

Your purpose is our purpose



2023

Sustainable Investing Report



Important information about this report

This report is representative of Environmental, Social and Governance (ESG) practices generally, which are applied consistent with our fiduciary duty to implement our clients' investment objectives. The relevancy and weighting of ESG-related factors in the investment process depends on the strategy. For example, ESG factors may not be relevant to a strategy designed to replicate an index of securities. Please consult with your SLC Management relationship manager and investment professional to understand how ESG considerations are factored into your customized investment strategy, if at all.

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Your purpose is our purpose

SLC Fixed Income is the investment grade fixed income business of SLC Management¹. We partner with institutional investors across the globe, investing for you and alongside you. With **US\$140/C\$185 billion in assets under management²** as of December 31, 2023, we help our clients optimize their asset allocation profile, and meet their long-term income and capital appreciation objectives by leveraging our expertise in investment grade public and private fixed income, liability-driven investing, insurance asset management, and our long tenure managing bespoke portfolios.

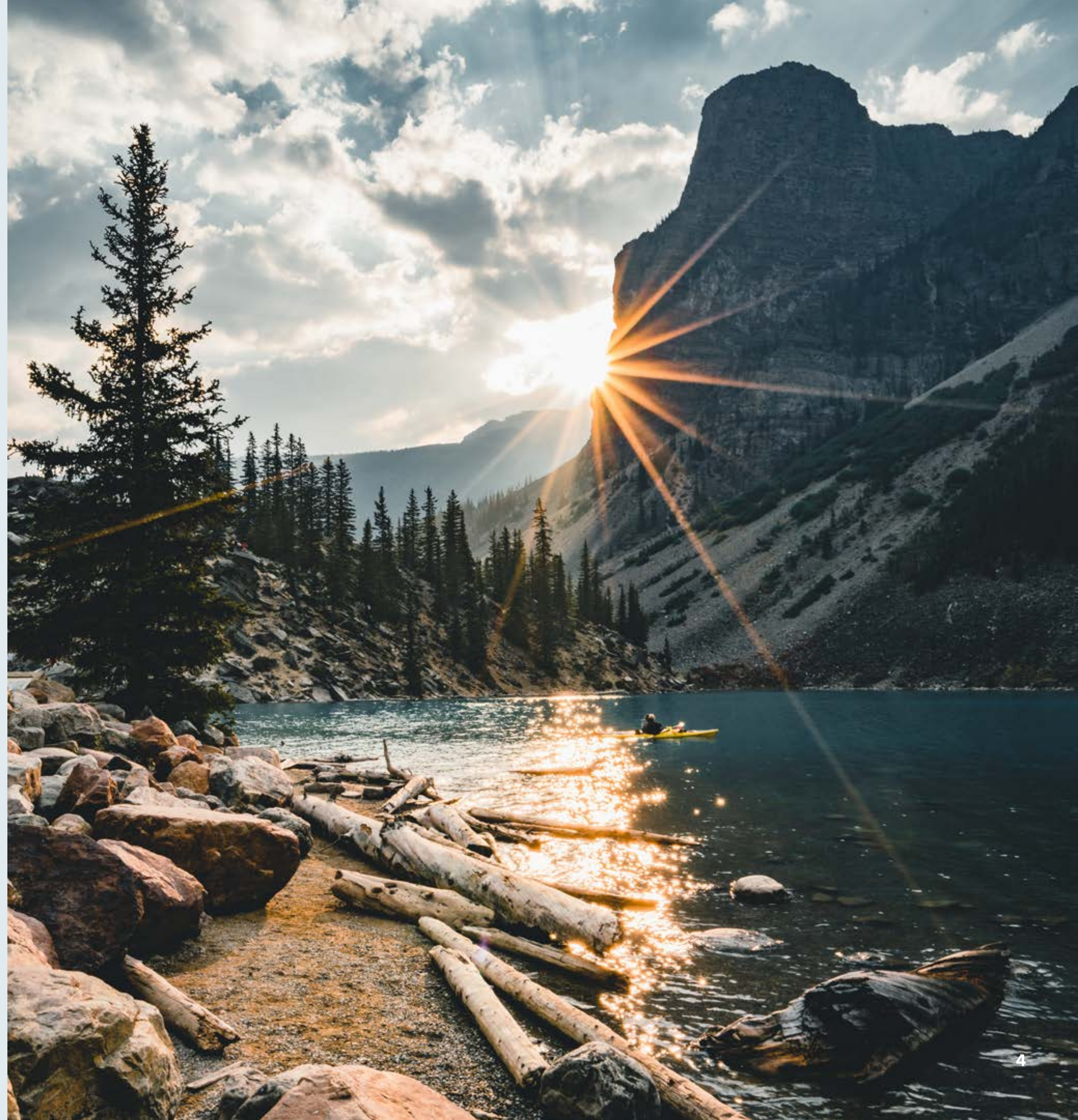
In partnership with the SLC Management companies, we can combine our investment capabilities across public and private fixed income, real estate equity and debt, and infrastructure equity to enhance the value that we bring clients. Our affiliation with Advisors Asset Management (AAM) in the U.S., and partnership with Scotiabank in Canada, provides our clients access to alternative investment products for individual high net worth investors. We believe that few investment managers can match this continuum of investment capabilities, which can help clients achieve their risk and return objectives.

Across our investment grade fixed income platform, we seek to provide strong and consistent returns. With **more than 650 employees** including **over 200 investment professionals³** in countries worldwide, we strive to generate investment insights that can enhance the performance of our solutions.

1. SLC Management is the brand name for the institutional asset management business of Sun Life under which the entities Sun Life Capital Management (U.S.) LLC in the United States, and Sun Life Capital Management (Canada) Inc. in Canada operate. These entities are also referred to as SLC Fixed Income and represent the investment grade public and private fixed income strategies of SLC Management. BGO, InfraRed Capital Partners (InfraRed), Crescent Capital Group (Crescent), Advisors Asset Management Inc. are also part of SLC Management.

2. SLC Fixed Income business refers to Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC. SLC Fixed Income AUM is as of December 31, 2023, and includes management of assets for the Sun Life General Account, as well as third-party clients. SLC Fixed Income AUM excludes the AUM of BGO, Crescent Capital Group, InfraRed Capital Partners, and Advisors Asset Management.

3. Data as of December 31, 2023. Investment professionals include Portfolio Managers, Traders, Research Analysts, Portfolio Strategists, and Investment Strategists under Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC.





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Leadership view

Leadership view

A message from Steve Peacher

In October 2023, we celebrated a major milestone – our company’s 10-year anniversary. SLC Management was formed in 2013, and formally launched its first series of private asset class funds in April 2014 to Canadian institutional investors. Since that time, we have expanded our platform to include specialty managers with global reach, established reputations and strong investment capabilities.

With US\$283B/C\$374B in AUM, we deliver solutions to institutional investors across the globe, offering a diverse range of traditional and alternative asset classes with a view to sustainable economic growth, and strong, consistent, repeatable returns. In pursuit of this, we continue to evolve our set of sustainable investment capabilities.

