

# 2025 GHG Emissions Reporting Methodology



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# 1.0 Background

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This document details Sun Life Financial Inc's ("Sun Life") methodology for calculating its 2025 greenhouse gas (GHG) inventory, covering January 1 to December 31, 2025. Sun Life reports annually its GHG emissions to track global portfolio trends, measure progress toward emissions reduction goals, and meet regulatory requirements.

Sun Life calculates and reports operational GHG emissions for Scope 1, Scope 2, and select Scope 3 categories<sup>1</sup>, in line with the following GHG Protocol standards:

- [\*The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(revised edition\)\*](#)
- [\*GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard\*](#)
- [\*Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard\*](#)

Sun Life calculates and reports Scope 3, Category 15 financed emissions in line with The Partnership for Carbon Accounting Financials' (PCAF), The Global GHG Accounting and Reporting [Standard Part A: Financed Emissions](#), Second Edition (2022).<sup>2</sup>

Sun Life seeks limited assurance on select GHG metrics, including Scope 1 and Scope 2 emissions, and Scope 3 Categories 3, 6 and 8 emissions (refer to KPMG's 2025 Independent Limited Assurance Report, located in the appendices of our [2025 Sustainability Report](#) and [2025 OSFI B-15 Climate Risk Management Report](#)).

This document includes information on reporting boundaries, calculation methodologies, controls, assumptions, and emission factor sources that Sun Life used for the 2025 GHG inventory. Sun Life's annual GHG data collection process for operational emissions occurs between January and October in order to meet reporting deadlines. We estimate the remaining data that is not available by the end of October. For details on Sun Life's estimation approaches, refer to sections [4.1 to 4.7](#). Financed emissions calculations reflect the full calendar year with data collection taking place in January of the following year.

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<sup>1</sup> Operational Scope 3 categories applicable to Sun Life's business include Category 1: Purchased goods and services, Category 3: Fuel and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel, Category 7: Employee commuting, and Category 8: Upstream leased assets. Category 2: Capital goods is applicable but not yet reported as data availability and quality are being assessed.

<sup>2</sup> PCAF released the third edition of the Standard Part A in December of 2025. This edition will be incorporated in future Sun Life disclosures.

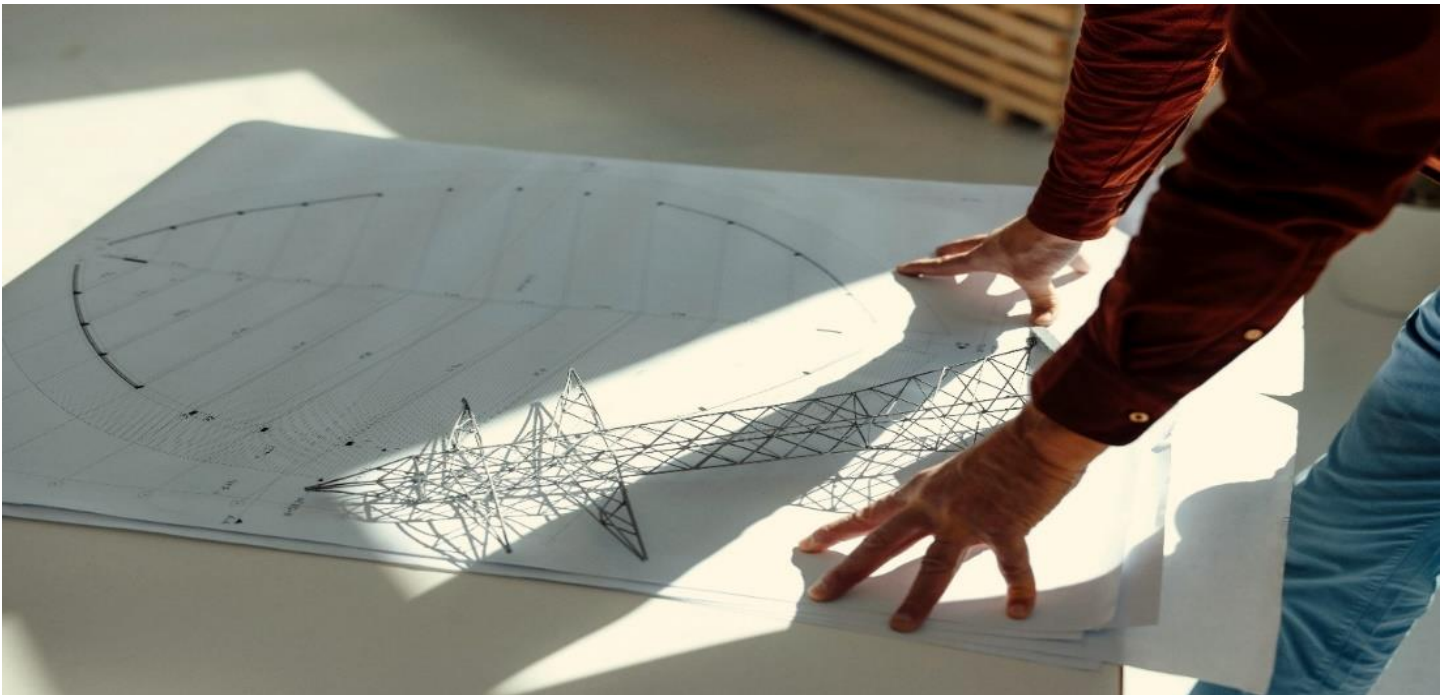
## 2.0 Reporting Boundaries

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Sun Life determines which business entities and activities are in-scope for the annual GHG inventory using organizational and operational boundaries in line with the GHG Protocol. Financed emissions from investments under Scope 3 Category 15 are reported in line with the PCAF Standard Part A. This includes emissions from joint-ventures accounted for in this Category which are first calculated using the GHG Protocol and then apportioned to Sun Life following the appropriate PCAF methodology.

