



# Net Zero by 2050

Sun Life's Climate Journey

March 2024



## Foreword

Doing our part to achieve net zero means driving climate action not only within our own operations, but also across our investments and the broader industries and economies in which we play a key role. To achieve our goals, we are:

1. Decarbonizing our own investments by maturing our financed emissions data and emissions reduction strategies.
2. Working with our asset management Clients to decarbonize their investment portfolios, where consistent with Client objectives.
3. Reducing our operational emissions in our offices and data centres through a combination of energy efficiency initiatives and clean energy use.
4. Enhancing our internal climate capabilities by building expertise, tools and processes.
5. Improving our climate-related measurement, monitoring and reporting.
6. Advocating for more government action on climate-related disclosures.
7. Participating in industry working groups and alliances to accelerate our climate knowledge and progress.
8. Leveraging our position to help guide climate action in companies we invest in.
9. Supporting research and thought leadership initiatives focused on the interconnectivity of climate risk and health.

## About this report

This report summarizes the net-zero commitments made by Sun Life and its asset management businesses. This document will be updated as we progress towards our near and long-term decarbonization targets.

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# Our fight against climate change

## A letter from the Chief Executive Officer and Chief Sustainability Officer

Sun Life is committed to being part of the climate solution. We're taking meaningful climate action by decarbonizing our operations and investments to ensure the resiliency of our business.

### **'It's now or never': This is the critical decade**

The climate emergency is one of the most complex and urgent priorities of our lifetime, and the world is continuing to feel the growing impacts. The time for action is now. This decade, we must take action to avoid the worst effects of climate change and to limit the disproportionate negative impacts across our communities and countries. Making significant, measurable progress on limiting climate change must be the defining breakthrough of the 2020s, and it's something that Sun Life is fully committed to realizing.

With \$1.4 trillion in assets under management (AUM)<sup>1,2</sup>, 58,200 employees<sup>1,3</sup> and 91,700 advisors<sup>1,3</sup> globally, Sun Life has an important role in the global climate transition, and a responsibility to our stakeholders. In 2021, we set a goal to achieve net-zero greenhouse gas (GHG) emissions in our investments and operations by 2050. In 2023, we established our first set of interim targets for the general account. Now, we must get to the hard work of delivering on these goals and transparently reporting our progress.

### **A multi-phased journey to net zero**

There are many pathways to achieve net zero, and we are determining the most effective and credible steps for Sun Life to take. The previous few years have been a precursor to this journey. During that time, we began building our understanding of climate risks and opportunities, while taking steps in our real estate investments and across our offices to shrink our carbon footprint and make our operations more eco-efficient. We've also committed to deepening our understanding of climate change impacts on the financial security and health of our Clients globally.

Leveraging and building from this early foundational work, we're now in the process of developing a dedicated roadmap to reach net zero — one that reflects each of our lines of business. Much of our immediate focus has been on setting several interim targets to define our decarbonization pathways and provide clear direction for the transition to net zero.

We know that attaining net zero will not be easy nor straightforward. The scale of the task is immense: Sun Life has diverse business lines, subsidiaries and offices in 28 markets around the world. There is much to consider: the cost, quality and timeliness of mitigation tactics, the availability and quality of data, how to accurately track progress and embed accountabilities across the organization, the varying pace of transition across regions and sectors, and more. We have a lot to do. But we are working diligently to put in place the necessary plans, backed by capabilities that will help us tackle the challenges at hand. Our climate expertise and bench strength also continue to grow. We are creating more climate-related roles and recruiting the right people to lead our net-zero strategy and implement actionable tactics.

### **The choice belongs to each of us**

Our concerted efforts towards this vital global issue, along with industry collaboration, will help preserve a livable climate and the health and security of our communities. We encourage you — our Clients, investors, suppliers, employees and other industry partners — to join us in the ambitious and necessary work to achieve net zero. Every fraction of a degree matters when it comes to reducing GHG emissions. Only if we take immediate, meaningful and sustained action together, can we achieve needle-moving gains that will make this decade a watershed era for climate progress.



**Kevin Strain,**  
President and  
Chief Executive Officer



**Alanna Boyd,**  
Senior Vice-President and  
Chief Sustainability Officer

<sup>1</sup> As of December 31, 2023.

