

# Second-Party Opinion

## Sun Life Sustainability Bond Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Sun Life Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 6, 7, 10, 11, 12, 14 and 15.



**PROJECT EVALUATION AND SELECTION** SLC Management is responsible for maintaining and updating an inventory of general account assets that are eligible under the Framework. Sun Life's Sustainability Bond Council, which includes the Chief Investment Officer, Treasurer and Head of Capital Planning, and Chief Sustainability Officer, will be responsible for evaluating and selecting eligible assets semi-annually. SLC Management is responsible for managing environmental and social risks associated with the financed projects. This is aligned with market practice.



**MANAGEMENT OF PROCEEDS** SLC Management will be responsible for tracking and managing proceeds through the Company's Sustainable Bond Register. Sun Life intends to fully allocate proceeds within 18 months of issuance. Pending allocation, unallocated proceeds will be managed according to Sun Life's normal liquidity practices. This is aligned with market practice.



**REPORTING** Sun Life commits to report on the allocation of proceeds on an annual basis until full allocation publicly on its website. Allocation reporting will include funds raised from each sustainability bond, an overview of the allocated funds to each eligible project category, the amount of unallocated proceeds and the financing versus refinancing amounts. In addition, Sun Life is committed to reporting on relevant impact metrics. Sustainalytics considers the allocation and impact reporting commitments to be aligned with market practice.



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<b>Issuer Location</b>	Toronto, Canada

### Report Sections

Introduction.....	2
Sustainalytics' Opinion.....	3

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<sup>1</sup> The use of proceeds categories are: Renewable Energy; Energy Efficiency; Green Buildings; Clean Transportation; Sustainable Water and Wastewater Management; Environmentally Sustainable Management of Living Natural Resources and Land Use; Circular Economy Adapted Products, Production Technologies and Processes and Certified Eco-Efficient Products; Terrestrial and Aquatic Biodiversity; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; and Socioeconomic Advancement and Empowerment.

## Introduction

Sun Life Financial Inc. (“Sun Life” or the “Company”) is an international financial services company that provides insurance, wealth and asset management solutions to individuals and corporate clients. Founded in 1865 and headquartered in Toronto, Canada, Sun Life has operations in 28 countries and serves more than 85 million clients worldwide as of 2023.<sup>2</sup>

Sun Life has developed the Sun Life Sustainability Bond Framework dated April 2024 (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance or refinance, in whole or in part, projects that are expected to facilitate the transition to a low-carbon economy and contribute to the social and environmental goals set out by the Company.

The Framework defines eligible projects under the following environmental categories:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water and Wastewater Management
6. Environmentally Sustainable Management of Living Natural Resources and Land Use
7. Circular Economy Adapted Products, Production Technologies, and Processes and Certified Eco-Efficient Products
8. Terrestrial and Aquatic Biodiversity

The Framework defines eligible projects under the following social categories:

9. Access to Essential Services
10. Affordable Housing
11. Affordable Basic Infrastructure
12. Socioeconomic Advancement and Empowerment

Sun Life engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2023 (SBP).<sup>3</sup> The Framework will be published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Sun Life’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Sun Life representatives have confirmed (1) they understand it is the sole responsibility of Sun Life to ensure that the

<sup>2</sup> Sun Life, “Sun Life at a glance”, at: <https://www.sunlife.com/en/investors/financial-results-and-reports/annual-reports/>

<sup>3</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>4</sup> The Sun Life Sustainability Bond Framework will be available on Sun Life Financial Inc’s website at: <https://www.sunlife.com/en/sustainability/data-and-reports/>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Sun Life.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Sun Life has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Sun Life Sustainability Bond Framework