In 2023, our first set of interim targets were accepted by the Net Zero Asset Managers (NZAM) initiative. These targets apply to Sun Life’s investment portfolio – demonstrating their conviction in our investment process. Last year, we took steps to assess greenhouse gas emissions to better understand investment risks and opportunities across a range of our managed assets within our fixed income business. We additionally published our inaugural Climate Report, outlining our approach to climate risk and the capabilities available for clients interested in climate considerations. These efforts have enabled us to provide more accurate and more transparent sustainability information where relevant.

We continue to bring together an outstanding group of professionals who invest for and service our clients and help us navigate in a highly scrutinized and regulated environment. In the institutional investment world, the response to ‘sustainability’ has been varied among asset managers, corporations and regulators. We acknowledge the variance. Our clients’ needs are at the center of our decisions; considering material sustainability factors in our risk management and investment process is part of our fiduciary duty to maximize long-term returns for our clients. If there are sustainability factors that could negatively impact a company’s creditworthiness or performance, we do not want to own or invest in it; however, sustainability considerations are based on a client’s direction. For many clients, investment performance is the sole focus. For other clients, they are looking to align their investment practices with sustainability goals – especially those related to climate.

With our continued progress and actions, we hope to make it easier for clients with sustainability goals to achieve and track progress. Thank you for your continued trust and confidence in us and being a valued business partner. We are honored to have earned your trust over the past 10 years.

Sincerely,



Steve Peacher
Executive Chair
SLC Management



SLC | Fixed Income

Investment grade fixed income
business of SLC Management



US\$140/C\$185B⁴
in assets under management



Managing Fixed Income and Real
Assets under management

US\$283B/C\$374B⁵

4 SLC Fixed Income business refers to Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC. SLC Fixed Income AUM is as of December 31, 2023, and includes management of assets for the Sun Life General Account, as well as third-party clients. SLC Fixed Income AUM excludes the AUM of BGO, Crescent Capital Group, InfraRed Capital Partners, and Advisors Asset Management.

5 SLC Management firm level assets under management are provided as of December 31, 2023. SLC Management firm level AUM is rounded and represents combined assets of Sun Life Capital Management (Canada) Inc., Sun Life Capital Management (U.S.) LLC., BGO, InfraRed Capital Partners, Crescent Capital Group LP, and Advisors Asset Management Inc. (AAM). Total firm AUM includes cash and other, and unfunded commitments; cash and other includes US\$2.5/C\$3.4 billion in AAM equity; unfunded commitments are approximately US\$22/C\$30 billion. Total firm AUM excludes US\$37/C\$50 billion in assets under administration by AAM.

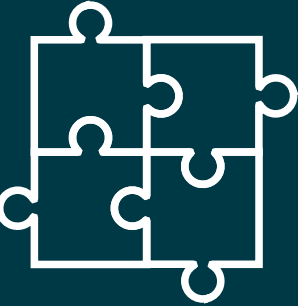


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Sustainable investing team

Sustainable investing team



Our Sustainable Investing Team partners across the SLC Fixed Income business to ensure consideration of ESG risks and opportunities, best practices and policies, and honoring our commitment to clients. Ensuring the integration of ESG factors, where appropriate, within our investment teams, ESG leads from our Public and Private Fixed Income Teams are also embedded within the Sustainable Investing Team.

Randy Brown

Chief Investment Officer, Sun Life



Randy is the Executive Sponsor of SLC Management’s Sustainable Investment Program, and a member of both our Sustainability Committee and Sustainable Investment Council.

Andrew Harris

Managing Director, Sustainable Investing



Andrew is responsible for leading the SLC Fixed Income Sustainable Investing Team and ESG integration across our investment teams.

Brigid Barnett

Senior Director, Sustainable Investing



Brigid is responsible for supporting ESG integration, engagement, governance and reporting.

Shen Chen

Senior Director, ESG Data & Insights



Shen is responsible for managing the ESG data platform, as well as integrating ESG insights into investment processes.

Kevin Quinlan

Senior Director, Climate & Client Strategy



Kevin is responsible for our climate pillar as well as supporting client-focused initiatives.

Maggie Zhang

Associate, Sustainability



Maggie is responsible for supporting ESG integration and implementing the firm’s ESG data management strategy.

Amanda Brosnan

ESG Analyst, Reporting & Engagement



Amanda is responsible for supporting ESG-related reporting and engagement initiatives, as well as maintaining industry relationships.

Olesya Zhovtanetska

Managing Director, Public Fixed Income, Credit Research & ESG



Olesya is the North American ESG Lead for Public Fixed Income and a member of SLC Fixed Income’s Sustainability Committee and Sustainable Investment Council.

Liz Thorne

Managing Director, Head of Corporate Private Placements & ESG



Liz is the Head of Corporate Private Placements and the ESG lead for Private Fixed Income and a member of SLC Fixed Income’s Sustainability Committee and Sustainable Investment Council.

Sustainable investing team

Working together to build a cohesive strategy

Our sustainable investing strategy focuses on three key priorities supported by two platform-wide capabilities.

 <p>ESG integration</p> <p>Embedding financially material ESG considerations within our investment research, analysis and decision-making, where appropriate.</p>	 <p>Client solutions</p> <p>Working proactively with clients who seek to achieve specific sustainability outcomes.</p>	 <p>Engagement</p> <p>Engaging with key stakeholders to inform our understanding of relevant ESG risks, and influence positive change to benefit investors.</p>
 <p>Governance and reporting A controls environment that supports documentation, oversight and reporting.</p>		
 <p>Data management and analytics A dynamic ESG data management platform that helps capture data, and supports analysis and processing, integration and reporting.</p>		

We have developed a **two-tiered governance structure** that captures ESG through both a business and an investment lens.

- **The Sustainability Committee** oversees the direction, priorities and implementation of our sustainable investing initiatives. The Committee monitors regulatory updates and evolving industry practices, as well as oversees SLC Fixed Income’s engagement strategy, including participation in industry initiatives.
- **The Sustainable Investment Council** is a sub-committee of the Sustainability Committee. It is the steering body for ESG integration in our investment processes, representing and working across asset class teams. The Council is composed of investment team leaders.



Sustainable investing team

Our progress

In 2023, we continued to make progress on our sustainable investing initiatives.

1 We reviewed and assessed our proprietary ESG scoring framework and integration approach, with a continued value-add lens for our investment teams and clients. Our updated framework will continue to incorporate longer dated trend factors, traditionally considered on a stand-alone basis, into each of the environmental, social and governance categories we consider in developing our proprietary scores and assessments. We aim to continue this work into 2025.

While public corporate sustainability metrics and reporting have not yet matured in comparison to other traditional investment data, it is even more pronounced in private fixed income asset classes. Another recommendation from our review includes disaggregating our private fixed income ESG assessments to reflect the lack of standardized, quantifiable, or transparent data and reporting underlying the scores. This leads to an inherent inability to compare among and between different types of deals, a practice which could lead to erroneous conclusions. Recognizing these limits, our preferred process going forward is to evaluate each set of environmental, social and governance factors on a disaggregated and transparent basis which we believe leads to better decision-making.