<sup>2</sup> Comprises general fund assets, segregated funds, mutual funds, managed funds and other AUM.

<sup>3</sup> Rounded to the nearest hundred.

# 1.0 Our path to achieving net zero

## Our net-zero commitment

Sun Life supports the goal of the Paris Agreement to limit global temperature increase in this century to well below 2 degrees Celsius relative to pre-industrial levels and to pursue efforts to limit temperature increase to 1.5 degrees Celsius. We know that every fraction of a degree matters when it comes to reducing GHG emissions. We have set the goal of achieving net-zero GHG emissions by 2050 for both our investments and operations globally. We continue to set multiple interim targets across our businesses to steer our efforts towards nearer-term progress along the way.

To support our work towards our own goal and to also contribute to the wider global movement to net zero, we will collaborate with others and advocate for programs and policies that can help drive this transition. Our response is not just about mitigating climate risk. We see tremendous opportunity and value in being part of the climate solution and an industry leader for our Clients, employees and communities. It's about positioning Sun Life for the net-zero economy, while also helping our stakeholders make the transition.

## What is net zero?

Net zero refers to a state in which total GHG emissions released into the atmosphere are less than or equal to the GHG emissions removed from the atmosphere.

## Why by 2050?

The Intergovernmental Panel on Climate Change, the United Nations body for assessing the science related to climate change, underlines the need for net zero by 2050 to limit global warming enough to avert the worst impacts of climate change. It states that in order to limit the temperature increase to 1.5 degrees Celsius below pre-industrial levels, emissions would have to peak before 2025 and globally, net-zero emissions would need to be attained by 2050<sup>4</sup>.

## Our climate priorities

- Achieving net zero for our investments by 2050
- Achieving net zero in our own operations by 2050
- Supporting and participating in external initiatives to help advance a net-zero economy

<sup>4</sup> IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926

## Key elements

To reach net zero, we will tackle our impacts across all three GHG emissions scopes:

- **Scope 1** (direct emissions, typically from fuels used in sources in our financial control<sup>5</sup>, like boilers that heat our buildings)
- **Scope 2** (indirect emissions, for example from electricity we purchase that causes direct emissions at the facility producing the electricity)
- **Scope 3** (other indirect emissions across our value chain, such as emissions from our business travel, leased offices and investments)

## The values guiding us

1. **We are committed.** Becoming a net-zero organization by 2050 is non-negotiable. We have a responsibility to help tackle the global climate crisis, and our own success depends on it.
2. **We lead with optimism.** We don't just see risks — we also see the climate-related opportunities and solutions that can catalyze positive change.
3. **We collaborate for greater impact.** We believe partnerships and collective action across our global organization and all levels of society are required to achieve a net-zero economy.
4. **We're transparent.** We commit to provide transparent reporting on our net-zero journey.
5. **We use data-driven approaches.** Our targets, plans and programs are built on robust data, and align with national and international standards related to emissions accounting and reporting.

## Advancing the measurement of our scope 3 emissions

Measuring our scope 3 emissions is a key component of our climate strategy. Scope 3 emissions are emissions incurred upstream and downstream in our value chain as a result of our business activities. These include emissions associated with business travel, the offices our employees occupy and the activities of the companies in which we invest. Scope 3 emissions data provides critical insights into our decarbonization efforts, detailing climate risks and opportunities in our journey towards achieving net zero.

While data challenges continue to exist, to date we have made significant strides in measuring our scope 3 emissions footprint through the quantification of select data associated with our real estate, business travel, data centres and general account investments. Looking ahead, we aim to enhance our ability to measure our scope 3 footprint, including emissions from our purchased goods and services, employee commuting, remote work and more.

Comprehensive and robust scope 1, 2 and 3 data is foundational to our ability to build and deliver on our climate transition plan. It enables us to create data-based emissions reductions roadmaps that model our interim and long-term pathway to net zero. Importantly, the data allows us to effectively measure progress against our goals and targets. Scope 3 data, however, extends beyond our company to organizations throughout our value chain. As a result of its interconnected nature, expanding our understanding of that footprint is a critical component of the global transition to net zero. We look forward to continuing to advance the measurement of this data and leveraging it to drive the transition to net zero.