Sustainalytics is of the opinion that the Sun Life Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of Sun Life's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP and SBP. The use of proceeds categories are: Renewable Energy; Energy Efficiency; Green Buildings; Clean Transportation; Sustainable Water and Wastewater Management; Environmentally Sustainable Management of Living Natural Resources and Land Use; Circular Economy Adapted Products, Production Technologies and Processes and Certified Eco-Efficient Products; Terrestrial and Aquatic Biodiversity; Access to Essential Services; Affordable Housing; Affordable Basic Infrastructure; and Socioeconomic Advancement and Empowerment.
  - Sun Life may finance general-purpose loans to pure play companies that derive more than 90% of their turnover or revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics believes that project- and activity-based lending provides more direct environmental and social benefits and enhances compliance with the criteria in the Framework, but the financing of pure play companies through sustainable bonds proceeds is a commonly accepted approach that is likely to generate positive impacts.
  - Under the Renewable Energy category, Sun Life may finance or refinance investments in facilities and equipment dedicated to the generation, transmission and distribution of onshore and offshore renewable energy from technologies such as wind, solar, geothermal, hydropower, bioenergy, waste-to-energy, green hydrogen production, distributed energy projects and energy storage, in accordance with the following criteria:
    - Offshore renewable energy may include wind and solar energy facilities, with vessels and equipment that are fully dedicated to install, operate and maintain those facilities, including wind turbine installation vessels. Sun Life has communicated to Sustainalytics that the vessels used for the transportation of fossil fuels will be excluded from financing under the Framework.
    - The emissions intensity of geothermal facilities will be at or below 100 gCO<sub>2</sub>e/kWh.

- Hydropower energy will include: i) new hydropower projects that became operational after 2020 with life cycle emissions intensity below 50 gCO<sub>2</sub>e/kWh or power density higher than 10 W/m<sup>2</sup>; ii) existing hydropower plants that became operational before 2020 with life cycle emissions intensity below 100 gCO<sub>2</sub>e/kWh, power density higher than 5 W/m<sup>2</sup> or iii) run-of-river plants without artificial reservoir.
- Sun Life has communicated to Sustainalytics that all hydropower projects financed under the Framework will be subject to an environmental and social risk assessment to ensure that no significant risks, negative impacts or controversies related to the projects are identified.
- Bioenergy projects that use waste feedstock with direct emissions intensity below 100 gCO<sub>2</sub>e/kWh. Sun Life has communicated to Sustainalytics that: i) feedstock will not be sourced from land with high biodiversity; ii) palm oil effluents will be sourced from RSPO- or ISCC-certified operations; iii) in the case of used cooking oil, the source of the oil will be tracked in a credible manner; iv) sewage sludge from the by-products of fossil fuel operations, animal oil, fats and other animal processing by-products including waste tallow will be excluded.
- Waste-to-Energy projects that use municipal solid waste and other industrial waste. Sun Life has communicated to Sustainalytics that: i) most of the recyclables will be segregated before energy conversion; ii) industrial waste will exclude the waste streams of fossil fuel operations; and iii) plastics, rubber and tire-derived fuels will not be converted into energy or fuel.
  - Sustainalytics recognizes that deriving energy from municipal solid waste can help manage residual waste, although the potential incineration of recyclable materials does not contribute to two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, the composition of residual waste is a crucial consideration for such projects to have low emissions intensities, particularly in terms of their fossil carbon content. Sustainalytics encourages Sun Life to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
- Green hydrogen production facilities that produce hydrogen through water electrolysis powered by renewables.
- Distributed energy projects such as distributed solar photovoltaics, microgrids and energy storage systems.
  - Sustainalytics recognizes the critical need to expand utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected, and that deploying such assets to carbon-intensive grids or associated systems may result in increased emissions. Sustainalytics encourages the Company to prioritize installing storage systems on grids that follow a credible decarbonization pathway<sup>6</sup> and to report on the positive impact of such installing, where feasible.
  - Sun Life has confirmed to Sustainalytics that microgrids financed under the Framework will be used for emergency backup for schools, hospitals or government buildings and will be powered primarily by renewable energy such as solar PVs while fossil fuel backup of such microgrids will be limited to 15%.
  - Sun Life has communicated to Sustainalytics that the assets financed under this category will not be directly connected to, or installed on transmission lines that are dedicated to fossil fuel power plants.
- Sustainalytics views the expenditures under this category to be aligned with market practice.

<sup>6</sup> Sustainalytics considers a transmission and distribution grid to be aligned with a credible decarbonization pathway if it meets either of the following criteria: i) more than 67% of newly enabled generation installed capacity in the system is below 100 gCO<sub>2</sub>e/kWh measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period; or ii) the average system grid emissions factor is below 100 gCO<sub>2</sub>e/kWh over a rolling five-year period.