2 We enhanced our systems to help manage climate targets for client commitments, providing portfolio managers and credit research analysts with comprehensive data (ESG scores, alignment status, GHG emissions intensity, green, social or sustainability bond holdings, etc.). Our dedicated Data and Analytics team has developed tools that enable portfolio managers across the firm to integrate third-party and proprietary ESG data into the investment process where relevant.

3 We received approval on three interim NZAM targets for 2030 for the investment assets we manage for our parent company, Sun Life. Our targets combine both a GHG reduction target and a Net Zero Investment Framework (NZIF) alignment target. For more details, please see our [Climate Report](#).

4 We produced reports for certain public and private fixed income investments. These reports were made available to clients, where appropriate, highlighting key metrics to better understand ESG and climate risks in their portfolio.

5 We invested sustainably. Our clients contributed an additional US\$1.8/C\$2.3 billion in new sustainable investments⁶ towards the 2025 sustainable investment target of our parent company, Sun Life.

Our 2024 Outlook

In 2024, our focus is on insights and education on the ESG landscape, reporting and regulations.

We continue to recognize the need for education both for our clients and for our employees. Building capacity for understanding and communicating on sustainability and how these risks and opportunities can materialize in client portfolios is an essential skill for our investors. We remain committed to delivering on the goals and commitments of our clients, and providing transparency into our practices and outcomes. Finally, we recognize the challenges our clients face with new regulations and ever-increasing demands for information and data, and we strive to be a good partner providing more insightful reporting to meet these needs.

6. Represents investments of SLC Fixed Income, that are managed on a discretionary and non-discretionary basis for Sun Life's General Account and SLC Fixed Income third-party investors/clients.



Sustainable investing team

Our progress

Supporting our client's decarbonization goal

At SLC Fixed Income, we are focused on improving our services and offerings for clients. In 2023, we helped develop a net zero target bond fund for one of our clients, with dual objectives of financial returns and net zero alignment. The fund seeks to reduce the greenhouse gas emissions intensity of the fund's corporate bond exposure to at least 50% of the baseline levels by 2030 and will seek to achieve further reductions in a manner that is consistent with achieving global net zero greenhouse gas emissions or carbon emissions by 2050. The fund also aims to increase its allocation to labelled green, sustainability, or SDG climate bonds, so that the allocation is at least 10% of the total portfolio by 2030.

Client reporting capabilities

To improve risk management, make a credible climate commitment or respond to the ever-increasing demands of regulators, we believe organizations must be able to accurately measure and report on ESG and climate related information.

In 2023, we published our inaugural Climate Report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD encourages reporting of climate-related financial information by providing recommendations on the types of information to disclose – including governance, risk management, strategy, and metrics and targets. This report provides our approach to climate risk and the capabilities available for clients interested in climate considerations. [Download the report](#) to learn more.

We also worked closely with one of our largest clients to develop an ESG Review report for Canadian private fixed income funds highlighting financed and avoided emissions. This reporting leverages our market position in private debt to develop more accurate, decision useful insights. We can also prepare robust bespoke reporting packages for clients based on their requirements. These may include information such as the carbon footprint and associated industry and intensity metrics, SDG alignment, engagement reporting, GSS allocations, ESG scores and benchmark relative positioning, and other relevant transition and physical risk metrics.

As the measurement and monitoring of ESG Information advances, we continue to add new tools and data sources to provide more accurate and comprehensive data.



Click [here](#) to download our 2022 Climate Report.



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ESG integration

Our approach

Considering material ESG risks and opportunities can preserve and enhance the long-term market value and income generation capacity of investment assets. This can contribute to better investment performance over time and help our clients achieve their investing goals.

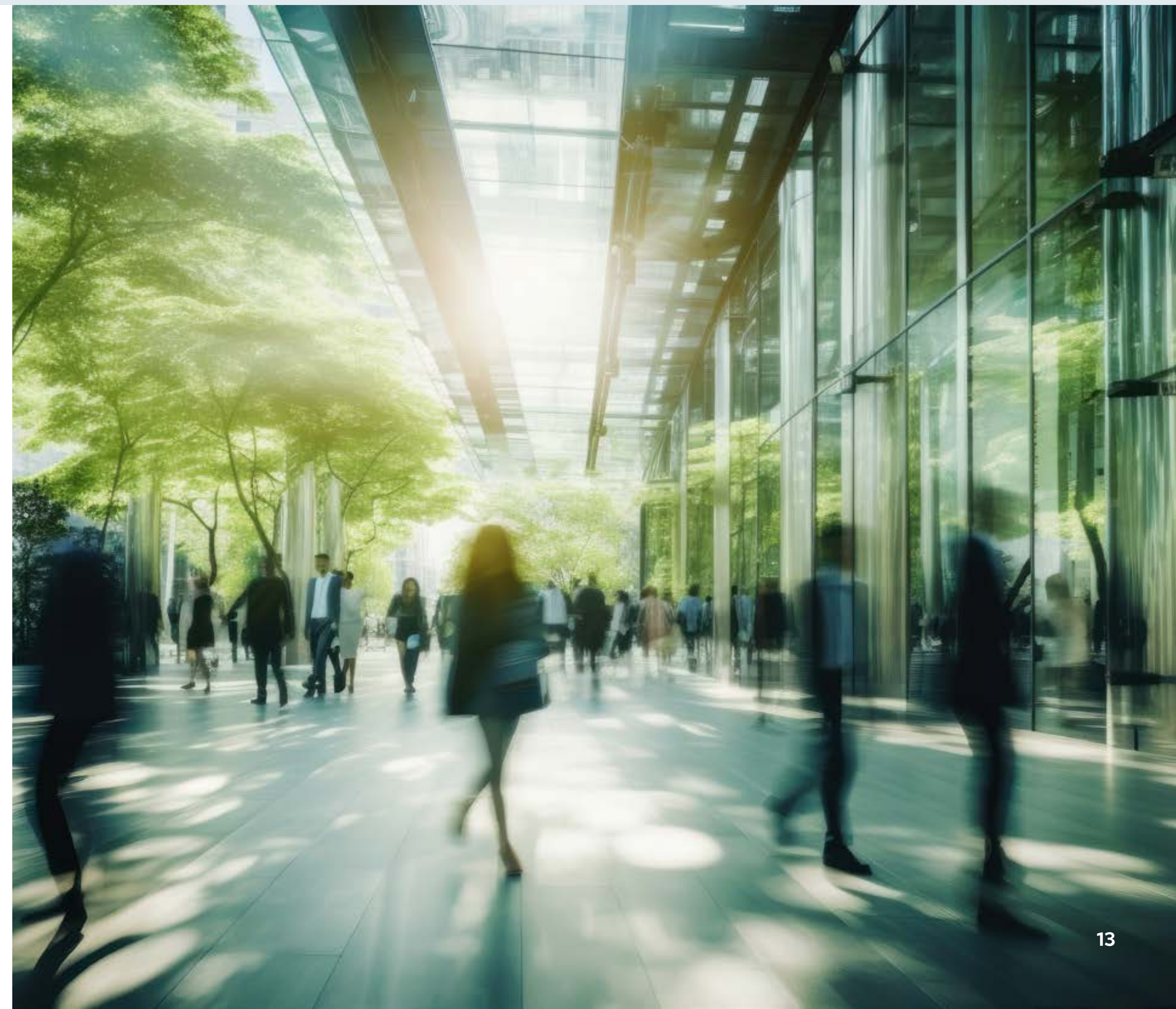
Our consideration of ESG factors in investment decisions depends on many variables including a client's objectives and the underlying mandate, the asset type and availability of information, and the expected holding periods.