<sup>5</sup> As defined by the World Business Council for Sustainable Development and World Resources Institute in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard – Revised Edition.

## Priority 1. Achieve net zero for our investments by 2050

We are committed to reducing the climate change impacts of the investments we own and manage through Sun Life's general account and multiple asset management businesses and subsidiaries.

- **As an asset owner:** Sun Life plans to achieve net-zero GHG emissions by 2050 for investments in its general account, which holds funds from insurance policy premiums. These funds are invested in a range of assets to back the insurance products that Sun Life sells globally. The general account is primarily managed by [SLC Management](#), the company's fixed income and alternatives asset management firm.

While our net-zero goal covers all of the general account, our initial focus for interim target setting is on the asset classes where there is industry guidance and ability to have immediate impact. For Sun Life's general account, this means our investments in listed corporate bonds, directly managed listed equities and commercial real estate.

- **As an asset manager:** Several Sun Life asset management companies have committed to investing aligned with net zero by 2050 that currently covers some or all of their managed assets, and are quantifying and developing decarbonization roadmaps to reduce financed emissions. These companies include: [MFS Investment Management](#) (MFS), [SLGI Asset Management Inc](#) (SLGI Asset Management), SLC Fixed Income (the investment grade fixed income business of [SLC Management](#)) and its affiliate businesses [BGO](#) and [InfraRed Capital Partners](#) (InfraRed). Just as these businesses are different, so too are their targets and plans for achieving net zero, in alignment with their Clients' objectives and preferences.

## Sun Life General Account

### Interim targets

The following interim targets for 2030, relative to a 2019 base year (unless otherwise stated), cover 29% of Sun Life's general account invested AUM<sup>6</sup>:

- **Listed corporate bonds:**
  - Minimum 40% reduction in carbon intensity relative to the baseline of 82.4 tCO<sub>2</sub>e per million dollars invested (absolute financed emissions baseline: 3,239,000 tCO<sub>2</sub>e<sup>7</sup>).
  - 65% of the top 50 financed emitters in material sectors<sup>8</sup> achieving net zero 'aligned' or 'aligning' (2022 baseline: 0% achieved net zero, 2% aligned, 34% aligning, 34% committed, 30% not aligned).
- **Directly managed listed equities:** 50% reduction in carbon intensity relative to baseline of 59.3 tCO<sub>2</sub>e per million dollars invested (absolute financed emissions baseline: 29,000 tCO<sub>2</sub>e<sup>7</sup>)
- **Commercial real estate:** 50% reduction in carbon intensity relative to baseline of 0.034 tCO<sub>2</sub>e per square metre (absolute financed emissions baseline: 126,000 tCO<sub>2</sub>e<sup>9</sup>)

### Active initiatives

- Review progress of top 50 financed emitters towards alignment target. **\*New\***
- Build climate-related scenario analysis capabilities for Sun Life's general account assets. **\*New\***
- Continue to support Sun Life's goal of \$20 billion in new sustainable investments by 2025 in assets and businesses that support the transition to a low-carbon and more inclusive economy.
- Continue engagement with large corporate emitters through SLC Fixed Income's involvement in Climate Action 100+ and Climate Engagement Canada.

### Recently completed

- Measured and disclosed emissions associated with our directly managed listed equities and listed corporate bonds in our [2023 Sustainability Report](#).
- Established a 2030 interim target for the share of large emitters in listed corporate bonds to be net-zero aligned.
- Published climate-related investment principles to inform Sun Life's general account investment approach to net zero. Refer to the [Appendix](#).

### Learn more

- [Sun Life 2023 Sustainability Report](#)
- [Sustainable investing webpage](#)

<sup>6</sup> As of December 31, 2019, Sun Life's general account invested AUM was \$161.6 billion.

<sup>7</sup> Financed emission values are calculated in alignment with the Partnership for Carbon Accounting Financials (PCAF), Part A Financed Emissions 2<sup>nd</sup> Edition (2022). Note this figure is not externally assured and may be adjusted in future publications due to changes in the organizational portfolio in addition to improvements in availability, controls and quality of data. Values are impacted by rounding. The unit tCO<sub>2</sub>e refers to metric tonnes of carbon dioxide equivalent.