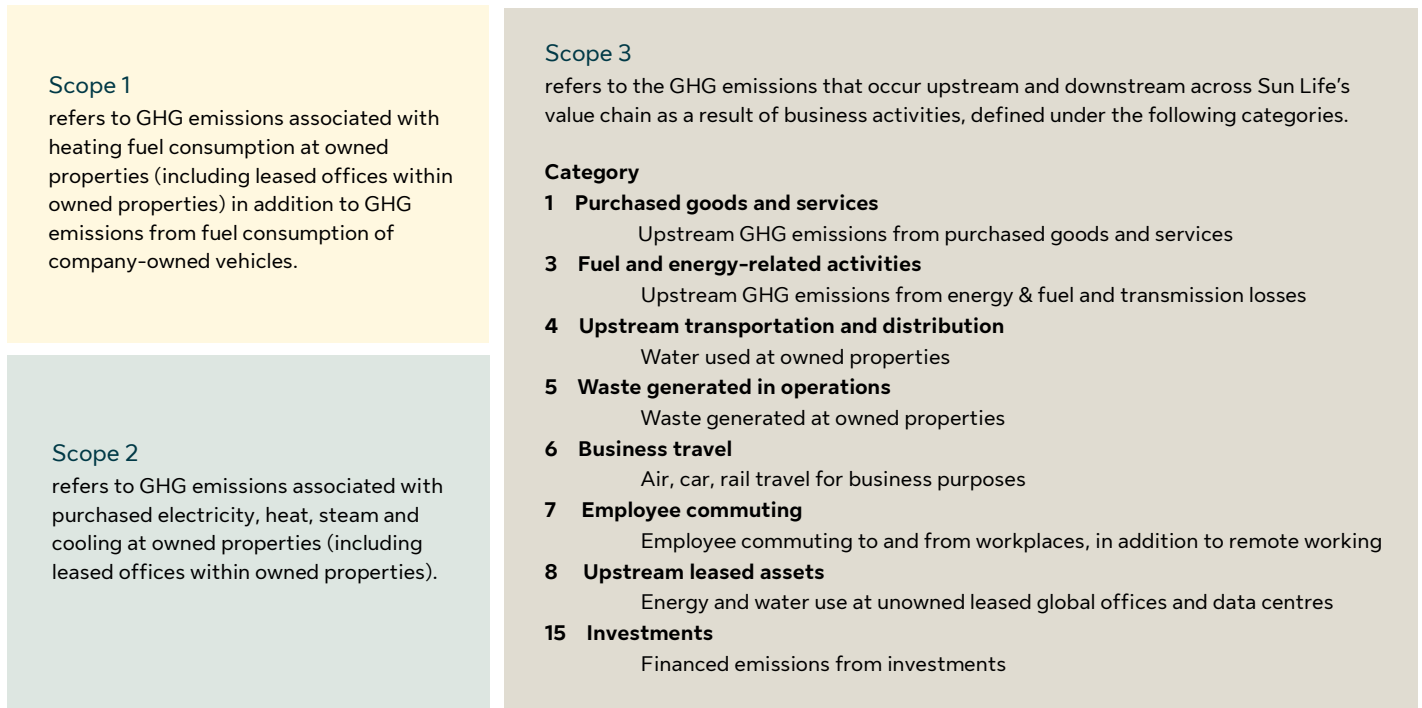
**Organizational boundaries** define the approach used to determine ownership or control over entities within the organization and the corresponding emissions sources of those entities. Sun Life uses a financial control approach to account for GHG emissions from operations it controls. This approach determines which parts of the organization are included in the GHG inventory.

**Operational boundaries** identify which emission sources across scope 1, 2, and 3 emissions are applicable based on business operations within the organizational boundary and are therefore considered in scope for the emissions inventory.



## 2.1 Sun Life's Reported Emissions

The graphic below represents Sun Life's operational boundaries for reported GHG emissions across scopes.<sup>3</sup>



<sup>3</sup> Applicable categories to Sun Life based on current business operations. Refer to section 4.9 [Inventory Exclusions](#) for more detail on currently reported and unreported categories of emissions. Sun Life's inventory includes emissions from the following GHGs: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O). Emissions from HFCs and PFCs are excluded (fugitive emissions data from refrigerants is not available); emissions from SF<sub>6</sub> are not relevant to Sun Life's operations; biogenic emissions are not reported as they are not relevant to Sun Life's stakeholders.

## 2.2 Application of Boundaries to the Real Estate Portfolio

Real estate-related emissions fall under Scope 1, Scope 2, or select Scope 3 categories based on Sun Life's boundaries, consolidation approach, and asset-specific details.

Sun Life utilizes the financial control<sup>4</sup> approach, as defined by the GHG Protocol, to calculate emissions related to its real estate portfolio. This portfolio includes both wholly owned properties (including real estate investment (REI) properties) and leased global offices. Detailed information about reporting of emissions from owned and leased properties across various scopes is outlined in the table below.

Scenario	Emissions Reporting across Scopes
Sun Life has financial control of wholly owned properties (including wholly owned REI properties), and majority control and ownership of jointly owned properties. Control is determined at the asset level based on the ownership structure.	<ul style="list-style-type: none"> <li>Emissions from fuel and energy consumption are reported in <b>Scope 1 and 2</b>, respectively.</li> <li>Upstream fuel and energy related activities (FERA) not included in Scope 1 and 2 are reported in <b>Scope 3, Category 3</b>.</li> <li>Emissions from water use and operational waste at these properties are reported in <b>Scope 3, Category 4</b> and <b>Category 5</b>, respectively.</li> </ul>
For REI properties that are jointly owned and jointly-financially controlled with another partner, we use an equity share approach for GHG accounting.	<ul style="list-style-type: none"> <li>Proportionate emissions from fuel and energy, water use, and operational waste are reported in <b>Scope 1, Scope 2, and Scope 3 Categories 3, 4, and 5</b> respectively based on percent ownership.</li> </ul>
For REI properties where Sun Life is a non-controlling minority ownership partner, we use an equity share approach for GHG accounting.	<ul style="list-style-type: none"> <li>Proportionate emissions from fuel, energy, and water consumption are reported in <b>Scope 3 Category 15</b>.</li> </ul>
For global leased offices, Sun Life does not have ownership or financial control.	<ul style="list-style-type: none"> <li>Emissions from fuel, energy, and water consumption are reported in <b>Scope 3 Category 8</b>, Upstream Leased Assets.</li> </ul>
In certain cases, Sun Life maintains ownership and financial control over its occupied or leased office space (i.e., a leased office situated within an REI property).	<ul style="list-style-type: none"> <li>Emissions from fuel and energy, water use, and operational waste are reported in <b>Scope 1 and 2</b>, and <b>Scope 3 Categories 3, 4, and 5</b> respectively, instead of Scope 3 Category 8.<sup>5</sup></li> </ul>
For operating company joint ventures (JVs) <sup>6</sup> where Sun Life does not have financial control, we use an equity share approach for GHG accounting.	<ul style="list-style-type: none"> <li>Proportionate emissions from fuel, energy, and water consumption are reported in <b>Scope 3 Category 15 under the Unlisted Equity asset class</b></li> </ul>

<sup>4</sup> The GHG Protocol defines financial control as having the ability to direct the financial and operating policies of the operation, with a view to gaining economic benefits from its activities.

