

Sun Life
**Sustainability Bond
Framework**
March 2019



Life's brighter under the sun



Background

At Sun Life, our Purpose is to help our Clients achieve lifetime financial security and live healthier lives. Our focus on sustainability helps us bring this Purpose to life – and is central to our business strategy. Our ambition to be one of the best insurance and asset management companies in the world is intertwined with our goal of building sustainable, healthier communities for life. We work hard to embed sustainable practices into our business and tackle social and environmental challenges ranging from rising diabetes rates to climate change.

By issuing Sustainability Bonds, we are demonstrating our commitment to embed sustainability into our business while contributing positively to society and advancing technologies that enable the transition to a lower-carbon economy.

We make strategic investments in infrastructure projects that enhance community health and sustainability.

When managing and investing in real estate, Sun Life strives to be a socially and environmentally responsible landlord and property owner. We seek to own and develop real estate assets that have a sustainable footprint, achieved through proactive management of environmental impacts.

FRAMEWORK OVERVIEW

For the purpose of issuing Sustainability Bonds, Sun Life has developed the following framework, which addresses the four core components of the ICMA Green Bond Principles¹, the ICMA Social Bond Principles² and the ICMA Sustainability Bond Guidelines³ and their recommendations on the use of external reviews and impact reporting:

- I. Use of proceeds
- II. Project selection and evaluation process
- III. Management of proceeds
- IV. Reporting

¹ International Capital Markets Association, “The Green Bond Principles (GBP) 2018”, published on June 14, 2018. <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>







² International Capital Markets Association, “The Social Bond Principles (GBP) 2018”, published on June 14, 2018. <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ International Capital Markets Association, “The Sustainability Bond Guidelines (SBG) 2018”, published on June 14, 2018. <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

I. Use of proceeds

An amount equal to the proceeds of each Sustainability Bond will be used to finance or re-finance, in part or in full, new and/or existing green or social assets within Sun Life's General Account that meet the Eligibility Criteria defined below ("Eligible Assets").

Eligible Assets include existing green or social assets funded up to 24 months prior to the Sustainability Bond issuance date and new green or social assets acquired post issuance. It is Sun Life's intention to fully allocate the net proceeds of a Sustainability Bond within 18 months of its issuance.

Eligible Category per ICMA Green Bond Principles and ICMA Social Bond Principles	Eligibility Criteria
 <p>1. Renewable Energy</p>	<p>Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources, including:</p> <ul style="list-style-type: none"> 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 assessment⁴) v. Biomass (waste or other non-food feedstock that does not deplete existing terrestrial carbon pools)
 <p>2. Energy Efficiency</p>	<p>Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> i. Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment 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
 <p>3. Green Buildings</p>	<p>Investments in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, or energy ratings such as:</p> <ul style="list-style-type: none"> i. LEED: Platinum or Gold ii. Other equivalent certification schemes, such as BOMA BEST, ENERGY STAR
 <p>4. Clean Transportation</p>	<p>Investments in sustainable and efficient transit infrastructure including:</p> <ul style="list-style-type: none"> i. Rolling stock, infrastructure and vehicles for fully electric or non-motorized public transport ii. Infrastructure dedicated to mass public transportation
 <p>5. Sustainable Water Management</p>	<p>Investments in facilities and equipment that reduce water consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> 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 waste water iii. Infrastructure for flood prevention, flood defense or storm-water management
 <p>6. Access to Essential Services</p>	<p>Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services including:</p> <ul style="list-style-type: none"> 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

⁴To determine if other hydroelectricity facilities > 25 MW constitute an Eligible Asset, we will assess the investment relative to our 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. Our ESG assessment will be subject to review by a qualified third party.

II. Project selection and evaluation process

Sun Life has established a Sustainability Bond Council, comprising members of senior management, including the Chief Investment Officer, the Treasurer and Head of Capital Planning and the VP Government, Regulatory Affairs & Sustainability (or equivalent roles) which will be responsible for the ultimate review and selection of assets that will qualify as Eligible Assets, to which the net proceeds of each Sustainability Bond issuance will be allocated.

Sun Life's investment team will identify existing and future green or social assets, which meet our sustainable investment approach and propose them to the Sustainability Bond Council for review and confirmation in accordance with the Eligibility Criteria defined in the Sun Life Sustainability Bond Framework.

To evaluate the eligibility of social assets, the Sustainability Bond Council will consider the assets' potential positive social outcomes for target populations (such as low-income or marginalized communities and vulnerable groups) as well as the general public.

Sun Life's Sustainable Investment Approach and Risk Mitigation

We believe it is important to promote livable, inclusive and resilient cities by investing in local infrastructure projects. In addition to generating employment, these projects can help address social, economic and environmental challenges like making cities more livable and addressing climate change, while contributing to sustainable development.

We believe sustainable investing can improve the long-term return on our assets. Such sustainability practices can help achieve superior sustainable investing results while also benefiting the communities where we live and do business. Incorporating an environmental, social and governance (ESG) lens in investment decision-making helps us to manage risks in our investment portfolios and to identify opportunities related to ESG trends.