ESG factors can vary by industry, geography and asset class – and can change over time. That's why we believe our investment teams are best positioned to identify and evaluate these risks and opportunities, where relevant. We use our in-house expertise, and guidance from various industry providers, to determine which factors are most relevant.

A process used to support our ESG analysis is our proprietary ESG investment assessment and scoring framework, which is designed to assess the relative environmental, social and governance risks of issuers within an industry or asset type. The foundation for the framework is industry or sector-based analyses of the material ESG factors that could impact the value and financial performance of the assets over time.

SLC | Fixed Income
Sustainable Investing Policy

 **Sun Life**
Sun Life 2023
Sustainability Report



ESG integration

Investing in public fixed income

Managing investment grade public fixed income is at the heart of our continuum of solutions and our clients' portfolios. Over **80 investment professionals**⁷ comprise our public fixed income team, which includes a team of credit research analysts organized by sector. As of December 31, 2023, the teams **manage US\$93/C\$123 billion**⁸ in public fixed income investments.

We combine deep bottom-up fundamental research capabilities with a comprehensive understanding of sectors and credit. We analyze both qualitative and quantitative risk factors. We have developed proprietary industry ESG scorecards to evaluate material ESG factors and generate ESG scores. Data sources for our ESG scores include MSCI, CDP, and rating agencies as well as company and broker research reports, among others.

Portfolio managers may use ESG scores as an input into overall investment decision-making, alongside credit metrics and relative value depending on a variety of factors including client mandate and time horizon, among others.

We have a responsibility to mitigate ESG risks in order to maximize returns on behalf of our clients. The goal of our research and analysis is to ensure that portfolio managers are aware of the material investment risks associated with ESG and that we are being appropriately compensated for them.

Meet the Leaders



Rich Familetti

Chief Investment Officer, U.S. Total Return Fixed Income

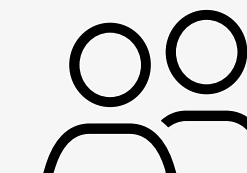
Rich leads the portfolio management teams who invest on behalf of SLC Management's U.S. pension asset management clients. Rich and his team have experience specializing in corporate credit and fixed income asset allocation.



Doug Gardiner

Senior Managing Director, Portfolio Manager & Head of Public Fixed Income

Doug oversees investment activities in the public fixed income and derivatives markets specializing in pension and insurance asset management for clients in Canada, as well as the U.S. and U.K.



80+
investment
professionals



US\$93B
C\$123B
public fixed income
investments⁸



US\$2.0B
C\$2.7B⁹
Green Social Sustainable
(GSS)¹⁰ bond investments

⁷ Investment professionals include Portfolio Managers, Traders, Research Analysts, Portfolio Strategists, and Investment Strategists under Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC, as of December 31, 2023.

⁸ Public fixed income AUM represents the assets under management of Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC, or "SLC Fixed Income". AUM is as of December 31, 2023.

⁹ Represents investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's investment portfolio and SLC Fixed Income investors/clients as of December 31, 2023.

¹⁰ Green, social or sustainability (GSS) bonds are bonds where proceeds are used to finance or re-finance green, social or a combination of green and social projects or activities.

ESG integration

Sustainable investing in action¹¹

The following case studies provide insight on the environmental, social and governance factors we consider across our investments.



In Canada, we invested in a provincial green bond that finances new and existing infrastructure projects. The province has issued several green bonds and uses this money to fund projects related to public transit and renewable energy usage.

A significant portion of the electricity produced in the province is derived from sources that are renewable, including hydro power. Its continuing move to electrification is a key element of the province's path to net zero by 2050.

For this green bond issuance, the province sought financing that may be used for several projects aligned with the United Nations' Sustainable Development Goals including:

- the construction of electric tramways and the purchase of electric trains;
- the refurbishment of existing urban subway stations; and
- the construction of LEED Gold certified buildings to support transit infrastructure.

OUTCOME

The province's green bonds represent a strong investment opportunity. The province has a diversified economy that supports a broad and productive tax base.

With the province's strong credit profile and environmental commitment, we regularly invest in its green bonds in both the primary and secondary markets.



We invested in bonds issued by a public government-sponsored enterprise. It supports the U.S. housing finance system helping to ensure a reliable and affordable supply of mortgage funds.

To do this, the enterprise buys loans from approved lenders in the U.S. secondary mortgage market. It then pools these mortgages into securities, which it sells to investors.

The enterprise has established a multifamily line of business to help ensure the supply of affordable rental housing. Especially, it wanted to address the housing needs of renters who earn modest incomes but work in expensive markets across the country. Their incomes aren't low enough to benefit from rental assistance programs, but they can't afford the market rental rates. As a result, they struggle to live in the communities in which they work.

To further this mission, it began a program that loans money to affordable rental housing providers to improve energy and water efficiencies. These green loans have been integrated within its loan platform.

OUTCOME

This non-guaranteed bond issuance provides us with a targeted investment opportunity in the U.S. multifamily housing market. We aim to continue our participation in the secondary market for these bonds.

¹¹Case studies are for illustrative purposes only. Any reference to a specific asset does not constitute a recommendation to buy, sell or hold or directly invest in it. It should not be assumed that any investment will be profitable or will equal the results of the assets discussed in this document. Assets represent investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's General Account and certain third-party clients.

ESG integration

Sustainable investing in action¹²



CASE STUDY

Supporting the transition to greater electrification

We invested in a U.K. based regulated utility company that owns and operates electricity and gas transmission and distribution assets with wide geographic diversity.

The company benefits from a low business risk profile and supportive regulatory frameworks. Through acquisitions and divestments, the company has lowered its GHG emissions while strategically increasing exposure to its electric operations.

At the time of investment, the company ranked highly within the utilities sector of our proprietary ESG scoring framework, and had notable scores for both environment and governance factors. Its strong environmental ranking is based on the Science Based Targets initiative (SBTi) verified GHG reduction goals and strong water stress and toxic emission metrics. The company has a 2050 net zero target for emissions and maintains interim targets towards that goal. The company has no exposure to coal generation, and it has set a Scope 3 emissions reduction target.

Its strong governance includes an independent chair and a high percentage of independent board members with good female representation. All board members have a tenure of less than 15 years, which prevents an entrenched board structure. Compensation for board members is linked in part to sustainability targets.