<sup>5</sup> This methodology prevents double counting and adheres to the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (p.27), which states, "a company's Scope 3 inventory does not include any emissions already accounted for as Scope 1 or Scope 2 by the same company."

<sup>6</sup> Operating company JVs are any JV that is not a real estate JV or a holding company.

### 2.3 Application of Boundaries to JVs

Sun Life assesses each of its JVs to confirm whether they are under Sun Life's financial control and determine the appropriate accounting and reporting approach of the JV's emissions within Sun Life's organizational and operational boundaries. This assessment takes into consideration guidance from the GHG Protocol.

For operating company JVs, financial control is determined based on an internal assessment of financial control factors, including ownership structure. For real estate JVs, financial control is determined at the individual asset level, with a 50% ownership (majority control) threshold determining financial control, such that assets for which Sun Life has greater than 50% ownership are considered within Sun Life's financial control. Refer to section 2.2 [Application of Boundaries to the Real Estate Portfolio](#) for other scenarios applicable to real estate investments.

JVs determined to be within Sun Life's financial control are consolidated into the emissions inventory and accounted for within relevant Scope 1, 2, and Scope 3 emissions categories accordingly. For JVs where Sun Life has determined it does not have financial control, a proportionate share of the applicable Scope 1, 2, and 3 emissions based on equity ownership are accounted for under Scope 3 Category 15.

On an annual basis, Sun Life performs an assessment on its JVs to identify and account for any relevant changes needed to its annual emissions inventory. If changes are identified, such as changes to ownership structures, historical emissions restatements may be required as applicable. Refer to section 8.0 [Base Year Recalculation & Historical Restatements](#).

## 3.0 Scope 1 and 2 Emissions

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**Data coverage:** Sun Life reports emissions from fuel and energy use for all majority-owned and jointly owned and financially controlled properties, including REI properties and company-owned vehicles globally under Scope 1 and 2.<sup>7</sup>

**Data sources:** Scope 1 represents direct emissions from the on-site combustion of fuels (natural gas, propane, diesel, gasoline, fuel oils, etc.) at majority-owned properties and from company-owned vehicles (i.e. fleet). Scope 2 represents indirect emissions from purchased energy (electricity, district heating and cooling, steam, chilled water, etc.) that is consumed at majority-owned properties but generated offsite.

Sun Life obtains utility data from various sources, including monthly utility bills, utility meter readings, and reports from third-party property managers and government benchmark programs.

For company-owned vehicles, Sun Life obtains data on total fuel consumption.

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<sup>7</sup> Sun Life applies the financial control approach, refer to section 2.2 [Application of Boundaries to the Real Estate Portfolio](#).

**Data estimation approach:** To address data gaps, Sun Life estimates utility data. Depending on data availability and the dependency of utility consumption on weather, Sun Life uses either an account-specific linear regression model that considers seasonal temperature variations, a generalized seasonality curve, historical proxy data (no older than two years), or median energy intensities based on building type.<sup>8</sup>

In cases where fleet fuel consumption is not directly available, Sun Life estimates consumption based on assigned fuel limits. Sun Life assumes the full fuel limit is used.

### 3.1 Location and Market Based Emissions

Sun Life follows the GHG Protocol's Scope 2 Guidance by reporting both location-based and market-based Scope 2 emissions for owned properties.<sup>9</sup> Location-based emissions are calculated using the average emissions intensity of the grids where energy is consumed. Market-based emissions use residual mix emission factors (where available) and account for emissions reductions through Renewable Energy Certificates (RECs) and other agreements. If residual mix factors are unavailable, Sun Life uses location-based factors. For the emission factor sources, refer to [Appendix A](#).

### 3.2 Inventory Exclusions (Scope 1 and Scope 2)

Due to the unavailability of data, Sun Life's Scope 1 and 2 emissions inventory excludes:

- Fugitive emissions from refrigerants used in air conditioning and kitchen appliances at owned properties.
- Diesel fuel consumed for back-up power generation at owned properties.

## 4.0 Scope 3 Emissions

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Sun Life reports emissions from select business activities across its value chain in accordance with the GHG Protocol's Scope 3 Guidance and PCAF's Standard Part A: Financed Emissions for Category 15: Investments.

For unreported categories and asset classes, refer to section 4.9 [Inventory Exclusions \(Scope 3\)](#).

### 4.1 Category 1, Purchased Goods and Services

**Data coverage:** Sun Life reports Purchased Goods & Services (PG&S) emissions associated with its North America procurement function. PG&S emissions are derived from the upstream production of goods and services that Sun Life purchases to support its enterprise operations.

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<sup>8</sup> Median energy intensities are sourced from the Department of Energy's Building Performance Database.

<sup>9</sup> Sun Life also reports market-based Scope 3 emissions to account for contractual instruments such as Renewable Energy Certificates (RECs) acquired for global leased offices, as well as residual mix factors where available. Refer to section 5.0 [Market-Based Instruments](#) for additional information on RECs.

**Data sources:** For PG&S emissions, Sun Life uses a spend-based method using operating expense data from internal platforms used by the North America procurement function. This data is used to identify relevant purchases that are accounted for in PG&S by validating the inclusion of applicable purchases and exclusion of non-PG&S sources, such as expenses associated with utilities and business travel.

Spend-based emission factors are obtained, when available, from supplier-specific emission factors based on public CDP<sup>10</sup> disclosures or public reports. If supplier-specific emission factors are not available, industry average emission factors from the Comprehensive Environmental Data Archive (CEDA) database are used based on Business of Economic Activity codes.

**Estimation approach:** To address gaps in spend data, Sun Life uses the equivalent prior year's operating expense data as a proxy, with an adjustment applied based on the average year-over-year change observed across operating expense data in the remaining part of the year for which actual data is available.

#### 4.2 Category 3, Fuel and Energy Related Activities

**Data coverage:** Sun Life reports emissions from Fuel and Energy-Related Activities (FERA) at majority-owned and jointly owned and financially controlled properties not already included in Scope 1 or 2. FERA emissions include upstream emissions from purchased stationary and mobile fuels, purchased electricity, steam and cooling, as well as emissions from transmission and distribution losses. Per the GHG Protocol, upstream emissions refer to emissions from the extraction, production, and transportation of fuels, and exclude emissions from fuel combustion.

