

Sun Life – 3rd Annual Sustainability Bond Use of Proceeds Report

March 2022

Background

Sun Life issued its first sustainability bond, the \$750 million Series 2019-1 Subordinated Unsecured 2.38% Fixed/Floating Debentures due 2029 (the 'Sustainability Bond') on August 13, 2019. As part of our Sustainability Bond Framework (the 'Framework'), we committed to publishing an annual use of proceeds report. This report is the third annual report and presents the allocation of the equivalent amount of Sustainability Bond proceeds by category per the Eligibility Criteria¹ 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

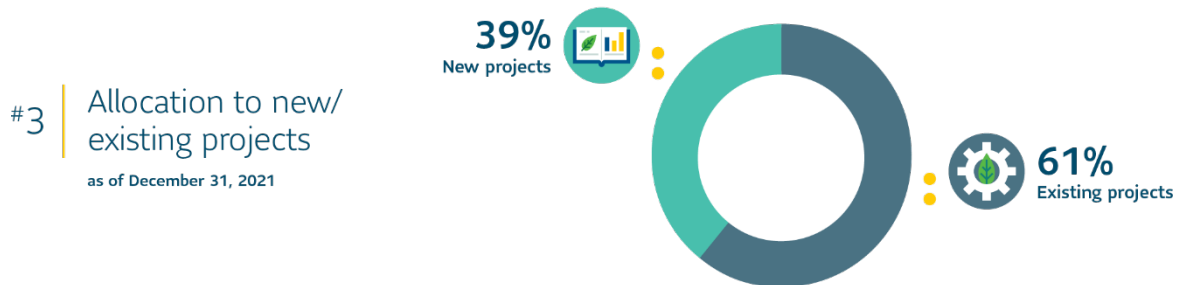
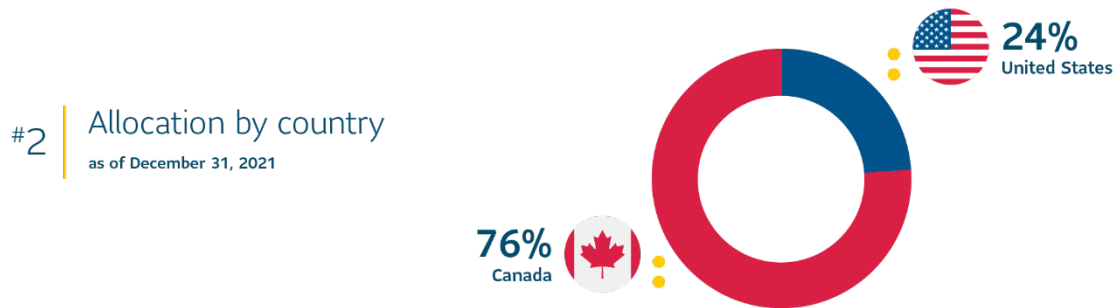
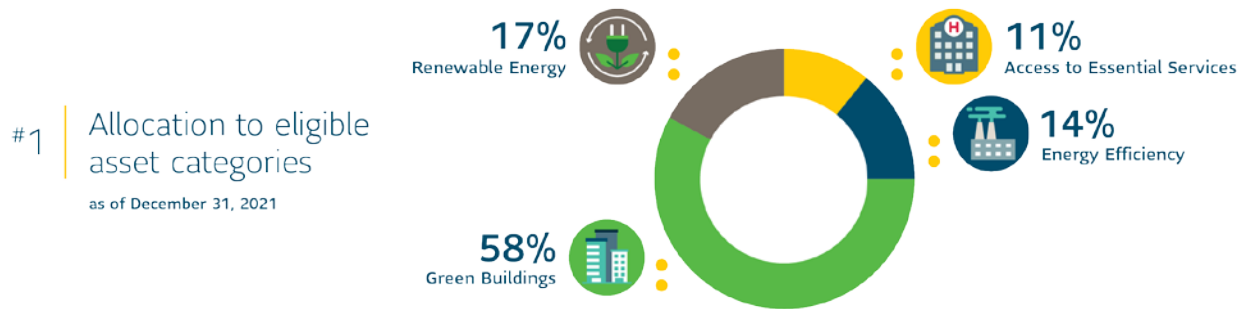
Sun Life's Purpose is to help our Clients achieve lifetime financial security and live healthier lives. Sustainability is strategically integrated into all of our business groups and brings our Purpose to life. Building from our foundation of operating as a trusted and responsible business, we focus on three areas where we have the greatest opportunity to have a positive impact on society, while creating competitive advantage for our business: increasing financial security, fostering healthier lives, and advancing sustainable investing. As part of our focus on sustainable investing, we manage capital with sustainability embedded in our investment processes, offer our Clients and employees sustainable investing opportunities and invest our assets to encourage a low-carbon and more inclusive economy.

The eligible asset categories in our Framework are aligned to our Purpose and sustainability priorities. Directly 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

¹ The Sun Life Sustainability Bond Framework's eligible categories are aligned to the International Capital Market Association's (ICMA's) the Green Bond Principles 2018 (GBP), the Social Bond Principles 2018 (SBP) and the 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.

SDGs, we've focused our efforts on the five where we believe we can have the greatest impact. These include: SDG 3 Good health and well-being, SDG 7 Affordable and clean energy and SDG 13 Climate action. To learn more about sustainability at Sun Life, visit sunlife.com/sustainability.

The charts below summarize the allocated amount by eligible asset category, country and project type (new or existing)².



² Based on the acquisition date of the project, the cutoff date of new and existing projects is August 13, 2019, the date of issuance of the Sustainability Bond.