<sup>8</sup> Material sectors include utilities (electric, multi and gas); oil, gas and consumable fuels; aviation; chemicals; construction materials, and mining. Alignment metric follows the asset alignment methodology as set out in Paris Aligned Investment Initiative's Net Zero Investment Framework.

<sup>9</sup> Interim target and baseline emissions for commercial real estate associated with those of the Sun Life BGO Real Estate Equity Fund. Interim target developed using the SBTi methodology and has been submitted to and accepted by the Net Zero Asset Managers (NZAM) initiative. Note this figure is not externally assured and may be adjusted in future publications due to changes in the organizational portfolio in addition to improvements in availability, controls and quality of data. Values are impacted by rounding.

## NZAM Signatory

<p><b>Interim targets</b></p> <p><b>2030:</b> 90% of in-scope AUM net-zero aligned or aligning<sup>10</sup> (2022 baseline)</p> <p><b>2040:</b> 100% of in-scope AUM net-zero aligned (2022 baseline)</p>	<p><b>Scope</b></p> <p>All equity and corporate bonds<sup>11</sup></p>	<p><b>Active initiatives</b></p> <ul style="list-style-type: none"> <li>• Further integrate climate-related data and engagement insights into MFS' investment process. <b>*New*</b></li> <li>• Develop internal research on emerging climate technologies and other sectoral needs to enable the investment team to monitor changing trajectories in climate-related expectations. <b>*New*</b></li> <li>• Develop and enhance the process to monitor progress against net-zero commitments and the alignment of portfolios with the decarbonization goals of the Paris Agreement. <b>*New*</b></li> <li>• Further develop governance structure and voting policies to support continued progress toward interim targets and net-zero goals.</li> <li>• Develop a more structured framework to assess corporate transition plans for supporting the forward-looking assessment of risk and alignment with the Net Zero Asset Managers (NZAM) initiative and the Sustainable Finance Disclosure Regulation.</li> </ul> <p><b>Recently completed</b></p> <ul style="list-style-type: none"> <li>• Rolled out portfolio-level climate-related financial disclosure (guided by the Task Force on Climate-related Financial Disclosure framework) for UK-managed accounts.</li> </ul>
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**Learn more**

- [MFS Climate Action Plan](#)
- [MFS Net Zero Progress Report](#)
- [MFS 2022 Annual Sustainability Report](#)

<sup>10</sup> Aligning towards or aligned to a net zero pathway as defined by criteria set out in the Net Zero Investment Framework. Criteria are asset class-specific. Pathways is the term used to describe the emissions, technologies and investment trajectories that will be needed to deliver net zero.

<sup>11</sup> Comprising approximately 90% of MFS' global AUM as of December 31, 2022.

## NZAM Signatory

### Interim targets

SLC Fixed Income's NZAM-accepted interim targets apply only to those assets it manages for the Sun Life General Account (approximately 20% of SLC Fixed Income's total AUM)<sup>12</sup>. Its three interim targets are those set out under interim target 1 ("Listed corporate bonds") and 2 ("Directly managed listed equities") in the "Sun Life General Account" section above.

### Active initiatives

- Explore establishing appropriate targets for additional asset classes, where aligned with Client objectives. **\*New\***
- Enhance Client reporting capabilities on their carbon footprint, energy transition impact, physical risk exposure and climate engagement. **\*New\***
- Update interim target AUM to include additional Client assets being managed in line with net-zero commitments, where relevant. **\*New\***
- Continue to support development of sustainability-oriented offerings.

### Recently completed

- Published first TCFD-aligned report.
- Interim targets related to assets managed for the Sun Life General Account were accepted by NZAM.

### Learn more

- [SLC Fixed Income 2022 Sustainable Investing Report](#)
- [SLC Fixed Income 2022 Climate Report](#)

<sup>12</sup> As of December 31, 2023.

## NZAM Signatory

### Interim targets

**2030:** 72.6% reduction in emissions intensity<sup>13</sup> for Scope 1 and 2 emissions.

50% reduction in emissions intensity<sup>13</sup> for residential buildings and a 57% reduction in emissions intensity<sup>13</sup> for service buildings (non-residential) representing Scope 3 emissions (from investments).