**Data sources:** The data inputs and sources for FERA calculations are consistent with those used for Scope 1 and 2 emissions (refer to section 3.0 [Scope 1 and 2 Emissions](#)). This includes the amount of fuel and purchased energy used at owned properties and in company-owned vehicles. Sun Life applies emission factors that specifically account for the FERA portion of emissions that are not included in Scope 1 and 2.<sup>11</sup>

**Estimation approach:** Since Sun Life uses the same activity data for Category 3 as for Scope 1 and 2, the estimation approach for addressing utility data gaps is consistent. For further details, refer to section 3.0 [Scope 1 and 2 Emissions](#).

#### 4.3 Category 4, Upstream Transportation and Distribution

**Data coverage:** Sun Life reports emissions from the transmission and distribution of water consumed at owned properties. This encompasses emissions related to the energy required for pumping, processing, and delivering clean water to owned properties.

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<sup>10</sup> CDP is a global non-profit that runs the world's only independent environmental disclosure system for companies, capital markets, cities, states and regions to manage their environmental impacts.

<sup>11</sup> Refer to [Appendix A](#) for information on emission factor sources.

**Data sources:** Sun Life collects primary water consumption data from monthly utility bills, utility meter readings, and reports provided by third-party property managers and government benchmark programs.

**Estimation approach:** Dependent on data availability, Sun Life estimates water consumption using either portfolio average consumption intensities, industry average consumption intensities based on building type, or historical proxy data (no older than two years).

#### 4.4 Category 5, Waste Generated in Operations

**Data coverage:** Sun Life reports emissions associated with waste by disposal type (landfill, recycling and compost) for 89% of its owned properties. (Refer to the estimation approach below for information on coverage due to data availability).

**Data sources:** Sun Life collects waste data from various sources including diversion reports from waste haulers that specify the weight or volume of waste disposed by type, as well as waste management invoices.

**Estimation approach:** To address gaps, Sun Life estimates missing data based on recent historical average waste generation. For properties without historical data, Sun Life uses average waste generation intensities specific to building type.<sup>12</sup> Waste emissions are excluded when an appropriate average waste generation intensity is not available.

#### 4.5 Category 6, Business Travel

**Data coverage:** Sun Life reports global business travel emissions from air, rail, car (employee claimed mileage and rentals), and other transportation modes (bus, taxi, ride-share). We calculate emissions using the distance-based method where data is available or the spend-based method when only expense data is available.

**Data sources:** We collect distance and spend data by transport mode from expense management systems and reports from third-party travel management companies.

**Estimation approach:** To address data gaps, Sun Life uses data from the prior year if available, or average emissions from prior months in the current year.

#### 4.6 Category 7, Employee Commuting

**Data coverage:** Sun Life reports emissions from global employee commuting and homeworking, which arise from transportation between homes and offices, as well as energy use in home offices.

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<sup>12</sup> Average waste generation intensities are sourced from Brightly Software Inc.'s internal database.

**Data sources:** For commuting calculations, where available, Sun Life uses a distance-based method with internal survey data collected within the past two years to derive commute mode and distance. Where survey data is not available, Sun Life uses an average data method based on number of employees per country and number of commute days per employee. Sun Life estimates commute mode and distance using public data from governments and data aggregators for each applicable country. This information is then applied to the total number of commute days by country to determine distance travelled by mode. Sun Life also applies factors that capture well-to-tank (WTT) and tank-to-wheel (TTW) emissions. Refer to [Appendix A](#) for further details.

Sun Life calculates homeworking emissions based on the number of global employees and the number of homeworking days per employee. Sun Life estimates the average energy homeworking consumption using publicly available residential building survey data<sup>13</sup> and applies this to the total number of employee homeworking days. Emission factors are then applied to fuel and energy usage. Refer to [Appendix A](#) for emission factor sources.

**Estimation approach:** Depending on data availability, either headcount at a specific date or average headcount over a period is used to estimate annual headcount by country. Homeworking days are estimated based on business homeworking policies.

#### 4.7 Category 8, Upstream Leased Assets

**Data coverage:** Sun Life reports global leased office emissions from fuel (e.g., natural gas for heating), purchased energy (electricity, steam, chilled water) and water consumption in Scope 3 Category 8.<sup>14</sup> Sun Life calculates location-based and market-based Category 8 emissions to account for contractual instruments such as RECs purchased for global offices, as well as residual mix emission factors where available. Refer to section 3.1 [Location and Market Based Emissions](#) for more details.

**Data sources:** Sun Life uses primary data such as utility bills, invoices, and meter-readings where Sun Life utility consumption is sub-metered. Where Sun Life utility consumption is not sub-metered, whole-building utility data is pro-rated based on Sun Life's share of the building's total gross leasable area.

**Estimation approach:** To address data gaps, Sun Life estimates consumption where required from global leased offices. Depending on data availability, Sun Life uses either proxy data from the prior year or median energy intensity by building type.<sup>15</sup>

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<sup>13</sup> Estimation approaches take place in our carbon accounting platform, Watershed Technology, and are maintained and updated regularly. Home size is estimated based on the U.S. Census Bureau American Housing Survey and the Government of UK English Housing Survey. Energy intensities are sourced from the Department of Energy's Building Performance Database or IEA Energy Efficiency Indicators. The proportion of home energy use related to work from home is estimated based on IEA research.

<sup>14</sup> In circumstances where Sun Life has majority ownership of the leased office it occupies (i.e. a leased office is located within an REI property), emissions are reported in Scope 1 and 2 instead of Scope 3 Category 8 to avoid double counting. Refer to section 2.2 [Application of Boundaries to the Real Estate Portfolio for additional information](#).

<sup>15</sup> Median energy intensities are sourced from the Department of Energy's Building Performance Database.

## 4.8 Category 15, Investments

Financed emissions refer to the emissions generated by investment and lending activities of financial institutions. It is important to recognize the evolving dynamic nature of the financed emissions accounting landscape, and the inherent limitations faced in this process. This includes challenges with data accuracy and availability, variability in emissions disclosures, the time lag between financial and emissions data, and the availability of appropriate methodologies. Sun Life will continuously refine its methodology and approach to financed emissions analysis as data, industry guidance and market practices evolve.