- Under the Energy Efficiency category, Sun Life may finance or refinance investments in projects, systems and equipment intended to reduce energy consumption or improve the efficiency of resources, including:
  - Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and building envelope improvements. Sun Life has confirmed that allocation of the investments will be pro-rated to exclude the financing of fossil fuel-powered equipment.
    - In relation to energy-efficient HVAC systems, Sustainalytics encourages the Company to consider low-GWP refrigerants and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - District heating networks and heat recovery systems to capture and recycle waste heat, excluding waste heat from fossil fuel operations and production.
  - Smart grid systems to improve energy efficiency in the delivery of bulk energy services, excluding energy efficiency measures to transmission lines dedicated or directly connected to fossil fuel power.
    - Sustainalytics notes that the Framework allows for allocation to smart grid investments, without further defining the applications of the equipment. Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Sun Life to select projects that are clearly anticipated to deliver tangible efficiency improvements.
  - Smart meters, load control systems, demand response, sensors or building information systems that enable monitoring and optimization of the amount and timing of energy consumption of buildings. Sustainalytics notes that the Framework may include financing smart meters for natural gas in buildings. While noting that the financing of these assets is consistent with the EU Taxonomy Delegated Act<sup>7</sup>, Sustainalytics notes that such investments may prolong fossil fuel consumption.
  - Sustainalytics encourages Sun Life to report on estimated or achieved energy efficiency gains, where feasible.
  - Sustainalytics views expenditures under this category to be aligned with market practice.
- Under the Green Buildings category, Sun Life may finance or refinance expenditures related to the acquisition, construction, development, renovation, operation and maintenance of new and existing commercial and residential buildings that: i) belong in the top 15% energy-performing buildings in the national or regional building stock based on emissions intensity performance or primary energy demand; or ii) have achieved or are expected to achieve one of the following green building certifications:
  - LEED<sup>8</sup> Gold or Platinum; Zero Carbon Building Certification – Design and Performance Standard;<sup>9</sup> BOMA BEST<sup>10</sup> Gold or Platinum; Energy Star<sup>11</sup> with a score higher than 85; Passive House Institute – EnerPHit;<sup>12</sup> Toronto Green Standard<sup>13</sup> (Tier 2 or higher) and BC Step Code<sup>14</sup> (Step 3 or above).
  - Sustainalytics views the certification schemes specified in the Framework to be credible and the levels selected as aligned with market practice.
- Under the Clean Transportation category, Sun Life may finance or refinance investments in zero direct emissions electric vehicles (EV), supporting infrastructure for those vehicles and infrastructure dedicated to mass public transit, such as the construction of a subway line.
  - Supporting infrastructure for EVs may include financing electric charging stations and EV battery manufacturing facilities.

<sup>7</sup> European Commission, “EU Taxonomy Delegated Act”, at: <https://finance.ec.europa.eu/>

<sup>8</sup> LEED: <https://www.usgbc.org/leed>

<sup>9</sup> Zero Carbon Building: <https://www.cagbc.org/our-work/certification/zero-carbon-building-standard/>

<sup>10</sup> BOMA BEST: <https://bomabest.org/boma-best-sustainable/>

<sup>11</sup> Energy Star: <https://www.energystar.gov/buildings?s=mega>

<sup>12</sup> Passive House Canada, “EnerPHit Certification”, at: <https://www.passivehousecanada.com/enerphit-certification/>

<sup>13</sup> Toronto Green Standard: <https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/toronto-green-standard/>