### Scope

44% of BGO's AUM (2019 baseline)<sup>14</sup>

### Active initiatives

- Expand data coverage of tenant-controlled areas to understand whole-building emissions and building performance. **\*New\***
- Enhance data strategy and governance to support global reporting needs. **\*New\***
- Conduct asset-level decarbonization studies and expand scope to additional priority assets. **\*New\***
- Establish fund-specific development strategies that incorporate net-zero considerations. **\*New\***
- Pilot new tools and technologies to advance decarbonization across the portfolio. **\*New\***
- Conduct on-site renewable energy feasibility studies.
- Develop an asset-level strategy to provide decarbonization measures tailored to specific building types and locations.
- Conduct asset-level carbon assessments to inform capital and operational planning and develop an inventory of mechanical systems.

### Recently completed

- Published inaugural climate report.
- Established an internal climate project team to support climate and net-zero ambitions.

### Learn more

- [BGO 2023 Environmental, Social and Governance Report](#)
- [BGO 2022 Climate Report](#)

<sup>13</sup> Emissions intensity expressed as kgCO<sub>2</sub>e/sqm (kilogram of carbon dioxide equivalent per square metre). Utilizes 2019 baselines.

<sup>14</sup> The scope of the targets exclude BGO's global debt series and mortgage investments, European and Asian Core Plus and Value-Add strategies, Asian and European separate accounts, and Asian debt series.

NZAM Signatory		
<p><b>Interim targets</b></p> <p><b>2025:</b> 50% of AUM invested in climate solutions (2021 baseline of 45%)</p> <p><b>2030:</b> 70% of in-scope AUM net-zero aligned (50%) or aligning (20%)<sup>15</sup> (2021 baseline of 8% aligned or aligning)</p> <p><b>2030:</b> 90% of financed emissions in material sectors subject to direct or indirect engagement (2021 baseline)</p>	<p><b>Scope</b></p> <p>Approximately 83% of InfraRed's global AUM<sup>16</sup></p>	<p><b>Active initiatives</b></p> <ul style="list-style-type: none"> <li>• Develop net-zero framework to support achievement of targets (pre- and post-investment).</li> <li>• Continue to target renewable and energy transition investment opportunities.</li> </ul> <hr/> <p><b>Recently completed</b></p> <ul style="list-style-type: none"> <li>• Estimated 2022 GHG emissions for all AUM.</li> </ul>
<p><b>Learn more</b></p> <ul style="list-style-type: none"> <li>• <a href="#">InfraRed 2023 Sustainability Report</a></li> <li>• <a href="#">InfraRed 2022 Net Zero Progress Report</a></li> </ul>		

NZAM Signatory		
<p><b>Interim target</b></p> <p><b>2030:</b> 24% of total AUM<sup>17</sup> to be on the path towards achieving net-zero GHG emissions by 2050 (initial commitment)</p>	<p><b>Scope</b></p> <p>SLGI has taken a portfolio coverage approach, whereby assets in scope are “rolled up” at an individual investment strategy level</p>	<p><b>Active initiatives</b></p> <ul style="list-style-type: none"> <li>• Enhance governance mechanisms for SLGI’s responsible investing initiatives. <b>*New*</b></li> <li>• Embed climate data analytics in manager engagement queries. <b>*New*</b></li> <li>• Escalate manager engagement initiatives that serve to deepen insights on approaches to climate action.</li> </ul> <hr/> <p><b>Recently completed</b></p> <ul style="list-style-type: none"> <li>• Completed initial analysis and enhancements to financed emissions-related data.</li> <li>• Launched two new funds with net zero embedded in the investment objectives: the Sun Life Net Zero Target Bond Fund and the Sun Life Acadian International Equity Fund. Refer to Sun Life’s <a href="#">2023 Sustainability Report</a> and SLGI’s latest <a href="#">Simplified Prospectus</a> for more information.</li> </ul>

<sup>15</sup> Aligning towards or aligned to a net zero pathway as defined by criteria set out in the Net Zero Investment Framework. Criteria are asset class-specific. Pathways is the term used to describe the emissions, technologies and investment trajectories that will be needed to deliver net zero.