OUTCOME

We believe the company has a strong fundamental credit profile, attractive relative value and favorable ESG considerations. We support their strategic direction and continue to seek opportunities to increase our investment.

The company has positioned itself well to take advantage of decarbonization opportunities with increased electrification and has an organic growth profile that supports credit quality.

12. Case studies are provided for illustrative purposes only. Any reference to a specific asset does not constitute a recommendation to buy, sell or hold or directly invest in it. It should not be assumed that any investment will be profitable or equal the results of the assets discussed in this document. Assets represent investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's General Account and certain third-party clients.

ESG integration

Investing in private fixed income

Our private fixed income team, with over **50 investment professionals**¹³, manages more than **US\$38/C\$51 billion**¹⁴ in private credit assets as of December 31, 2023. As part of our investment due diligence and decision-making process, we consider the client mandate, investment time horizon, relative value and, where applicable, ESG and sustainability factors. Consideration of ESG risks and opportunities plays a role within our investing framework in two main ways:

- First, from a defensive standpoint, sustainable investing criteria serves to assess risks. While our clients may vary in their level of concern regarding sustainability issues, all clients want to avoid undue risks. That is why we consider ESG factors in assessing the risks of investments.
- Second, sustainable investing can also be proactive. Many investment grade private credit transactions offer our clients the opportunity to support renewable energy and green projects, or projects with a positive social impact. We have deep expertise in these areas and these investments support sustainable activities including energy transition while seeking to earn an attractive return for our clients. Of our combined investment in private fixed income assets, nearly 35% is invested in investments where the use of proceeds has green, social, or combined benefits.¹⁵

Of our investment in private fixed income assets¹⁶:

- **US\$13/C\$18B** in investments where the use of proceeds has green, social or combined benefit;
- **US\$9/C\$12B** is invested in green investments providing environmental benefits; and
- **US\$4/C\$6B** is invested in social investments providing essential services for social benefits.

In 2023, we invested more than **US\$1.1/C\$1.5 billion** in sustainable investments¹⁵:

	Number of deals	Investment (Millions)
Renewable energy	4	US\$142 / C\$194
Energy efficiency	10	US\$329 / C\$445
Sustainable/green buildings	1	US\$75 / C\$104
Clean transportation	2	US\$135 / C\$179
Sustainable water management	1	US\$28 / C\$38
Access to essential services	15	US\$471 / C\$638
Total	33	US\$1,182/C\$1,598

Sustainable investment areas include:	
Climate solutions	Essential services for vulnerable populations
Utility scale wind and solar	Long-term care
Energy efficiency	Affordable housing
Residential solar	Emergency shelter
Green buildings	Hospitals
Mass transit	Recovery facilities
District heating	Basic education



Enhanced ESG scoring

Our credit analysts have developed proprietary private fixed income ESG assessments to evaluate material ESG factors. We continue to evolve our approach. We evaluate each private fixed income investment using these assessments and material risks may factor into our decision-making. Our credit analysts have developed these assessments to ensure material ESG factors are evaluated consistently and communicated to portfolio managers as part of investment evaluations.

As described in our progress section, we continue to enhance our ESG investment data collection and tracking to enhance oversight of new investments from an ESG perspective and provide clients who have specific ESG objectives with bespoke sustainable investment information.

Meet the Leaders

In 2023, Sam Tillinghast, President, Private Fixed Income, continued to oversee private fixed income investment activity in North America. Sam retired at the end of the year, passing the torch to Elaad Keren and Andrew Kleeman.

Andrew Kleeman
Senior Managing Director,
Co-Head of Private Fixed Income

Elaad Keren
Senior Managing Director,
Co-Head of Private Fixed Income



13. Investment professionals include Portfolio Managers, Traders, Research Analysts, Portfolio Strategists, and Investment Strategists under Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC as of December 31, 2023.

14. Private fixed income AUM represents the assets under management of Sun Life Capital Management (Canada) Inc. and Sun Life Capital Management (U.S.) LLC or "SLC Fixed Income". AUM is as of December 31, 2023.

15. In determining what qualifies as a sustainable investment, in general, our framework is predicated on the International Capital Markets Association's (ICMA) definition of green, social, and sustainable use of proceeds. ICMA's categories include renewables, energy efficiency, green buildings, clean transportation, sustainable water management, and access to essential services, and in some cases have further eligibility thresholds. For instance, in the case of green buildings, LEED gold or higher is the eligibility threshold. We 1) look at the use of proceeds for our investments directed to projects, pure play borrowers or expenditures (in the case of labelled bonds) that have a positive environmental or social purpose and impact, and 2) review the use of proceeds potential to restrict access to essential services for vulnerable populations (including affordability) or cause significant harm to the environment, and 3) categorize according to ICMA. The definition of 'sustainable investment' may vary depending on a client's investment objectives. Data includes assets managed on behalf of Sun Life's General Account, in addition to certain third-party clients.

16. Represents investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's General Account and certain third-party investors/clients.

ESG integration

Sustainable investing in action¹⁷

The following case studies provide insight on the environmental, social and governance factors we consider across our investments.



Wind-generated electricity is a clean and renewable energy source. As such, its use in Canada has increased rapidly, from 1,846 megawatts (MW) in 2007 to 15,132 MW in 2022.¹⁸

We invested in a newly built wind generation project of over 200 MW located in western Canada. The owner of the project is a large utility and diversified energy infrastructure company. They currently operate a portfolio of power generation assets in Canada and several other countries.

The project generates electricity using turbines maintained by a reputable firm under a multi-year agreement. The project's cash flow profile is supported by a long-term power purchase agreement with a strong, highly rated counterparty.

The owner sells its remaining capacity to the provincial electricity market. It also has supplemental cash flows generated from carbon credit sales.

OUTCOME

SLC Fixed Income invested in the project's senior secured bonds. The project represented attractive relative value. It has long-term cash flow and maintenance agreements in place and a strong credit profile for the project owner.



In the U.S., we invested in a securitization pool of loans made through the CPACE (Commercial Property-Assessed Clean Energy) financing structure. This structure lets building owners finance energy efficiency, climate resiliency, water conservation, renewable energy, seismic resiliency and similar improvements.

Owners receive low-cost financing that they repay through a property tax assessment. Given its status as a tax assessment, CPACE is senior to all encumbrances other than property taxes.

The originator of the CPACE is one of the largest in the country and is predominately female led. It has been responsible for the development of CPACE policy and the adoption of numerous regional CPACE programs nationally.

OUTCOME

SLC Fixed Income invested in a securitization of a large pool of CPACE loans. Our clients who participated in this investment are super senior lenders, and the loan pool is diversified by property type and geography.

Our participation in the securitization provides the originator with capital to continue making CPACE loans. This financing further drives investment in sustainable building systems and technology.

17. Case studies are for illustrative purposes only. Any reference to a specific asset does not constitute a recommendation to buy, sell or hold or directly invest in it. It should not be assumed that any investment will be profitable or will equal the results of the assets discussed in this document. Assets represent investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's General Account and certain third-party clients.
18. Data sourced from the [Government of Canada](#) and is accurate as of April 29, 2024

ESG integration

Sustainable investing in action¹⁹



We helped finance the construction of a four-story long-term care home in a major Canadian city. This new facility with more than 250 beds supports the growing need for care for an aging population. Once constructed, the home will replace a nearby older home managed by the same group.