<sup>14</sup> BC Energy Step Code: <https://energystepcode.ca/how-it-works/>

- Sun Life has communicated to Sustainalytics that expenses towards assets and projects that prolong the use of fossil fuel-powered transport will not be financed under this category. Among other assets and projects, the following are expressly excluded: construction and retrofits of road infrastructure, parking facilities and fossil fuel filling stations.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Under the Sustainable Water and Wastewater Management category, Sun Life may finance or refinance investments in facilities and equipment that reduce water consumption or improve the efficiency of resources. The projects and activities that may be financed under this category include:
    - Installation of water efficient products, technologies, xeriscaping and drought-tolerant landscaping. Sun Life has communicated to Sustainalytics that expenditures involving the following assets and projects are excluded: i) technologies that provide water for fossil fuel operations, fracking and mining; ii) equipment and techniques dependent on fossil fuels; and iii) landscaping projects including invasive and drought-tolerant species as a result of modified genetics.
    - Infrastructure for flood prevention, flood defence or stormwater management projects that have vulnerability assessments and adaptation plans to identify potential climate risks and relevant management strategies.
    - Projects for collection, treatment, recycling or reuse of water, rainwater or wastewater involving the following activities will be excluded: i) integrated water and power plants (IWPP) with fossil fuel power; ii) treatment of wastewater from fossil fuel operations; and iii) treatment facilities dedicated to industrial-scale livestock.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Sun Life may finance or refinance investments in: i) sustainable timbers, agricultural units and production activities certified or expected to be certified with credible third-party certification schemes; and ii) nature-based climate solutions promoting conservation, restoration and management of forests, grasslands and wetlands.
    - The Framework lists the following certification schemes for financing timber and agricultural units: Forest Stewardship Council (FSC);<sup>15</sup> Programme for the Endorsement of Forest Certification (PEFC);<sup>16</sup> Sustainable Forestry Initiative (SFI);<sup>17</sup> Sustainable Agriculture Initiative (SAI) Platform;<sup>18</sup> Canada Organic;<sup>19</sup> USDA Organic;<sup>20</sup> FAIRTRADE;<sup>21,22</sup> UTZ;<sup>23</sup> and Rainforest Alliance.<sup>24</sup>
    - For reforestation and afforestation projects: the tree species used will be well-adapted to the site conditions; there will be a sustainable management plan in place preferably certified to FSC or PEFC; there will be no use of agrochemicals; hunting, trapping, poisoning or culling of pest animals will be excluded.
    - Sun Life has communicated to Sustainalytics that certified agricultural units exclude industrial-scale meat processors and livestock units.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Under the Circular Economy Adapted Products, Production Technologies and Processes and Certified Eco-Efficient Products category, Sun Life may finance or refinance manufacturing of

<sup>15</sup> FSC: <https://fsc.org/en/fsc-standards>

<sup>16</sup> PEFC: <https://www.pefc.org/standards-implementation>

<sup>17</sup> SFI: <https://forests.org/standards/>

<sup>18</sup> Sustainable Agriculture Initiative (SAI) Platform: <https://saiplatform.org/>

<sup>19</sup> Canada Organic: <https://inspection.canada.ca/food-labels/organic-products/standards/eng/1300368619837/1300368673172>

<sup>20</sup> USDA Organic: <https://www.ams.usda.gov/grades-standards/organic-standards>

<sup>21</sup> FAIRTRADE: <https://www.fairtradecertified.org/>

<sup>22</sup> Regarding FAIRTRADE, Sustainalytics notes that the scheme primarily speaks to the social impacts of agricultural activities, and as such, activities are considered credible in the context of social financing.

<sup>23</sup> UTZ: <https://www.rainforest-alliance.org/utz/>

<sup>24</sup> Rainforest Alliance: <https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-farm-requirements/>



fully recyclable or compostable products from inputs such as bio-based materials, plastic, glass and aluminium. Sun Life has communicated to Sustainalytics that:

- All products financed under this category will be sourced by at least 90% recycled or bio-based materials and will not be intended for single-use consumer products.
  - The bio-based materials will be certified by RSB or ISCC.
  - For aluminum-based products, the virgin aluminum portion will have a carbon intensity below 2.5 tCO<sub>2</sub>e/t aluminum.
  - Under the Terrestrial and Aquatic Biodiversity category, Sun Life may finance or refinance investments in activities related to the protection, restoration and management of coastal, marine and watershed environments such as coral reefs, mangroves, coastal wetlands, salt marshes, river embankments and seagrasses. Sustainalytics views expenditure under this category to be aligned with market practice.
- Under the Access to Essential Services category, Sun Life may finance or refinance investments to enhance access to public, not-for-profit, free or subsidized services for low-income populations, marginalized or vulnerable groups, and the general public.
    - Investments may include infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centres, as well as infrastructure for the provision of child, youth or adult education and vocational training services.
    - Free-of-cost emergency and temporary shelters for homeless and vulnerable populations in need of immediate shelter.
    - Sun Life has communicated to Sustainalytics that projects financed under this category will be accessible to all, regardless of ability to pay.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Under the Affordable Housing category, Sun Life may finance or refinance investments in the acquisition, repair, expansion and improvement of social housing buildings.
    - Sun Life has communicated to Sustainalytics that it will finance or refinance affordable housing projects that target households with income below 80% of the area median income (AMI) or rely on nationally or regionally defined affordable housing criteria, established by government authorities, that are dedicated to the supply of affordable housing units to the local population.
    - Sustainalytics notes that Sun Life may also finance or refinance programmes where the target population and affordability mechanisms are defined by national or regional authorities within their respective jurisdictions, which may lead to targeting households earning much above the median income in the selected areas. Sustainalytics recognizes the clear intention to provide affordability through the financing of governmental programmes on affordable housing, while noting the absence of specified eligibility criteria in the Framework, which would provide some insight into the potential targeting and affordability mechanisms of these programmes. Sun Life has confirmed that it will provide these definitions in its post-allocation reporting.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Under the Affordable Basic Infrastructure category, Sun Life may finance or refinance investments in construction, development, operation, acquisition, refurbishment and maintenance of drinking water sources, sanitation and plumbing, and electricity and communication networks. Expenditures in this category will be targeted to underserved communities that are remote or have a significant lack of access to these services.
    - Sustainalytics notes that Sun Life may finance desalination plants powered by electricity from potentially emissions-intensive grids in the region. Sustainalytics recognizes that such facilities can be expected to improve access to water but notes that desalination plants are highly energy intensive. Therefore, Sustainalytics encourages Sun Life to consider the carbon intensity of power sources when selecting

- projects, in addition to considering other environmentally friendly operational practices, especially related to brine management.<sup>25</sup>
- Sun Life has communicated to Sustainalytics that IWPP with fossil fuel power and desalination plants with dedicated on-site fossil fuel power will be excluded from financing under this category.
  - Sustainalytics notes that electricity networks will not be directly connected or dedicated to a fossil fuel power plant and any electricity power generation facility financed under this category will be aligned with the renewable energy criteria in the Framework.
  - Sustainalytics views expenditures under this category to be aligned with market practice.
- Under the Socioeconomic Advancement and Empowerment category, Sun Life may finance or refinance investments in projects that support the provision of equitable access and asset ownership to Indigenous communities.
    - Sun Life has communicated to Sustainalytics that financing will be done through loan allocations to Indigenous communities, which then invest into projects as equity. The loans are repaid from the projects' cash flows, which enables Indigenous ownership of the projects without placing any repayment obligations on these populations.
    - Sun Life has further confirmed to Sustainalytics that the projects financed under this scheme will not be related to fossil fuel industries. Sun Life will ensure that large infrastructure projects will not be associated with social or environmental controversies, such as loss of biodiversity and the displacement of communities.
    - Sustainalytics views expenditures under this category to be aligned with market practice.
  - Project Evaluation and Selection:
    - SLC Management<sup>26</sup>, the Company's fixed income and alternatives asset management firm, is responsible for maintaining and updating an inventory of general account assets that are eligible under the Framework. Sun Life has established a Sustainability Bond Council, composed of the Chief Investment Officer, Treasurer and Head of Capital Planning, and Chief Sustainability Officer to evaluate and select eligible projects. SLC Management will identify a pool of eligible assets and projects which the Sustainability Bond Council will review and approve semi-annually.
    - The Sustainability Bond Council considers environmental and social risks associated with projects to which the proceeds will be allocated, which are managed by SLC Management according to the SLC Fixed Income's Sustainable Investing Policy<sup>27</sup> and BGO's Sustainable Investing Policy<sup>28</sup>. For additional details, please see Section 2.
    - Based on the cross-functional oversight for project evaluation and selection and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be aligned with market expectations.
  - Management of Proceeds:
    - Sun Life will track the use of proceeds through the Company's Sustainable Bond Register and will maintain a level of allocation to the portfolio that matches the bonds proceeds. SLC Management will be responsible for tracking and managing proceeds.
    - Sun Life intends to fully allocate proceeds within 18 months of issuance. Pending allocation, unallocated proceeds will be managed according to Sun Life's normal liquidity practices.
    - The Framework defines a look-back period of 24 months for the funding of eligible projects. This is aligned with market practice.