**Data coverage:** Sun Life reports emissions from its general account for listed equities, listed corporate bonds, sovereign debt, commercial real estate, and unlisted equity<sup>16</sup>, covering approximately 29.7% of invested assets. This figure reflects emissions from investments categorized as Scope 3 Category 15 in addition to real estate investments under Sun Life's financial control and therefore categorized as Scope 1, 2, and applicable Categories of Scope 3. Refer to section 2.2 [Application of Boundaries to the Real Estate Portfolio](#) for more information on real estate investment accounting across Scope 1, 2, and 3.

Financed emissions are calculated in alignment with The Partnership for Carbon Accounting Financials' (PCAF) The Global GHG Accounting and Reporting [Standard Part A: Financed Emissions](#), Second Edition (2022) ("PCAF Standard") and include Scope 1 and 2 emissions, as well as Scope 3 emissions where available, in all sectors as per the PCAF Standard for reports published from 2025 onwards.

**Data sources:** Sun Life obtains data for financed emissions both internally from investment managers (portfolio holdings and weights, and property energy consumption) and externally (investee Enterprise Value Including Cash (EVIC), equity, debt, and absolute emissions, and purchasing power parity (PPP)-adjusted gross domestic product (GDP)). For data obtained externally, Sun Life uses MSCI and S&P Trucost for all directly reported emissions (e.g., company sustainability reports) and indirectly reported emissions (e.g., estimated based on third-party data providers such as CDP and the United Nations Framework Convention on Climate Change (UNFCCC) for sovereign debt).

In alignment with the PCAF Standard, Sun Life prioritizes the use of data source Option 1: reported emissions using verified or unverified emissions data where possible. Where Option 1 data is not available directly or indirectly via third-party data providers, Sun Life uses an estimation approach based on PCAF Option 2: physical activity-based emissions or PCAF Option 3: economic activity-based emissions. When data required for estimation is unavailable, Sun Life excludes the asset from measurement.

**Calculation and attribution approach:** Sun Life uses holdings data from December 31, 2025, and the latest available GHG emissions data for calculating emissions. The attribution factor calculation differs by asset class, as outlined below.

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<sup>16</sup> Currently, unlisted equity only includes emissions from joint ventures that are not under Sun Life's financial control and which are apportioned based on Sun Life's equity ownership.

For **listed equity and corporate bonds**, Sun Life calculates emissions using data directly from the investee company or third-party sources as listed above. We determine the attribution factor by dividing the issuer's outstanding value by either EVIC or total equity plus debt when EVIC is not available. Emissions for listed equities and corporate bonds are generally calculated at the parent company level, except for certain investees such as publicly traded subsidiaries and non-corporate-owned investees, where it is calculated at the investee level.

For **commercial real estate**, Sun Life collects energy consumption data from each investment property where available, and estimates missing data as per the approach above in Section 3.0 [Scope 1 and 2 Emissions](#). The attribution factor for each building is equivalent to Sun Life's equity ownership in the building, in alignment with the PCAF Standard guidance for Commercial Real Estate assets, such that when a commercial real estate asset is jointly financed by a group of asset owners, the attribution factor is determined based on the share invested by each asset owner. While an alternative attribution factor approach within the PCAF Standard relies on outstanding investment amount and property value at origination, Sun Life leverages the equity approach for attribution of emissions to account for potential valuation fluctuations without changes to ownership share, in addition to potential changes due to market factors.

For **sovereign debt**, Sun Life sources verified country emissions from MSCI and calculates the attribution factor using the outstanding investment amount and PPP-adjusted GDP, in line with the PCAF Standard. We only report on Scope 1 emissions including and excluding land use, land-use change, and forestry (LULUCF) as outlined by the PCAF Standard.

For **unlisted equity**, Sun Life collects activity data directly from applicable JVs not under Sun Life's financial control to calculate Scope 1, 2, and 3 emissions as described in this methodology document according to the GHG Protocol. The attribution factor for each JV is equivalent to Sun Life's equity ownership in line with the PCAF Standard Part A. Refer to section 2.3 [Application of Boundaries to Joint Ventures](#) for further information.

Once we source financial and emissions data, we multiply the attribution factor by the corresponding asset's (company, country, or building) Scope 1, 2, and 3 emissions (where available). This calculation results in a financed Scope 1, 2, and 3 emissions data point for each asset, in accordance with the PCAF Standard.

#### 4.9 Inventory Exclusions (Scope 3)

Sun Life does not currently report on the following Scope 3 categories. Some of these categories are not relevant to Sun Life's business, while others are expected to be relevant but currently lack available or reliable data. Sun Life is working to enhance data availability and advance our methodology to improve coverage and detail of emissions reporting over time. Details regarding these exclusions are outlined on the next page.

Scope 3 category	Reason for exclusion
2. Capital Goods	Expected to be relevant to Sun Life's operations; assessing data availability and quality to determine GHG emissions.  Not currently applicable to Sun Life's operations.
9. Downstream Transportation and Distribution	
10. Processing of Sold Products	
11. Use of Sold Products	
12. End of Life Treatment of Sold Products	
13. Downstream Leased Assets	
14. Franchises	

Below is a summary of the invested assets which Sun Life excludes from the scope of Category 15: Investments reporting with respect to general account asset classes:

PCAF asset class	Percent excluded from Scope 3 Category 15	Reason for exclusion
Listed Equity and Corporate Bonds	23.2%	Lack of PCAF methodology, actual data unavailable, and/or incomplete or unreliable data.
Sovereign Debt	1.5%	
Commercial Real Estate	99.0%	In accordance with Sun Life's financial control boundary, the Commercial Real Estate emissions excluded from Category 15 can be found within Scope 1, 2 and applicable Scope 3 Categories (other than Category 15). For more information refer to Section 2.2 <a href="#">Application of Boundaries to the Real Estate Portfolio</a> .  This asset class also includes mortgages for commercial properties on the general account balance sheet, which are excluded from the currently reported financed emissions inventory. We are assessing the availability and quality of data for this asset class to quantify the GHG emissions of the excluded investments.
Business Loans and Unlisted Equity	99.1%	Includes JVs not under Sun Life's financial control and excludes private equity, limited partnerships, and business loan investments. We are assessing the availability and quality of data for this asset class to quantify the GHG emissions of the excluded investments.
Project Finance	100%	Assessing data availability and quality to determine GHG emissions.

We exclude asset-level financed emissions with a data quality score of 5 (as defined by the PCAF Standard) due to lower accuracy and higher variability. For more details, refer to Section 6.2 [Data Quality and Controls: Scope 3, Category 15](#).

