Sun Life Financial Inc.

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Introduction

In August 2019, Sun Life Financial Inc. (Sun Life) issued a CAD 750 million Series 2019-1 Subordinated Unsecured 2.38% Fixed/Floating Debentures due 2029 (the "2019 Sustainability Bond"), aimed at financing a variety of green and socially impactful projects. Sustainalytics provided a second-party opinion[1] on the Sun Life Sustainability Bond Framework (the "Framework") in March 2019.[2]

In March 2023, Sun Life engaged Sustainalytics to review the projects financed with proceeds from the 2019 Sustainability Bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2019 Sustainability Bond based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined 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 Category, Eligibility Criteria and Associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable energy	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources, including: i. Wind ii. Solar iii. Geothermal iv. Hydro (run of river, small scale <25MW, upgrades of existing facilities or other hydro facilities subject to an ESG assessment)[3] v. Biomass (waste or other non-food feedstock that does not deplete existing terrestrial carbon pools)	• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO_2 equivalent)
Energy efficiency	Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources, including: i. Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment	• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO_2 equivalent)

[1] Sustainalytics, "Sun Life Sustainability Bond Framework Second-Party Opinion", (2019), at: https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/sun-life/sun-life-sustainability-bond-framework-second-party-opinion/sun-life-financial-sustainability-bond-second-party-opinion-03272019-pdf
[2] Sun Life, "Sun Life Sustainability Bond Framework", (2019), at: https://cdn.sunlife.com/static/Global/Investors/Sun_Life_Sustainability_Bond_Framework_March_2019_FINAL-s.pdf
[3] 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.

	ii. Systems for capture and recycling of waste heat such as district heating and heat recovery iii. Projects that improve efficiency in the delivery of bulk energy services such as energy storage, smart grids, demand response 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	
Green buildings	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: i. LEED: Platinum or Gold ii. Other equivalent certification schemes, such as BOMA BEST, ENERGY STAR	• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO_2 equivalent)
Clean transportation	Investments in sustainable and efficient transit infrastructure including: i. Rolling stock, infrastructure and vehicles for fully electric or non-motorized public transport ii. Infrastructure dedicated to mass public transportation	N/A
Sustainable water management	Investments in facilities and equipment that reduce water consumption or improve the efficiency of resources, including: i. Installation of water efficient products or technologies or xeriscaping/drought-tolerant landscaping ii. Projects for collection, treatment, recycling or reuse of water, rainwater or wastewater iii. Infrastructure for flood prevention, flood defense or storm-water management	• Litres of water saved
Access to essential services	Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services including: i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers ii. Infrastructure for the provision of child, youth or adult education and vocational training services	• Number of patient beds financed/supported • Number of families supported

Issuer's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from Sun Life's 2019 Sustainability Bond. 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,[4] 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 2019 Sustainability Bond were fully allocated as of 31 December 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2019 Sustainability Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1. For a list of projects financed, please refer to Appendix 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2019 Sustainability Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

[4] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting by Category

Category	Description	Country	Sustainable Investment Description	Value as of 31 Dec 2022 (CAD million)[5]	Allocation Percentage
Renewable Energy	Canadian wind farm	Canada	Financing for a wind farm located in Quebec. The project is located on land that is sparsely populated and covered in a dense forest	128	17%
Energy Efficiency	Energy improvements to a major public library building	United States	Energy Savings Performance Contract (ESPC) for energy improvements to a major US library	73	10%
	Eastern US School system	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	20	3%
Green Buildings	LEED Gold building	Canada	Class AAA office tower located in a downtown core Canadian market that is LEED Gold and BOMA Best Platinum property	307	41%
	Development expected to receive LEED Gold	Canada	Class AAA office development located in a downtown core Canadian market that is expected to achieve LEED Gold[6]	138	18%
Access to Essential Services	Behavior and mental health center improving access to mental health	United States	Financing for the construction of a behavioral health center focused on mental health in New York City. The healthcare facility seeks to improve mental health and wellbeing and is run by a non-profit organization, which enhances access to public health services	71	9%
	Homeless shelter	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. Contract enhances access to not-for-profit services, such as job and housing and shelter services, delivering positive social benefits	13	2%
			Total (CAD million)	**750**	**100%**

[5] Value determined as the value used to carry the asset on Sun Life's balance sheet as of 31 December 2022. For USD assets, foreign exchange rate of 1.36 was used to translate to CAD.
[6] The development was completed in the second half of 2022 as expected and is still expected to achieve a minimum LEED Gold certification.

Appendix 2: Impact Reporting by Eligibility Criteria

The table below summarizes the allocated amounts and associated impacts on an aggregate portfolio basis.

Use of proceeds criteria	Number of assets	Allocated amounts as of 31 December 2022 (CAD million)	Sun Life 2019 Sustainability Bond's share of the project	Impact metric	Projected or Actual	Sun Life's Sustainability Bond Impact[7]
Renewable Energy	1	128	24%	Annual GHG emissions reduced or avoided (tonnes of CO_2)	Actual[8]	21,892
Energy Efficiency	2	93	96%		Projected and Actual[9]	44,554
Green Buildings	2	445	98%		Actual[10]	121
Sub-Total	**5**	**666**		**Tonnes of CO_2 reduced or avoided**		**66,567**
Access to Essential Services	1	71	96%	Available patient beds	Actual	126
	1	13	96%	Available shelter apartments	Actual	29
Sub-Total	**2**	**84**		**New patient beds and available shelter apartments**		**155**
Total	**7**	**750**				

[7] Avoided GHG emission of the Renewable Energy projects are estimated by multiplying annual renewable energy production (in MWh) by estimated carbon dioxide emissions factors (tonnes per MWh). Sun Life used emission factors for Canada from the tool developed by the Canada Energy Regulator. Reduced emission of the Green Building projects and the Energy Efficiency projects are estimated by comparing with local baseline certification level in tonnes of carbon dioxide or percentage of carbon emissions. Impacts of the Access to Essential Services projects are measured by the number of supported patient beds and available shelter apartments the projects can reach and/or the increase in the share of the population that gain access to the services.
[8] Sun Life's share of installed capacity and annual energy generation of this project is 54 MW and 199,397 MWh.
[9] This figure includes both the projected and actual numbers for the overall category. The projected numbers are calculated based on the guaranteed levels of energy savings once the energy conservation measures are operational for one full year. The actual numbers are calculated on the basis of a measurement and verification report once the project is implemented.
[10] Annual emissions savings are based on the reporting year's weather, occupancy and utility rates and would be expected to reduce as efficiencies at the property level are realized.

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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