<sup>16</sup> As of June 30, 2022. Funds where assets are currently being sold or transferred in line with the original fund strategy have been excluded from the commitment.

<sup>17</sup> The target assumes the mix of AUM will not materiality change.

## Priority 2. Achieve net zero in our own operations by 2050

Sun Life is committed to the decarbonization of our global operations. We will continue to advance strategies that bring the carbon footprint of our operations closer to zero emissions, in line with efforts to limit global warming to 1.5 degrees Celsius.

We will use a combination of measures, including energy efficiency projects, to further reduce real-estate associated emissions from Sun Life's offices. Because we can't achieve true net zero today, we will purchase high-quality carbon offsets for the remaining unabated or hard-to-abate emissions. It's important to note that offsetting is not part of our long-term decarbonization strategy but reflects our desire to neutralize where we have emissions today.

Interim target	Active initiatives
<p>50% absolute reduction of GHG emissions in our global operations by 2030, relative to 2019<sup>18</sup>; in the interim we're purchasing enough high-quality carbon offsets to match the emissions we haven't yet eliminated.</p>	<ul style="list-style-type: none"><li>• <b>Corporate Real Estate (North America) Sustainability programming:</b> Develop a comprehensive real estate-focused sustainability program that tracks and manages the performance of Sun Life's North American offices, and identifies areas of improvement for emission reduction. <b>*New*</b></li><li>• <b>Energy efficiency:</b> Continue to conduct building energy audits for remainder of our North American Corporate Real Estate portfolio to help identify additional opportunities to reduce energy consumption.</li><li>• <b>Energy data and monitoring:</b> Explore technology solutions for real-time energy monitoring in collaboration with landlords.</li><li>• <b>Travel:</b> Explore approaches to influence employee behaviour at point of airfare booking.</li></ul>
	<p><b>Recently completed</b></p> <ul style="list-style-type: none"><li>• Piloted occupancy sensors at one of our U.S. offices to identify operational emissions reduction opportunities by determining underutilized and high-traffic areas through real time monitoring.</li><li>• Piloted motion sensors for lighting at 11 of our offices in North America to increase energy use efficiency.</li></ul>

### Learn more

- [Sun Life 2023 Sustainability Report](#)
- [Climate change webpage](#)

<sup>18</sup> Emissions resulting from global corporate offices and data centres as well as from business travel, inclusive of majority-owned Sun Life affiliate companies.

## Priority 3. Support and participate in external initiatives to advance a net-zero economy

Achieving a net-zero future requires collective action and collaboration. Sun Life is working with governments, non-profits and industry peers through various forums and initiatives to help advance net-zero progress.

In some cases, we leverage the work of these groups to support and inform our own activities at Sun Life. Examples include CDP and the Partnership for Carbon Accounting Financials (PCAF), two initiatives focused on transparent reporting. In other instances, we get involved to influence the speed and scale of climate progress across industries. We have joined numerous organizations and working groups engaged in climate action.

### Why improving disclosures matters

Better and more consistent data across industries would allow for better decision-making and, ultimately, for capital to flow to those companies that are working to develop real solutions for the transition to a low-carbon economy.

### Advocacy and public policy engagement

We continue to contribute to public policy discussions and work with governments to drive climate progress.

In 2023, we:

- Participated in the United Nations Climate Change Conference in Dubai (COP28) with the Canadian government delegation and participated in panels on the link between health and climate change, and international climate finance. In addition, Sun Life spoke at the 4<sup>th</sup> Public-Private Sector Climate Finance Dialogue.
- Offered recommendations to the Office of the Superintendent of Financial Institutions (OSFI) in Canada, directly and through the Canadian Life and Health Insurance Association, on aligning with existing and emerging industry-standard reporting frameworks.
- Supported OSFI issuing life insurance industry-specific guidelines for climate risk management reporting.
- Actively participated in the Government of Canada's Sustainable Finance Action Council (SFAC). One of the key priorities of SFAC is to enhance and standardize the disclosure of climate risks and opportunities.
- Co-chaired the Canadian Chamber of Commerce's Green and Transition Finance Council. The Council advocates for harmonized sustainability reporting standards, fostering the acceleration of private investment in decarbonization and translating corporate objectives into public policy recommendations.
- Actively participating in Climate Proof Canada as a co-convenor of the Adapting to Extreme Heat roundtable with the Canadian Association of Physicians for the Environment.
- Contributed to Climate Proof Canada's recommendations to the federal government on achieving health and well-being targets in Canada's first National Adaptation Strategy.
- Responded to consultations issued by the Bermuda Monetary Authority and Monetary Authority of Singapore on international regulatory cooperation and coordination in regards to climate risk management and climate transition plans, respectively.