Note that some of the invested assets in Sun Life's general account do not currently have an associated measurement methodology and are therefore excluded from the scope of reported emissions, based on the second edition of the PCAF Standard Part A. Sun Life also excludes insurance-associated emissions from its inventory as there is no dedicated PCAF methodology for life and health insurance as of this document's publication date.

## 5.0 Market Based Instruments

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### 5.1 Renewable Energy Certificates (RECs)

Renewable Energy Certificates (RECs) are market-based instruments that represent the rights to the environmental attributes derived from generating electricity using renewable sources. Each REC is unique and retired on behalf of Sun Life to verify the renewable origin of the energy purchased. Sun Life reports its purchased RECs for both owned properties and leased offices. Through this approach, Sun Life applies a zero emission factor to calculate emissions associated with the portion of energy covered by RECs and uses residual mix emission factors (where available) for the electricity consumption not covered by RECs.

### 5.2 Carbon Offsets

Carbon offsets, also referred to as carbon credits, are market-based instruments designed to finance activities that either prevent or capture GHG emissions.<sup>17</sup> Carbon offset registries verify, issue, and retire credits that are generated by carbon offset projects, ensuring their carbon reduction or removal activity adheres to specific standards. Each credit purchased by Sun Life corresponds to one tonne of carbon dioxide equivalent (tCO<sub>2</sub>e) of actual emissions reduction and has been verified by third-party carbon offset registries, such as Verra, Gold Standard, and American Carbon registry, to meet their methodologies for assessing additionality and permanence. The specific registries are subject to change in the future based on the carbon offset projects Sun Life chooses to support.

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<sup>17</sup> Note that RECs are accounted for in market-based emissions accounting whereas carbon offsets are not.

# 6.0 Data Quality and Controls

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## 6.1 Data Quality and Controls: Scope 1, Scope 2, Scope 3 (Excluding Category 15)

Sun Life has established an internal process and controls framework integrated into the end-to-end processes for GHG emissions measurement and reporting. Sun Life applies several quality assurance and control steps across various stakeholder groups, categorized into preliminary, resource and organizational checks:

- Preliminary data checks focus on the completeness and accuracy of activity data for each individual dataset.
- Resource level data checks ensure that activity data totals and emissions totals are within an expected range at the business unit level, based on historically reported values (if available). For real estate assets, Sun Life uses average energy-use intensities for each utility resource to verify that total reported building energy usage is within an expected range for a specific building classification or geography (such as the Commercial Buildings Energy Consumption Survey (CBECS)).
- Organizational data checks verify that aggregated organization-wide emissions totals are within expected values based on historical data disclosures. For example, Sun Life calculates total emissions intensities using metrics such as square footage for the current and historic year for comparison purposes. Checks are also complete to identify potential sources of duplications throughout the inventory.

## 6.2 Data Quality and Controls: Scope 3, Category 15

Sun Life leverages data quality scores to indicate the accuracy of the source data used in financed emissions calculations. Following the PCAF Standard, Sun Life assigns data quality scores based on three calculation options: reported emissions, physical activity-based emissions, and economic activity-based emissions.

Sun Life assesses data quality at the asset class and overall portfolio levels. Each data point in an asset class is assigned a data quality score, and we calculate a weighted average using outstanding amounts per borrower or investee.

Beyond PCAF scoring, Sun Life has established an internal process and controls framework integrated into end-to-end Category 15 measurement and reporting. Sun Life applies these controls across the Category 15 inventory process, categorized into accuracy and completeness checks and material issuers review:

- Accuracy and completeness checks involve reconciliation of measured assets to statement value as well as cross-checking the names of any assets automatically identified and obtained through a third-party database (i.e. S&P Trucost or MSCI). For completeness, Sun Life reviews assets for which no data has been sourced and confirms whether that is within expectations for the particular asset class or investee considering the size of the issuer, the industry, or whether it is private or public. We manually source missing data for material issuers as needed.

- A material issuers review ensures a detailed review is applied to the most significant contributors to portfolio emissions. We define material issuers as those that account for the top 80% of the total financed Scope 1 and 2 emissions within each asset class and review them by cross-referencing primary data sources. This review currently applies to listed equities and listed corporate bonds.

## 7.0 Key Methodology Changes

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Sun Life aims to continuously improve its GHG methodology, including driving enhancements in data availability, quality, and calculation processes over time. The section below outlines the key methodological changes implemented in 2025 relative to the 2024 reporting year:

### **Expansion of emissions data coverage:**

- Expansion of Scope 3 Category 7 employee commute coverage: In 2025 Sun Life reported employee commute and homeworking emissions for employees globally, compared to only a subset in 2024.
- Expansion of Scope 3 Category 3 FERA coverage: In 2025, Sun Life expanded coverage to include FERA emissions for steam heat and district heat, which were not included in 2024 reporting.
- Newly reported, Scope 3 Category 1, Purchased goods and services.
- Newly reported, Scope 3, Category 15, Financed emissions for general account investment: Unlisted equity asset class (representing emissions from JVs not under Sun Life's financial control).

**Reclassification of emissions from operating company JVs:** Historically, emissions from operating company JVs were reported in Scope 1, Scope 2, and Scope 3 categories 3, 4, 6 and 8 as applicable. In 2025, for operating company JVs where Sun Life does not have financial control, Sun Life reported proportionate emissions in Scope 3 Category 15.

**Emission factor updates:** In 2025 Sun Life made the following updates to standardize emission factors from global sources that are regularly updated:

- For spend-based emission factors across all scopes and categories, Sun Life transitioned from EXIOBASE to the CEDA database.
- Sun Life consolidated natural gas emission factor sources globally to US EPA factors.
- Sun Life adopted location-based IEA emission factors for all purchased electricity outside Canada, US, UK and Australia.
- For district heat, steam, chilled water and water consumption, where supplier-specific factors were not available, Sun Life used verified emission factors from the Ecoinvent database, replacing prior years' location-specific factors and factors derived from research. Further, in 2025 the factors applied to water consumption included only water supply emissions, omitting the wastewater portion from the derived emission factors used in the past. For operational waste outside the US, Sun Life switched from US EPA emission factors to UK DEFRA factors.

- Sun Life’s mapping of DEFRA emission factors across flight hauls was updated.<sup>18</sup>
- For a complete list of emission factor sources Sun Life used for the 2025 inventory, refer to [Appendix A](#).

