>7</b>	Homeless Shelter, Major US City	2019	2049	United States	Sole lender for a contract monetization through a major US city with a well-established non-profit organization to provide temporary emergency shelter for families experiencing homelessness	<b>\$13</b>	2%
<b>Total</b>								<b>\$750</b>	

**Table 4: 2023 Sustainability Bond**

								<b>Amount Allocated</b>	
<b>Category</b>	<b>Link to Category</b>	<b>Asset</b>	<b>Description</b>	<b>Acquisition Year</b>	<b>Maturity Year</b>	<b>Country</b>	<b>Sustainable Investment Description</b>	<b>C\$M at Dec 31, 2023</b>	<b>%</b>
<b>Renewable Energy</b>	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources	<b>1</b>	Wind farm	2023	2046	Canada	Financing for a wind farm located in Canada	<b>\$22</b>	4%
		<b>2</b>	Hydroelectric facility	2023	2043	Canada	Financing of hydroelectric facility in Canada	<b>\$31</b>	6%
		<b>3</b>	Hydroelectric facility	2023	2030	Norway	Financing of hydroelectric facility in Norway	<b>\$26</b>	5%
<b>Energy Efficiency</b>	Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources	<b>4</b>	Energy conservation at government building in the United States	2023	2043	United States	Installation of energy conservation measures at U.S. EPA lab. Energy savings are monitored and verified throughout life of investment.	<b>\$26</b>	5%
		<b>5</b>	Energy conservation at government building in the United States	2023	2034	United States	Installation of energy conservation measures at U.S. agency headquarters. Energy savings are monitored and verified throughout life of investment.	<b>\$27</b>	5%
<b>Green Buildings</b>	Investments in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and	<b>6</b>	Industrial building in Canada	2023	n/a	Canada	All electric industrial development located in a Canadian city. Property has solar arrays and is anticipated to achieve LEED Gold	<b>\$35</b>	7%

	operational plans, certification according to third party verified green building standards, or energy ratings	7	Retail building in Canada	2023	2026	Canada	Retail mall located in the downtown area of a Canadian city that is BOMA Best Platinum certified	\$73	15%
<b>Clean Transportation</b>	Investments in sustainable and efficient transit infrastructure	8	New rapid transit in Canadian city	2022	2060	Canada	Invested in transit project for a new subway line in a major Canadian city	\$61	12%
<b>Access to Essential Services</b>	Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services	9	Long term care home in Canada	2023	2051	Canada	Financing of a new 256-bed long-term care home in a Canadian city	\$43	9%
		10	Long term care home in Canada	2023	2051	Canada	Financing of a new 256-bed long-term care home in a Canadian city	\$44	9%
		11	Emergency shelter in US city	2023	2055	United States	Financing a 200-bed intake and assessment shelter for single women in a major US city	\$44	9%
		12	Emergency shelter in US city	2023	2054	United States	Providing financing for a family emergency shelter in a major US city	\$14	3%
		13	Emergency shelter in US city	2022	2045	United States	Financing the construction of a 200-bed homeless shelter in a major US city	\$54	11%
<b>Total</b>								<b>\$500</b>	

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