## Industry agreements and memberships



An investor-led initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change.

Net Zero Asset Managers initiative

An international group of asset managers committed to supporting the goal of net-zero emissions by 2050 or sooner.



A finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy.



An industry-led partnership to facilitate transparency and accountability of Scope 3 emissions of the financial industry to the Paris Agreement.



Principles for Responsible Investment is a United Nations-supported international network of financial institutions working together to implement its six aspirational principles.



The Responsible Investment Association (RIA) is Canada's industry association for responsible investment.



(Capital Markets Signatory)

A non-profit that runs the global disclosure system for investors, companies, cities, states and regions to manage their climate and environmental impacts.



Net-zero Working Group member of Canadian companies.



The European membership body for investor collaboration on climate change.



The Asia Investor Group on Climate Change is an initiative to create awareness and encourage action among Asia's asset owners and asset managers about the risks and opportunities associated with climate change and low-carbon investing.

Agreements and memberships vary by business. For more information, refer to the websites of each asset owner/manager noted above.

## Sun Life's net-zero activities support the United Nations Sustainable Development Goals, in particular:



**7 – Affordable and Clean Energy** and the following of its targets:

- 7.1 – By 2030, ensure universal access to affordable, reliable and modern energy services
- 7.2 – By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.3 – By 2030, double the global rate of improvement in energy efficiency



**13 – Climate Action** and the following of its targets:

- 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
- 13.3 – Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

<sup>19</sup> Logo used with permission from Climate Engagement Canada. For more information, please visit their [website](#).

# 2.0 Managing the journey ahead

## Measuring and reporting progress

We commit to transparent reporting and strengthening our climate disclosures. We will share progress regularly on our net-zero journey, including through Sun Life's annual [Sustainability Report](#) and the [sustainability section](#) of our website.

In addition, Sun Life has been a supporter of TCFD since 2018. We've published [TCFD-aligned disclosures](#) for the last four years and will continue to progress towards alignment with emerging standards and regulations. This commitment supports a collective increase in decision-useful, climate-related financial information in the marketplace. The information contributes to an enhanced understanding of the financial implications of climate change for greater transparency and market stability. Our asset managers who are signatories to NZAM<sup>20</sup> will continue to publish TCFD-aligned disclosures, including a climate action plan, annually.

The IFRS Foundation took over monitoring of TCFD disclosures in 2024 following the latter's dissolution at the end of 2023.

## Holding ourselves accountable

Strong governance and clear lines of accountability will help us deliver on our net-zero commitments and remain accountable to our stakeholders. The Board of Directors has ultimate oversight of the enterprise approach to climate change. The Governance, Investment & Sustainability Committee of the Board monitors progress of Sun Life's net-zero goals, while the Risk Committee of the Board provides enterprise-wide oversight of climate-related risks.

Various executives and senior-level committees are responsible for different elements of Sun Life's climate agenda:

- Our **Chief Sustainability Officer (CSO)** has overall accountability for sustainability, including climate change, across the enterprise. This accountability includes ensuring the company meets its climate commitments and advocating for strong government policies and regulations that support a lower-carbon, more inclusive economy. These efforts are supported by the sustainability team and other functions across the enterprise.
- The **Vice-President (VP), Climate Change and Environmental Impact** oversees the development and implementation of the enterprise-wide climate change strategy, climate risk and decarbonization performance and reporting functions.
- Our **Executive Sustainability and Climate Change Council (ESC)** is composed of senior executives from Sun Life's Global Leadership Team. The ESC is the decision-making body for the approval of cross-enterprise sustainability programs and issues management, as well as external commitments and goals including related progress oversight (e.g., net-zero, sustainable investing).
- Our **Global Sustainability Leadership Team (GSLT)** is composed of senior executives from each of our business groups and key functions who have sustainability mandates. The GSLT advises and drives execution towards our sustainability objectives.