**Estimation approach updates:** In 2025 Sun Life onboarded a new carbon accounting tool, Watershed Technologies, which allowed for a more streamlined and standardized process to support utility and employee commute estimations.<sup>19</sup>

- Leased office utility data estimation approach: In 2025, Sun Life used median energy intensities by building type from the Department of Energy’s Building Performance Database (BPD). Historically, to address gaps associated with leased office utility data and where no proxy data was available, Sun Life applied a regression model based on each building’s heating and cooling degree days.
- Employee commute estimation approach: In 2025, Sun Life grouped commute activities into transit, car, bike and walk categories to streamline and leverage the research-based assumptions aligned within our carbon accounting tool. For employee homeworking, Sun Life estimated energy consumption based on an assumption that work from home accounts for an average of 15% of a home’s energy consumption (American Housing Survey, BPD).

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<sup>18</sup> Updated flight haul classification: short-haul < 483 km, medium-haul 483-3,701 km, long-haul ≥ 3,701 km; historic flight haul classification: short-haul < 785 km, medium-haul 785-3,700 km, long-haul ≥ 3,700 km

<sup>19</sup> Estimation processes are based on science and are maintained and updated regularly by Watershed Technology.

# 8.0 Base Year Recalculation & Historical Restatements

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To consistently track emissions over time, Sun Life recalculates emissions for two prior historical years where data is available in addition to the base year when relevant for tracking progress toward its emissions reduction goal for global offices (refer to section 9.0 [Sun Life's Emission Reduction Goals](#)). This approach aligns with the GHG Protocol and accounts for specific factors and corresponding materiality thresholds:

1. Structural changes that have a material impact on Sun Life's base year emissions - mergers, acquisitions and divestments, and changes in classification of JVs resulting from changes such as ownership structure and financial control.
2. Calculation methodology changes and discovery of errors.
3. Addition of net new data sources and/or improvements in the accuracy of emission factors or activity data.

## Instances in which recalculation would not occur

Recalculation of historical and base-year emissions is not performed in the following circumstances:

- Facilities or an acquired company did not exist in the base year.
- Changes due to organic growth, decline, acquisition, or divestment of general account invested assets occurring as part of standard investment management practices.
- Newly reported Scope 3 categories that are not included in the global offices goal.
- Newly reported asset classes that are not included in existing Sun Life general account goals.

## Significance threshold

A significance threshold is a qualitative and/or quantitative standard used to identify any major alterations to the data, inventory boundary, methods, or other relevant aspects. Sun Life's significance threshold is set at 5%. The 5% threshold is applied separately to the combined Scope 1 and 2 emissions, the combined Scope 3 emissions (excluding Category 15), and global office emissions within the scope of the emissions reduction goal. For each of these three groupings, when the cumulative effect of the above-mentioned factors results in a change of 5% or more in any direction, the base year emissions and emissions from two prior historical years are recalculated.<sup>20</sup>

For general account financed emissions, Sun Life applies this significance threshold individually to each asset class baseline where GHG emissions goals have been set. To account for the potential variability in data availability for estimates and estimation methodologies across third-party data providers, Sun Life excludes estimates with the lowest PCAF data quality scores (scores 4 and 5) from the base year recalculation assessment.

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<sup>20</sup> For emissions out of scope for Sun Life's global offices goal, only the two prior years are recalculated.

## 9.0 Sun Life's Emission Reduction Goals

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The following table summarizes Sun Life's global offices goal scope and reporting. For further details on Sun Life's global offices goal, refer to the [2025 OSFI B-15 Climate Risk Management Report](#).

Goal type	50% absolute reduction
Goal boundary	Operations include: Global offices Activities include: Energy Water
Goal base year	Fixed base year: 2019
Goal achievement year	Long term: 2030
Offsets and credits	Use of RECs (i.e. market-based approach), no use of carbon offsets
Double counting policy	Emissions from global offices are categorized across Scopes 1 and 2, and Scope 3 Categories 8 and 15. Sun Life's approach to avoid double counting is outlined in section 2.2 <a href="#">Application of Boundaries to the Real Estate Portfolio</a> .
Reporting	Annual emissions and progress against base year is reported in Sun Life's <a href="#">2025 OSFI B-15 Climate Risk Management Report</a> .

For Sun Life’s general account financed emissions, Sun Life has set goals for select asset classes as described below. For further details on Sun Life’s goals, refer to the [2025 OSFI B-15 Climate Risk Management Report](#).

<b>Listed Corporate Bonds</b>	
Goal type	Intensity reduction of 40%
Goal boundary	Scope 1 and 2 financed emissions
Goal base year	2019
Goal achievement year	2030

<b>Directly Managed Listed Equities</b>	
Goal type	Intensity reduction of 50%
Goal boundary	Scope 1 and 2 financed emissions
Goal base year	2019
Goal achievement year	2030

<b>Commercial Real Estate</b>	
Goal type	Intensity reduction of 50%
Goal boundary	Scope 1, 2, and 3 of properties
Goal base year	2019
Goal achievement year	2030

# 10.0 Glossary of Terms

REI	Real Estate Investment
GHG	Greenhouse gas, for the purposes of this report: CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O
PCAF	Partnership for Carbon Accounting Financials
JVs	Joint ventures
PG&S	Purchased Goods and Services
FERA	Fuel and Energy Related Activities (not included in Scope 1 and 2)
REC	Renewable Energy Certificate
WTT	Well-to-tank
TTW	Tank-to-wheel
Base Year	The earliest year emissions are reported, which is used as a reference point to compare present year emissions.
Residual mix emission factor	Measurement of grid emissions after the removal of voluntary green energy purchases
CO <sub>2</sub> e	Carbon dioxide equivalent
tCO <sub>2</sub> e	Metric tons of carbon dioxide equivalent
km	Kilometer
US EPA	United States Environmental Protection Agency
Canada NIR	Canada National Inventory Report
CEDA	Comprehensive Environmental Data Archive
IEA	International Energy Agency
UK DEFRA	United Kingdom Department for Environment, Food and Rural Affairs
AIB	Association of Issuing Bodies

# 11.0 Cautionary Statement Regarding Forward Looking Statements and Other Matters

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## 11.1 Forward-looking statements

Certain statements made in this document are forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this document include statements relating to Sun Life’s sustainability and environmental (including climate)-related strategies, plans, activities, goals (including our greenhouse gas (GHG) emission reduction goals), metrics and targets, commitments and priorities that are predictive in nature or that depend upon or refer to future events or conditions (collectively, our “Sustainability Objectives”); and that include words such as “achieve”, “aim”, “ambition”, “anticipate”, “aspiration”, “assumption”, “believe”, “could”, “estimate”, “expect”, “goal”, “initiatives”, “intend”, “may”, “objective”, “outlook”, “plan”, “project”, “seek”, “should”, “strategy”, “strive”, “target”, “will” and similar expressions.