<sup>25</sup> Pre-treatment and anti-fouling additives in desalination plants produce large amounts of hypersaline brine that may contain heavy metals and chemicals that can accumulate in and negatively affect ecosystems.

<sup>26</sup> 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. BentallGreenOak, InfraRed Capital Partners, Crescent Capital Group and Advisors Asset Management Inc. are also part of SLC Management.

<sup>27</sup> SLC Fixed Income Sustainable Investing Policy, at: <https://www.slcmanagement.com/content/dam/sunlife/regional/slc/documents/2023-slcfi-sustainable-investing-policy-june-2023.pdf>

<sup>28</sup> BGO Sustainable Investing Policy, at: <https://bgo.com/sustainable-investing>



- Based on the defined management of proceeds, including the allocation timeframe and the temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice.
- Reporting:
  - Sun Life intends to publish on its website the Sun Life Sustainability Bond Use of Proceeds Report within one year of issuance, and on an annual basis until full allocation.
  - Allocation reporting will include funds raised from each sustainability bond, an overview of the allocated funds to each eligible project category, an amount of unallocated proceeds and financing versus refinancing amounts.
  - Impact reporting may include estimated installed capacity of renewable energy (in MWh), total energy savings (in MWh), annual GHG emissions avoided (in tCO<sub>2</sub>e), public transportation infrastructure built (in km), annual amount of water saved and treated (in m<sup>3</sup>), and forest area (in square footage), waste avoided, reduced, recycled or reused as a percentage of total waste (in tonnes), number of hospital beds, number of families supported in emergency shelter, number of people benefitted from subsidized housing, total people served by infrastructure, number of loans disbursed to Indigenous communities.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Sun Life Sustainability Bond Framework aligns with the four core components of the GBP and SBP.

## Section 2: Sustainability Strategy of Sun Life

### Contribution to Sun Life's sustainability strategy

Sun Life focuses on the following environmental and social pillars in its sustainability strategy: i) increasing financial security; ii) fostering healthier lives; iii) advancing sustainable investing; and iv) building resilience to climate change. Additionally, in 2021, the Company conducted a materiality assessment to identify and prioritize material issues across ESG pillars, including climate and environmental actions, employee wellness, governance and ethics.<sup>29</sup>

Sun Life has set a goal to achieve net zero greenhouse gas emissions by 2050 for both its investments and operations globally.<sup>30</sup> Sun Life has also set a goal of new sustainable investments of CAD 20 billion between 2021 and 2025, with CAD 17.6 billion invested since 2021 including investments in renewable energy, energy efficiency, sustainable buildings, clean transportation and social infrastructure projects, such as long-term care facilities.<sup>31</sup> By the end of 2023, Sun Life had a total of CAD 77 billion in sustainable investments. Additionally, Sun Life has a target to reduce 50% of total GHG emissions from its operations by 2030 compared to 2019. To achieve this reduction, among various initiatives, in 2023, Sun Life sourced 32% of its global electricity from renewables and solar panels installed at the Company's Waterford, Ireland office which generated around 20% of its monthly energy needs.<sup>32</sup> In 2023, select Sun Life real estate assets were selected to complete Net Zero Transition Studies. Assets were prioritized by evaluating the investment and asset strategy, geographic carbon exposure, financial impact, and the opportunity to decarbonize operational emissions. The studies will identify comprehensive pathways for assets to reduce carbon emissions to zero or near-zero. Since 2018, Sun Life annually participates in GRESB assessments.<sup>33</sup> In 2023, Sun Life achieved a four-star GRESB rating and scored above their peer group and global benchmark averages.