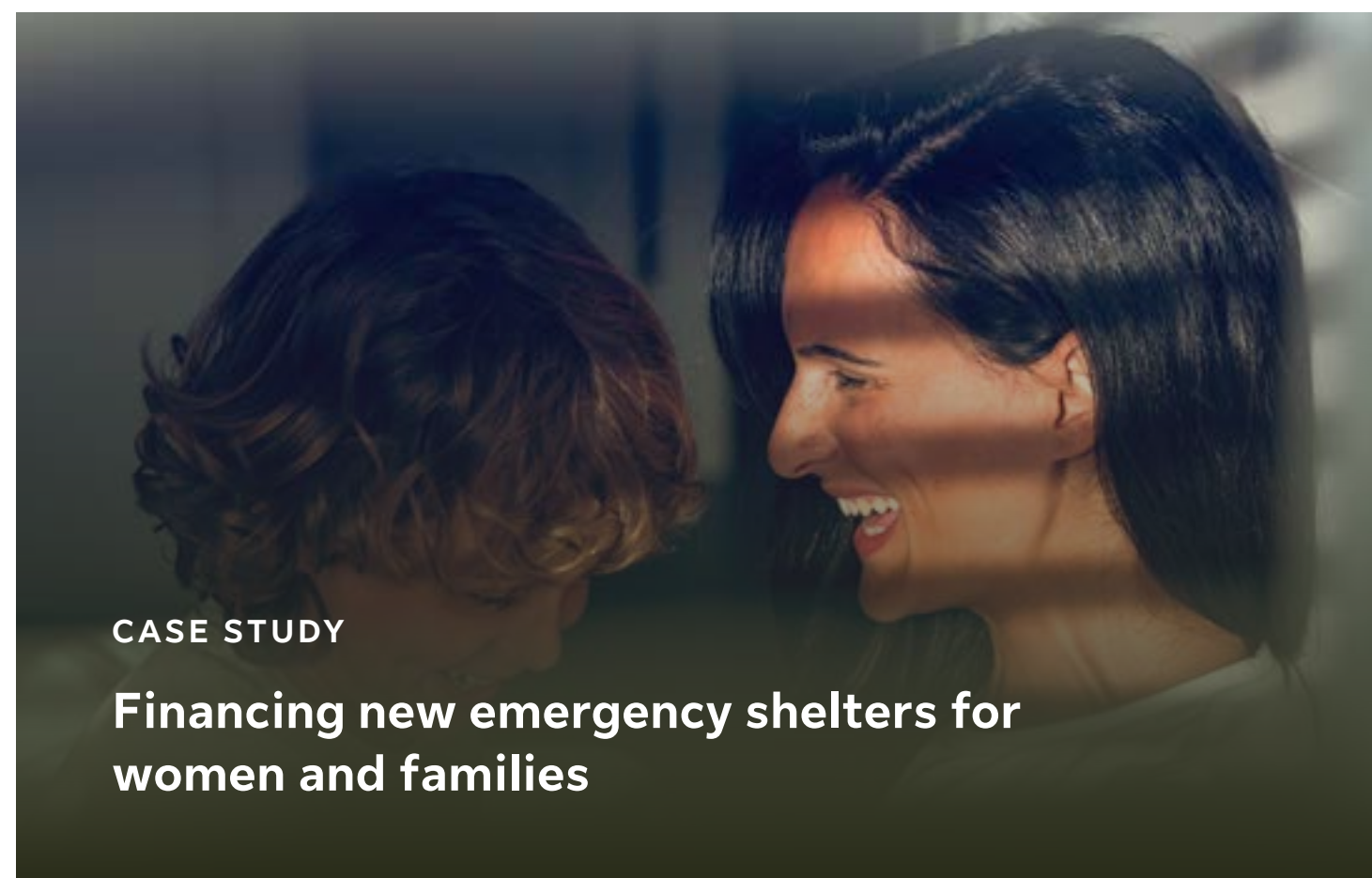
Revenue streams are stable in nature and backed by a long-term operating funding license and construction funding subsidy. There is a lifecycle management covenant to ensure the home is well maintained over the life of the investment.

The operator is a large, well-established and active participant in the long-term care sector. The senior management team is well versed in managing multi-facility seniors' care assets.

OUTCOME

SLC Fixed Income clients are the sole lenders in this issuance. We believe the investment has a strong credit profile and can offer attractive relative value to comparably rated public bonds.

Our active participation in the long-term care industry in Canada not only helps meet the sector's financing needs. It also addresses the social sustainability needs of a rapidly aging population.



Emergency shelters provide vital support and safe housing to vulnerable populations. Access, however, is often limited due to a lack of available space on account of high demand.

SLC Fixed Income has helped address this critical need by financing two emergency shelters in a large U.S. city.

Family shelter: We are a co-lead investor in a financing for a family homeless shelter. The shelter will provide transitional housing facilities and services for women and families with at least one child under age 18.

Women's shelter: We are a co-lead investor in a financing for a purpose-built, 200-bed women's shelter. The shelter is one of two women's intake and assessment shelters in the city, providing 24/7 intake services. The shelter is accessible in accordance with the Americans with Disabilities Act.

The shelter operator is a national leader in shelter development and operation.

OUTCOME

The financing of these two emergency shelters offers attractive relative value to this city's public bonds. With the shelters being city-financed, the loans are of high credit quality, with loan repayments stipulated under a multi-decade human services contract. We remain focused on this sector as opportunities emerge.

¹⁹ Case studies are for illustrative purposes only. Any reference to a specific asset does not constitute a recommendation to buy, sell or hold or directly invest in it. It should not be assumed that any investment will be profitable or will equal the results of the assets discussed in this document. Assets represent investments of SLC Fixed Income, which are managed on a discretionary and non-discretionary basis for Sun Life's General Account and certain third-party clients.



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Engagement & industry initiatives

Engagement & industry initiatives

SLC Fixed Income participates in engagement and industry initiatives to continue to increase our insights and expertise in this area, help support our role as a fiduciary to our clients and help our clients achieve their investment goals.

We engage with companies to help inform our understanding of relevant ESG risks that may lead to improved long-term performance. We hope to better understand ESG risks and to work with companies on issues, including climate change, that could have a material impact on the value of their securities. We do this as a part of our investment process under our fiduciary duty to our clients.

We prioritize engagement on climate change as a key consideration for our client's investment mandates and objectives and as one of the most broadly impactful areas of investment risk.

In addition to the industry initiatives we participate in, a selection of which are listed below, we regularly discuss ESG matters in meetings with corporate management teams which can provide an opportunity to better understand ESG matters relevant to the issuer.