The forward-looking statements in this document represent our current expectations, estimates and projections regarding future events and are not historical facts, and remain subject to change. These forward-looking statements are not a guarantee of future performance, involve inherent risks and uncertainties and are based on key factors and assumptions, all of which are difficult to predict. In particular, because of the limitations and uncertainties inherent in climate-related data and reporting, we have relied upon various market practices, taxonomies, methodologies, criteria and standards, and made reasonable approximations and assumptions, in establishing our Sustainability Objectives. However, there are many factors that we may not foresee or be able to accurately predict which may impact our ability to maintain or achieve our Sustainability Objectives or otherwise achieve the results anticipated by such forward-looking statements. The factors and assumptions which may impact the forward-looking statements in this document include the following: the absence of a standardized taxonomy regarding sustainability-related terms (including in meaning and scope), the availability of comprehensive, comparable and high-quality GHG emissions data, the need for active and continued participation of stakeholders (including enterprises, financial institutions and governmental and non-governmental organizations), the establishment and fulfilment of climate adaptation and mitigation activities and goals (including net-zero and interim goals) by governments and companies, the assumptions underlying third-party decarbonization scenarios, the development and deployment of new technologies and industry-specific solutions (including in hard-to-abate sectors), evolving social views on sustainability-related topics, international cooperation and standard-setting, changes in government, political or regulatory approach or treatment in relation to sustainability disclosures, reporting and other requirements, and our ability to gather and verify data and successfully implement various initiatives under expected time frames, among other unforeseen events or conditions.

Our Sustainability Objectives described in this document rely on currently available science, and on

assumptions and estimations based on internal and third-party data. Although we believe these sources are reliable, we have not independently verified or assessed all the assumptions or estimations or the underlying data, and we cannot guarantee the accuracy of such third-party assumptions, estimations or data. Moreover, the quality, consistency and reliability of data used in connection with our Sustainability Objectives may vary across the sectors that we focus on, and in some cases may not exist. We caution that there are inherent limitations and uncertainties with available data and methodologies that may impact our underlying assumptions and estimations. Our ability to maintain or progress towards our Sustainability Objectives may be impacted if their underlying assumptions or estimations prove to be incorrect or if regulatory, economic, technological and other external factors necessary to enable their achievement fail to evolve. These factors and related uncertainties could have a material effect on our Sustainability Objectives and our ability to meet them.

We anticipate that our Sustainability Objectives and the methodologies and scenarios we use in connection with those objectives (including to measure our operational and financed GHG emissions) may need to be revised to reflect improvements in data quality and methodologies, the evolution of best practices, regulations, standards and science and changes in our business practices or strategies. In addition, our reporting on progress towards achieving our Sustainability Objectives relies on market practices and various external frameworks, methodologies, taxonomies, criteria and other standards, which may change over time (or in some cases may not yet exist), resulting in changes to, or restatements of, our reporting processes and results.

We may need to or elect to purchase carbon and clean energy instruments, including carbon offset and removal credits and renewable energy certificates to meet sustainability-related goals. The market for these instruments is still developing and their availability may be limited. Some of these instruments are also subject to the risk of invalidation or reversal, and there can be no assurance of the treatment of any such instruments in the future. There may also be changes to applicable regulations and standards that impact the market for carbon and clean energy instruments. The maturity, liquidity and economics of this market may make it more difficult for us to achieve our Sustainability Objectives.

Other factors that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements in this document include the matters set out in the 2025 Annual Information Form of Sun Life Financial Inc. for the year ended December 31, 2025 under the heading “Risk Factors” and other factors detailed in Sun Life Financial Inc.’s annual and interim financial statements and management’s discussion and analysis and any other filings with Canadian and U.S. securities regulators made available on [www.sedarplus.ca](http://www.sedarplus.ca) and [www.sec.gov](http://www.sec.gov), respectively.

The forward-looking statements in this document are presented for the purpose of assisting our stakeholders in understanding the ways we intend to address our Sustainability Objectives and may not be appropriate for other purposes. Sun Life does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

## 11.2 Additional disclaimers

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# Appendix A – Emission Factors 2025

Emissions are calculated using the emission factor sources detailed below.

Scope and Category	Description	Emission factor source
Scope 1	Stationary and mobile fuels	US EPA 2025 GHG Emission Factor Hub
Scope 2	Purchased electricity	Canada NIR 1990-2023 Part 3, published 2025; US EPA 2025 GHG Emission Factor Hub; 2024 Green-e Residual Mix Emission Rates; IEA Emissions Factors 2024 dataset
	District heat & cooling, steam, chilled water	Ecoinvent database, US EPA 2025 GHG Emission Factor Hub
Scope 3 Category 1	Purchased goods and service (spend)	CEDA database
Scope 3 Category 3	Fuel and energy related	IEA Emission Factors 2024 dataset ; Canada NIR 1990-2023 Part 3, published 2025; UK DEFRA Conversion Factors 2025; 2024 Green-e Residual Mix Emission Rates
Scope 3 Category 4	Water consumption	Ecoinvent database
Scope 3 Category 5	Operational waste	US EPA 2025 GHG Emission Factor Hub; UK DEFRA Conversion Factors 2025
Scope 3 Category 6	Business travel (distance data)	US EPA 2025 GHG Emission Factor Hub; UK DEFRA 2025, excluding radiative forcing
	Business travel (spend data)	CEDA database
Scope 3 Category 7	Employee commute	Refer to <i>Business travel (distance data)</i> row
	Home office emissions	Refer to <i>Scope 3 Category 8</i> rows
Scope 3 Category 8	Stationary fuels	US EPA 2025 GHG Emission Factor Hub
	Purchased electricity	Canada NIR 1990-2023 Part 3, published 2025; US EPA 2025 GHG Emission Factor Hub; 2024 Green-e Residual Mix Emission Rates; IEA Emission Factors 2024 dataset; 2025 Australia National GHG Factors; UK DEFRA Conversion factors 2025; 2025 AIB European residual mixes
	District heat & cooling, steam, chilled water, water	Ecoinvent database, US EPA 2025 GHG Emission Factor Hub, UK DEFRA Conversion Factors 2025, Enwave 2024 Emissions Stakeholder Letter