Sustainalytics is of the opinion that the Sun Life Sustainability Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include

<sup>29</sup> Sun Life Financial, "Sustainability Report 2023 Performance", at: <https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/sustainability-report-2023-e.pdf>

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> GRESB, "Actionable ESG data and benchmarks for financial markets", at: <https://www.gresb.com/nl-en/>

issues involving land use, biodiversity, emissions and waste management issues associated with large-scale development, stakeholder relations, occupational health and safety (OH&S) and business ethics.

Sustainalytics is of the opinion that Sun Life is able to manage and mitigate potential risks through implementation of the following:

- Potential environmental and social risks associated with the eligible projects are managed by SLC Management according to SLC Fixed Income's Sustainable Investing Policy<sup>34</sup> or BGO's Sustainable Investing Policy<sup>35</sup>, where relevant. The SLC Fixed Income Sustainable Investing Policy includes a process for industry sector, and/or project type-based scoring of ESG risks associated with the eligible assets. BGO's Sustainable Investing Policy applies to real estate assets and BGO's acquisition process includes an ESG Risk Matrix to evaluate and mitigate potential environmental and social risks associated with investments. SLC Management's policies and processes consider risks related to land use, biodiversity, emissions and waste management issues associated with large-scale development projects, OH&S and stakeholder engagement. Additionally, Sun Life and several companies within its Asset Management business group are signatories to the Principles for Responsible Investment (PRI).<sup>36</sup>
- To mitigate risks related to business ethics, Sun Life's Code of Conduct establishes guidelines on business ethics, regulatory compliance and overall corporate responsibility, including on matters related to anti-corruption, conflicts of interest, confidentiality of information, intellectual property rights and labour relations.<sup>37</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Sun Life has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of financing renewable energy projects in Canada

The electricity and heat generation sectors are the largest contributors to global GHG emissions, responsible for approximately one-third of all energy-related global CO<sub>2</sub> emissions in 2021.<sup>38,39</sup> In 2022, the sector displayed the largest increase in emissions, reaching an all-time high of 14.6 Gt.<sup>40</sup> Therefore, increased renewable energy generation is required to support the decarbonization of the global energy system. A study from the International Renewable Energy Agency further supports this assessment, estimating that 77% of the worldwide primary energy supply would need to be met by low-carbon energy sources by 2050 in order to meet the 1.5°C target.<sup>41</sup> This would require a 61% increase of renewable energy in the total energy mix from 2020 to 2050.<sup>42</sup> In 2022, worldwide installed power generation capacity attained an all-time high of 40%, accounting for 83% in capacity additions.<sup>43</sup>

Canada has one of the cleanest grids in the world, with 83% of the electricity generated from low- or non-GHG emitting sources, such as wind, solar, hydro and nuclear;<sup>44</sup> this rate is expected to reach at least 90% by 2050.<sup>45</sup> Hydropower accounts for 60% of Canada's electricity generation, nuclear makes up 15%, while wind,

<sup>34</sup> SLC Fixed Income Sustainable Investing Policy at <https://www.slcmangement.com/content/dam/sunlife/regional/slc/documents/2023-slcfi-sustainable-investing-policy-june-2023.pdf>

<sup>35</sup> BGO Sustainable Investing Policy at <https://bgo.com/sustainable-investing>

<sup>36</sup> Sun Life Financial, "Investing with tomorrow in mind", at: <https://www.sunlife.com/en/sustainability/sustainable-investing/advancing-sustainable-investing/>

<sup>37</sup> Sun Life Financial, "The Code of Conduct", (2021), at: [https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/pa\\_e\\_code\\_of\\_business\\_conduct.pdf](https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/pa_e_code_of_business_conduct.pdf)

<sup>38</sup> Our World in Data, "Emissions by Sector", (2020), at: <https://ourworldindata.org/emissions-by-sector>

<sup>39</sup> International Energy Agency (IEA), "World Energy Outlook 2022", at: <https://www.iea.org/reports/world-energy-outlook-2022/outlook-for-electricity>

<sup>40</sup> International Energy Agency (IEA), "CO<sub>2</sub> Emissions in 2022" p9, (2023) at: <https://iea.blob.core.windows.net/assets/3c8fa115-35c4-4474-b237-1b00424c8844/CO2Emissionsin2022.pdf>