Our approach to sustainable investing is built on the following elements:

- We invest sustainably to improve the long-term risk-adjusted return on Client assets.
- We factor non-financial risks/issues into our investment decisions.
- Our process for identification, measurement and management of nonfinancial risks is dynamic.
- For each asset class we invest in, we document our sustainable investing efforts.
- We report on our sustainable investing practices on a regular basis – and do so clearly and transparently.
- We are actively engaged in broader sustainability initiatives.
- We promote a sustainability culture among our employees.

For each asset class in which we invest, we track and communicate our sustainable investing efforts to ensure consistent analysis across all our investments. We believe in engaging and collaborating with the entities in which we invest to improve their sustainability policies and activities, and seek greater disclosure of sustainability risk metrics.

Our research analysts and portfolio managers seek to embed all financially material ESG factors into their broader financial analysis for each investment. As a result, our investment team assesses various ESG topics. The team's assessment of these risks is based on input from a variety of internal and external sources.

Our commitment to Sustainability is set out in our Code of Business Conduct that governs the behavior of every Sun Life Employee and advisor. We report on our progress in our annual Sustainability Report (available at sunlife.com/sustainability), the content of which is reviewed and approved by the Governance, Nomination and Investment Committee of our Board of Directors. Furthermore, Sun Life's Environmental Operating Guideline provides guidance on how our investment teams assess and monitor the environmental risks within our real estate, mortgages and other infrastructure projects.



III. Management of proceeds

Sun Life will establish a Sustainability Bond Register in relation to Sustainability Bonds issued by Sun Life for the purpose of recording the Eligible Assets and the allocation of an amount equal to the net proceeds from Sustainability Bonds to Eligible Assets. The Sustainability Bond Register will contain relevant information to identify each Sustainability Bond and the Eligible Assets relating to it and will form the basis of Sun Life's Sustainability Bond Report.

The Sun Life Treasury Team will maintain and update the Sustainability Bond Register, which will be reviewed quarterly by the Sustainability Bond Council.

The amount equal to the net proceeds of the Sustainability Bonds issued by Sun Life will be earmarked for allocation in the Sustainability Bond Register in accordance with this Sustainability Bond Framework.

Sun Life aims to have fully allocated each Sustainability Bond within 18 months of issuance.

It is Sun Life's intention to maintain an aggregate amount of Eligible Assets that is at least equal to the aggregate net proceeds of all Sustainability Bonds that are concurrently outstanding. However, there may be periods when a sufficient aggregate amount of Eligible Assets have not yet been allocated to fully cover the net proceeds of all outstanding Sustainability Bonds, either as the result of changes in the composition of Sun Life's green or social assets or the issue of additional Sustainability Bonds. Any portion of the net proceeds of Sustainability Bonds that have not been allocated to Eligible Assets in the Sustainability Bond Register will be managed in accordance with Sun Life's normal liquidity activities.

Payment of principal and interest on any Sustainability Bond issuance will be made from Sun Life's General Account and will not be directly linked to the performance of any Eligible Asset.

IV. Reporting

Allocation Reporting

Within one year of the issuance of a Sustainability Bond and as long as there are outstanding Sustainability Bonds issued under this framework, Sun Life will publish a report on its

website. The Sun Life Sustainability Bond report will be updated every year until allocation is complete, and thereafter, as necessary in case of new developments.

The Sun Life Sustainability Bond Report will contain at least the following:

1. Confirmation that the use of proceeds of the Sustainability Bond complies with the Sun Life Sustainability Bond Framework;
2. The amount of proceeds allocated to each Eligible Category;
3. For each Eligible Category, one or more examples of Eligible Assets financed, in whole or in part, by the proceeds obtained from the Sustainability Bond, including their general details (brief description, location, stage, i.e. construction or operation);
4. The balance of unallocated net proceeds

Sun Life recognizes investor's preference for enhanced information on Use of Proceeds. Where possible we will provide further information and examples of eligible businesses and projects financed by a Sustainability Bond. Where feasible, this may include qualitative and (if reasonably practicable)

quantitative environmental and social performance indicators. In all cases information with respect to borrowers and their businesses and projects will be subject to permitted disclosure in accordance with relevant confidentiality agreements and competition issues.

V. External review

Before issuing its first Sustainability Bond, Sun Life has obtained an independent Second Party Opinion on its Sustainability Bond Framework, which will be published on the Sun Life website prior to the issuance of this Sustainability Bond.

Prior to the first anniversary of the issuance of a Sustainability Bond, Sun Life will request a qualified independent external reviewer to review the green or social assets linked to the Sustainability Bond proceeds, in order to assess compliance

with the Sun Life Sustainability Bond Framework. This review will be carried out annually until the full allocation of an amount equal to the net proceeds from the Sustainability Bond. Sun Life will post the external review report on its website. In the unlikely event that the annual review identifies allocations to projects that do not comply with the Sun Life Sustainability Bond Framework, Sun Life will allocate the corresponding amounts to different assets that comply with the Sun Life Sustainability Bond Framework.

Disclaimer: This Sustainability Bond Framework is not an offer of, or invitation to apply for, or a recommendation to buy securities to any person in any jurisdiction. Any offers or invitations to apply for securities will be made only in accordance with all applicable laws.



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