Canadian Coalition of Good Governance (CCGG)

Representing the interests of institutional investors, the CCGG promotes good governance practices in Canadian public companies, including improvements of the regulatory environment and efficiency and effectiveness of the Canadian capital markets. In 2023, CCGG completed meetings with the boards of 34 different TSX-listed issuers. Of those 34 meetings, 6 represented CCGG's first meeting with the company's board.²¹

We support the [CCGG Stewardship Principles](#) and strive to implement the principles where relevant to SLC Fixed Income. Our annual Sustainable Investing Report is part of our commitment to disclose our approach to stewardship.

Institutional Investors Group on Climate Change (IIGCC)

In 2023, SLC Fixed Income joined the IIGCC, an industry initiative of investors working on climate issues in support of net zero and a climate resilient future. IIGCC has more than 400 members across 27 countries, with over US\$65 trillion in assets under management.²²

International Financial Reporting Standards (IFRS) Foundation Sustainability Alliance

SLC Management is a member of the IFRS Sustainability Alliance, a global membership programme comprised of organizations who are exploring and developing best practices relevant to sustainability standards and integrated reporting. The Alliance offers curated insights, educational opportunities, and peer-to-peer networking for its members. Its resources include the Sustainability Accounting Standards Board (SASB), which guide the disclosure of financially material sustainability information by companies to investors. The SASB Standards are used as a reference when we identify key ESG factors by industry.

²⁰ climateengagement.ca

²¹ <https://ccgg.ca/engagement-program/>

²² <https://www.iigcc.org/our-members>



As an active investor, dialogue with issuers is a complementary part of SLC Fixed Income's investment process. In 2021, SLC Fixed Income became a founding participant of CEC. The initiative aims to support Canada's business transition to net zero by engaging with 41 of Canada's highest emitting companies to encourage best practices around climate change disclosures, emissions reduction targets, risks and opportunities. Since its inception, CEC has grown to 46 institutional investors collectively managing over C\$6 trillion in assets.²⁰

SLC Fixed Income is involved in several engagements as part of CEC. In addition, our North American Public Fixed Income ESG Lead, Olesya Zhovtanetska, Managing Director, Public Fixed Income & ESG, is on CEC's Industry Leaders Advisory Panel.

We select the companies with whom we engage through CEC based on their scale, impact on the environment and role in facilitating the energy transition, among other factors. Some of the engagements we participate in with CEC are related to multi-year engagements in which we previously participated and have now moved to CEC, allowing SLC Fixed Income to continue our dialogue with key companies based in Canada.

Along with other institutional investors, we are engaged with issuers in the consumer staples, energy and utilities sectors. The investor engagement groups often meet with senior company executives and members of the sustainability team. In an effort to provide a clear and consistent framework, the CEC Net Zero Benchmark outlines common standards to help investors evaluate corporate issuers' progress towards aligning with the ambition of the Paris Agreement.

The conversations we have with issuers through this initiative, along with the resources provided by CEC, help us to better identify environmental issues that are material to company financial risks, understand companies' environmental strategies and can inform our ESG analysis.

Engagement & industry initiatives

Responsible Investment Association (RIA)

The RIA is a network of investors and investment professionals who practice and support responsible investment. RIA's mandate is to promote the adoption of responsible investing in Canada's retail and institutional markets. SLC Fixed Income participates in the RIA's education and information initiatives. We participate alongside Sun Life as a Sustaining Member of the RIA.

Private Placement Investors Association (PPiA)

The PPiA is a business association of institutional investors that are active, direct investors in the primary market for privately placed debt instruments. SLC Management is a member of the PPiA Corporate Sustainability Standards Committee. In 2022, the committee launched a questionnaire to provide clarity regarding ESG data gathering needs and achieve process efficiency and consistency for issuers, agents and investors. In 2023, efforts focused on broadening the use of the questionnaire. The ESG Corporate Sustainability Questionnaire is publicly available on the PPiA website.

Canadian Bond Investors' Association (CBIA)

The CBIA represents over 50 of the largest fixed income institutional investor organizations in Canada, with over C\$2.7 trillion in fixed-income assets under management.²³ One of the CBIA's objectives is to be an advocate for positive change in the Canadian fixed income market. We are a member of the CBIA's ESG Committee.

Partnership for Carbon Accounting Financials (PCAF)

In 2022, SLC Fixed Income joined PCAF, an industry-led initiative to facilitate transparency and accountability of financed emissions within the financial industry. Members assess and disclose the GHG emissions associated with their loans and investments in line with the PCAF Standard.

Net Zero Asset Managers (NZAM) initiative

The NZAM initiative is an international group of asset managers who are committed to supporting the goal of net zero emissions by 2050 or sooner. SLC Fixed Income joined NZAM in 2022 to support clients with net zero investment commitments, and in 2023, our first set of interim targets were accepted by NZAM. These targets apply to assets managed for the General Account of our parent company, Sun Life.

Principles for Responsible Investment (PRI)

The United Nations supported PRI is one of the world's leading organizations for responsible investment representing over 4,800 investor signatories.²⁴ SLC Management has been a signatory of the PRI since 2014.

SLC Management received a three-star rating in the latest PRI assessment²⁵ for the modules of: *Policy Governance and Strategy, Direct – Fixed Income – SSA, Direct – Fixed Income – Corporate, Direct – Fixed Income – Securitized, Direct – Fixed Income – Private Debt, Confidence-building measures.*

²³. bondinvestors.ca

²⁴. As of March 31, 2023, [PRI 2022-2023 Annual Report](#)

²⁵. Rating was issued on 12/15/2023 by PRI and is based on information as of 12/31/2022. Please [click here](#) for information relating to the methodology of assessment. Compensation, inclusive of membership fees as relevant, has been provided for survey participation, ranking and/or rating issuance as applicable.





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Our affiliated companies

Our affiliated companies

SLC Fixed Income's global reach and capabilities have grown with the partnerships we have built through SLC Management's affiliated companies, BGO, InfraRed Capital Partners, Crescent Capital Group, and Advisor's Asset Management. While each firm has a unique focus, we all share a strong and common commitment to sustainable economic growth.



BGO is a leading, real estate investment management advisor and a provider of real estate services, globally. BGO serves the interests of more than 750 institutional clients with approximately US\$83/C\$109 billion of assets under management* and expertise in the asset management of office, industrial, multi-residential, retail and hospitality properties across the globe. BGO's ESG approach is directly tied to their investment strategies and designed to match a range of client and investor risk and return expectations. As a fiduciary, BGO approaches Sustainable Investing from both a risk mitigation and a value creation perspective, to help enhance the long-term financial and operational resiliency of the asset. For more information on sustainable investing from BGO visit: www.bgo.com/esg



InfraRed Capital Partners Limited (InfraRed) is an international infrastructure asset manager. Over the past 25 years, InfraRed has established itself as a highly successful developer and steward of infrastructure assets that play a vital role in supporting communities. InfraRed manages US\$13/C\$18 billion* of equity capital for investors around the globe, in listed and private funds across both core and value-add strategies. A long-term, sustainability-led mindset is integral to how InfraRed operates as it aims to achieve lasting success. InfraRed integrates ESG considerations into its investment processes and transparently reports on progress. You can read more about this by visiting: <https://www.ircp.com/>