<sup>41</sup> International Renewable Energy Agency (IRENA), "World Energy Transitions Outlook 2023", (2023), at <https://www.irena.org/Publications/2023/Jun/World-Energy-Transitions-Outlook-2023>

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Government of Canada, "A Made-In-Canada Plan: Affordable Energy, Good Jobs, and a Growing Clean Economy", at: <https://www.budget.canada.ca/2023/report-rapport/chap3-en.html>

<sup>45</sup> IEA, "Canada 2022 Energy Policy Review", at: <https://iea.blob.core.windows.net/assets/7ec2467c-78b4-4c0c-a966-a42b8861ec5a/Canada2022.pdf>

solar and other non-hydro renewable energy sources have a combined share of 8%.<sup>46</sup> Canada’s vast hydroelectric resources contribute to hydro having the highest share in the country’s electricity generation mix, also making Canada second in the world in terms of hydroelectric production.<sup>47</sup> As a signatory of the Paris Agreement, Canada has committed to becoming a net-zero emission economy by 2050, and set an emissions reduction target of 40% below 2005 levels by 2030.<sup>48</sup> In working towards its goals, the Government of Canada has committed to providing up to CAD 8 billion to support the decarbonization of key industries via the Net Zero Accelerator initiative,<sup>49</sup> and CAD 4.5 billion to the Smart Renewable Electrification Pathways Program by 2035 to support the transformation of the electricity sector.<sup>50</sup> Further, the CAD 15 billion Canada Growth Fund has been established under the Canada Development Investment Corporation to facilitate private sector investment in green and emissions reduction technology to support Canada’s net zero goals.<sup>51</sup> In addition to supporting Canada’s decarbonization of the energy sector, renewable energy investments are expected to contribute as much as 29% of Canada’s total energy GDP by 2030.<sup>52</sup>

Based on this context, Sustainalytics considers that Sun Life’s financing in the area of renewable energy is expected to contribute positively to the global energy transition that is required to meet climate objectives.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Sun Life Sustainability Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

<sup>46</sup> Government of Canada, “A Made-In-Canada Plan: Affordable Energy, Good Jobs, and a Growing Clean Economy”, at: <https://www.budget.canada.ca/2023/report-rapport/chap3-en.html>

<sup>47</sup> Canada Energy Regulator, “Market Snapshot: Canada – 2<sup>nd</sup> in the world for hydroelectric production”, (2022), at: <https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/market-snapshots/2016/market-snapshot-canada-2nd-in-world-hydroelectric-production.html>

<sup>48</sup> Government of Canada, “2030 Emissions Reduction Plan – Sector-by-sector overview”, at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html>

<sup>49</sup> Government of Canada, “Net Zero Accelerator Initiative”, at: <https://ised-isde.canada.ca/site/strategic-innovation-fund/en/net-zero-accelerator-initiative>

<sup>50</sup> Government of Canada, “Building Capacity with the Smart Renewables and Electrification Pathways Program”, at: <https://natural-resources.canada.ca/climate-change/green-infrastructure-programs/building-capacity-the-smart-renewables-and-electrification-pathways-program/23829>

<sup>51</sup> Canada Growth Fund, at: <https://www.cgf-fcc.ca/>

<sup>52</sup> Government of Canada, “2030 Emissions Reduction Plan – Sector-by-sector overview” (2023), at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html> - sector3

		vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Circular Economy Adapted Products, Production Technologies, and Processes and/or Certified Eco-Efficient Products	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Terrestrial and Aquatic Biodiversity	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Affordable Basic Infrastructure	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

## Conclusion

Sun Life has developed the Sun Life Sustainability Bond Framework, under which it may issue sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing or future eligible projects to finance or refinance projects that are expected to facilitate the transition to a low-carbon economy. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Sun Life Sustainability Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for reporting on allocation and impacts. Sustainalytics believes that the Sun Life Sustainability Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 3, 6, 7, 10, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that Sun Life has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

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Based on the above, Sustainalytics is confident that Sun Life is well positioned to issue sustainability bonds and that the Sun Life Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, and Social Bond Principles 2023.

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