External Review

As part of selecting the eligible assets for this Sustainability Bond issuance, the assets were reviewed by an independent external party³ 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 proceeds of the Sustainability Bond have been allocated across four of the eligible categories described above (Renewable Energy, Energy Efficiency, Green Buildings and Access to Essential Services). All assets needed to fund the Sustainability Bond have been allocated and we do not have any remaining proceeds⁴ ⁵. As summarized below, the allocations were consistent with our disclosed Framework that we published in March 2019.

In 2021, an asset was prepaid in full at the request of the borrower. This asset was replaced with a class AAA office development located in a downtown core Canadian market that is expected to achieve LEED Gold certification. See asset #5 in Appendix B below for more details.

Sustainability Performance and Benefits to Society

The table below summarizes the allocated amounts on an aggregate portfolio basis. Based on Sun Life's share of investment in the projects⁶, we report the share of installed capacity, annual wind energy generation and avoided greenhouse gas ("GHG") emission per year. For other Sustainability Bond categories, we have used appropriate metrics for each category and report Sun Life's share of the impact metrics.

³ Sustainalytics, an independent environmental, social, and governance ("ESG") research firm.

⁴ To ensure that we were able to select a diverse set of assets across multiple categories, we did not necessarily include Sun Life's full invested amount on an asset in the Sustainability Bond (i.e., for some assets we only included a portion of our overall investment in this bond issuance and also pro-rated the savings to just the portion allocated to the Sustainability Bond).

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

⁶ Sun Life's share of investments in the project was based on our debt and equity investments deployed in the projects as a proportion of the projects' total capitalization or fair market value at the time of investment.

Table 1: Use of Proceeds and Impacts

Sun Life Sustainability Bond Criteria	Number of Assets	Value at December 31, 2021 (C\$M)	Sun Life Sustainability Bond's share of the Project	Impact Metric	Projected or Actual	Direct Positive Impact to Society of the Sun Life Sustainability Bond in 2021
Renewable Energy	1	\$ 131	24%	Annual GHG emissions reduced or avoided (tonnes of carbon dioxide)	Actual	26,956 (1)
Energy Efficiency	2	\$ 100	97%		Projected and Actual	47,766
Green Buildings	2	\$ 438	97%		Actual	123
Sub-Total	5	\$ 668		Tonnes of Carbon Dioxide Reduced or Avoided		74,845
Access to Essential Services	1	\$ 69	98%	Available patient beds	Projected	112
	1	\$ 13	98%	Available shelter apartments	Actual	30
Sub-Total	2	\$ 82		New Patient Beds and Available Shelter Apartments		142
Total	7	\$ 750				

(1) Sun Life's share of installed capacity and annual energy generation of this project is 54 MegaWatt (MW) and 189,031 MegaWatt hour (MWh), respectively

See Appendix B for a list of assets. Due to provisions in non-disclosure agreements typical for transactions completed in the private 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 society.

Appendix A – Methodology

The decision on which environmental and social impact metrics to report was informed by the *Harmonized Framework for Impact Reporting*⁷ and *Working Towards a Harmonized Framework for Impact Reporting for Social Bonds*⁸ published by the International Capital Market Association. This framework outlines core principles and performance indicators for impact reporting, including Energy Efficiency and Renewable Energy Projects such as annual GHG emissions reduced/avoided and annual renewable energy generation.

Avoided GHG emissions of Renewable Energy Projects are estimated by multiplying annual renewable energy production (in MWh) by the carbon dioxide emissions factors (tonnes per MWh). We used emission factors for Canada from the tool developed by the Canada Energy Regulator. Reduced emissions of Green Building Projects and Energy Efficiency Projects are estimated by comparing to local baseline certification level in tonnes of carbon dioxide or % 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.

⁷ International Capital Market Association, Harmonized Framework for Impact Reporting, June 2019
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

⁸ International Capital Market Association, Working Towards a Harmonized Framework for Impact Reporting for Social Bonds, June 2019
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Framework-for-Social-Bond-Reporting-Final-06-2019-100619.pdf>

Appendix B – Assets Backing Sustainability Bond

C\$M at December 31, 2021								Amount Allocated to Sustainability Bond	
Category	Link to Category	Asset	Description	Acquisition	Maturity Year	Country	Sustainable Investment Description	Value by Asset C\$M (1)	%
Renewable Energy	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources	1	Canadian Wind Farm	22-Dec-17	2042	Canada	Financing for a Wind Farm located in Quebec. The Project is located on land that is sparsely populated and covered in dense forest	\$131	17%
Energy Efficiency	Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources	2	Energy Improvements to a Major Public Library Building in the United States	15-Oct-19	2039	United States	Energy Savings Performance Contract ("ESPC") for energy improvements to a major US library	\$79	11%
		3	Eastern US School System	30-May-19	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	\$21	3%
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	4	LEED Gold Building in a Major Canadian City	17-Jul-19	n/a	Canada	Class AAA office tower located in a downtown core Canadian market that is LEED Gold and BOMA Best Platinum Property	\$294	39%
		5	Development expected to receive LEED Gold in a Major Canadian City	28-Apr-20	n/a	Canada	Class AAA office development located in a downtown core Canadian market that is expected to achieve LEED Gold	\$144	19%
Access to Essential Services	Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services	6	Behavior and mental health center Improving Access to Mental Health in a Major US City	9-Sep-19	2051	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 well-being, and is run by a non-profit organization, which enhances access to public health services	\$69	9%
		7	Homeless Shelter, Major US City	28-Aug-19	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. Contract enhances access to not-for-profit services, such as job and housing and shelter services, delivering positive social benefits	\$13	2%
Total								\$750	100%

(1) Value determined as the value used to carry the asset on Sun Life's balance sheet as of December 31, 2021. For USD assets, foreign exchange rate of 1.263 was used to translate to CAD. See financial statements for further details by asset type.