Crescent Capital Group LP (Crescent) is a global credit investment manager, with over US\$42/C\$57 billion in assets under management. For over 30 years, the firm has focused on below investment grade credit through strategies that invest in marketable and privately originated debt securities including senior bank loans, high yield bonds, as well as private senior, unitranche and junior debt securities. Crescent believes that a thorough analysis of ESG-related issues is essential to understanding a company's long-term sustainability, risk and opportunities and credit quality. You can read more about Crescent's Responsible Investing policies by visiting: <https://www.crescentcap.com/>



Advisors Asset Management (AAM) is a highly respected financial force providing complete portfolio solutions tailored to the individual needs of financial professionals. They offer access to alternatives, exchange-traded funds, the fixed income markets, mutual funds, managed accounts, structured products and unit investment trusts. AAM is proud of the long-term relationships they have built with financial professionals, providing innovative investments and services that are relevant and have the potential to meet today's challenges. In 2023, AAM facilitated over \$36 billion in combined sales and investments through 16,700 financial professionals industry-wide who accessed AAM's investment solutions platform.** You can read more about AAM's accomplishments by visiting: <https://www.aamlive.com/aboutus/home>

*Financial information provided as of December 31, 2023.

** Of the \$36 billion, approximately \$9 billion were Exchange-Traded Fund (ETF), Managed Account (SMA), Mutual Fund, and Unit Investment Trust (UIT) assets, while \$27 billion was in fixed income securities, including bonds and structured products.

Disclosure

Sun Life is an international financial services organization providing asset management, wealth, insurance and health solutions to individual and institutional Clients. Sun Life has operations in a number of markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda. For more information, please visit www.sunlife.com.

Sun Life Financial Inc. trades on the Toronto (TSX), New York (NYSE) and Philippine (PSE) stock exchanges under the ticker symbol SLF.

SLC Management is the brand name for the institutional asset management business of Sun Life under which the entities Sun Life Capital Management (U.S.) LLC in the United States, and Sun Life Capital Management (Canada) Inc. in Canada operate. BGO, InfraRed Capital Partners (InfraRed), Crescent Capital Group (Crescent) and Advisors Asset Management (AAM) are also part of SLC Management. "SLC Fixed Income" refers to the investment grade and private fixed income business of SLC Management, represented by Sun Life Capital Management (U.S.) LLC in the United States and Sun Life Capital Management (Canada) Inc. in Canada. SLC Fixed Income offers pooled funds, separately managed accounts and other securities-based investment advisory services with the support of the investment operations of SLC Management.

Sun Life Capital Management (Canada) Inc. is a Canadian registered portfolio manager, investment fund manager, exempt market dealer and in Ontario, a commodity trading manager. Sun Life Capital Management (U.S.) LLC is registered with the U.S. Securities and Exchange Commission as an investment adviser and is also a Commodity Trading Advisor and Commodity Pool Operator registered with the Commodity Futures Trading Commission under the Commodity Exchange Act and Members of the National Futures Association. In the U.S., securities are offered by Sun Life Institutional Distributors (U.S.) LLC, a SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA).

BGO is a global real estate investment management advisor and provider of real estate services. In the U.S., real estate mandates are offered by BentallGreenOak (U.S.) Limited Partnership, who is registered with the SEC as an investment adviser or Sun Life Institutional Distributors (U.S.) LLC, an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA). In Canada, real estate mandates are offered by BentallGreenOak (Canada) Limited Partnership, BGO Capital (Canada) Inc. or Sun Life Capital Management (Canada) Inc. BGO Capital (Canada) Inc. is a Canadian registered portfolio manager and exempt market dealer and is registered as an investment fund manager in British Columbia, Ontario and Quebec.

InfraRed Capital Partners is an international investment manager focused on infrastructure. Operating worldwide, InfraRed manages equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed Capital Partners Ltd. is authorized and regulated in the UK by the Financial Conduct Authority.

Crescent Capital Group is a global alternative credit investment manager registered with the U.S. Securities and Exchange Commission as an investment adviser. Crescent provides private credit financing (including senior, unitranche and junior debt) to middle-market companies in the U.S. and Europe, and invests in high-yield bonds and broadly syndicated loans.

AAM is an independent U.S. retail distribution firm that provides a range of solutions and products to financial advisors at wirehouses, registered investment advisors and independent broker-dealers.

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Unless otherwise stated, all figures and estimates provided have been sourced internally and are as of December 31, 2023. Currency is provided in both Canadian and U.S. dollars unless otherwise stated. Examples of sustainable investment actions and outcomes, and engagement initiatives may include financial data in either USD or CAD depending on the geography of the investment/initiative. Past performance is not indicative of future results.

Market data and information included herein is based on various published and unpublished sources considered to be reliable but has not been independently verified and there is no guarantee of its accuracy or completeness. This content may present materials or statements which reflect expectations or forecasts of future events. Such forward-looking statements are speculative in nature and may be subject to risks, uncertainties and assumptions and actual results which could differ significantly from the statements. As such, do not place undue reliance upon such forward-looking statements. All opinions and commentary are subject to change without notice and are provided in good faith without legal responsibility. Unless otherwise stated, all figures and estimates provided have been sourced internally and are current as at the date of the publish unless separately stated. All data is subject to change.

This material may contain examples of the firm's internal ESG research program and is not intended to represent any particular product or strategy's performance or how any particular product or strategy will be invested or allocated at any particular time. SLC Management's ESG processes, rankings and factors may change over time, and may vary based on investment team, client mandate and strategy. Third party ESG data is an input into our proprietary evaluations of ESG risk. Information regarding a company's ESG practices obtained through third-party reporting may not be accurate or complete. Absent common regulatory ESG standards and definitions, this data may be inconsistent among providers and is subject to change. ESG integration is the incorporation of financially material environmental, social and governance (ESG) data or information into the investment decision process with the objective of risk-adjusted returns. Unless otherwise stated in the investment objectives, reference to ESG integration does not imply that any product has an ESG-aligned investment objective or strategy, but rather describes how ESG data or information may be considered as part of the overall investment process.

SLC Management and SLC Fixed Income firm level assets under management are provided as of December 31, 2023. SLC Management firm level AUM represents combined assets of Sun Life Capital Management (Canada) Inc., Sun Life Capital Management (U.S.) LLC., BGO, InfraRed Capital Partners, Crescent Capital Group LP, and Advisors Asset Management Inc. (AAM). Total firm AUM includes cash and other, and unfunded commitments; cash and other includes US\$2.5/C\$3.4 billion in AAM equity; unfunded commitments are approximately US\$22/C\$30 billion. Total firm AUM excludes US\$37/C\$50 billion in assets under administration by AAM. SLC Fixed Income firm level AUM represents combined assets of Sun Life Capital Management (Canada) Inc., and Sun Life Capital Management (U.S.) LLC., and excludes BGO, InfraRed Capital Partners, Crescent Capital Group LP, and Advisors Asset Management Inc.

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