To reach our net-zero ambitions, we continue to actively develop our people, structures and processes. We are taking a prudent, thoughtful approach so that we feel confident in the quality and credibility of our actions.

<sup>20</sup> As of March 26, 2024, MFS, SLC Fixed Income, BGO, InfraRed and SLGI Asset Management are signatories to NZAM.

# Appendix: Beliefs and investment principles for Sun Life's general account interim targets

As described in this report, we have defined interim targets for the emissions associated with our general account. In this Appendix we have included details regarding the underlying beliefs and investment principles that guide our decision-making, both as we establish targets such as those listed in this report, and as we work to deliver upon these targets over the coming years.

## Our beliefs

We believe that every single person, company and country must play their part in the transition to a low-carbon economy. Sun Life is committed to doing its part to getting us there.

We believe effective financial management of climate risk and opportunity is essential to our Purpose of helping our Clients achieve lifetime financial security and live healthier lives.

We believe the general account, where we are the asset owner, is core to how Sun Life meets its net-zero commitment – it's essential to walking the walk.

We believe it's important to invest the general account in a way that helps accelerate the transition to a low-carbon economy and manage the risk of the portfolio to deliver better risk-adjusted returns over the long term.

We believe that direct engagement can be more powerful than divestment and are willing to engage with companies in all sectors to help them reduce their carbon emissions.

We believe we need interim targets to be aligned with industry best practice and that what gets measured gets done. We will set interim targets and measure our progress, and our efforts will be guided first and foremost by impact and material emissions reductions.

We recognize progress toward net zero is uncertain and data and methodologies continue to emerge and evolve. Our approach will evolve as market practice and data quality and availability evolves. We are committed to continuous learning, grounding our knowledge in climate science.

We believe an orderly transition is the best-case scenario for securing a future that limits physical and transition risk.

We believe in being assessed by our actions and we will disclose our metrics and targets and tell our narrative through our qualitative reporting to allow stakeholders to assess our performance.

## Our investment principles

### Our leadership approach

- We maximize our influence by joining with other institutional investors in engaging constructively with large emitters, supporting their transition to a low-carbon economy through real-world emissions reductions.
- We will adjust our strategy and approach as market practices evolve and as new data, tools and methodologies are developed. We are committed to continuous learning informed by climate science and industry best practice.
- We will disclose our targets, metrics, and qualitative progress to allow stakeholders to assess our performance.

### How we invest

- We invest to help accelerate the transition to a low-carbon economy and manage risk of the portfolio to deliver better risk-adjusted returns over the long term.
- We invest in climate solutions.
- When investing in buildings/real estate, we proactively seek decarbonization investment opportunities throughout the asset life cycle.

### Climate strategy

- When evaluating investments in carbon-intensive sectors, we will consider credible GHG reduction plans and alignment or commitment to alignment with net zero. Our investments prioritize companies that are either categorized as net zero aligned, aligning, or committed to aligning, informed by the Net Zero Investment Framework.
- We regularly review the financial performance of our investments and incorporate non-financial metrics. Performance against GHG reduction targets, where material, are a part of this fundamental investment analysis and will inform our investment decisions.

## Contact us

For questions and feedback about Sun Life's net-zero journey, please contact: [sustainability@sunlife.com](mailto:sustainability@sunlife.com)

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All dollar amounts are in Canadian currency, unless otherwise stated.

## Forward-looking Statements

Certain statements made in this report are written or oral 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 report include statements (i) relating to our strategies, plans, targets, goals and priorities; (ii) relating to our ESG processes, sustainable investment commitments and net-zero greenhouse gas emissions reduction goals and targets, including our interim emissions reduction targets; (iii) relating to our intention to enhance our emissions measurements; (iv) that are predictive in nature or that depend upon or refer to future events or conditions; and (v) 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 report 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. Our ability to achieve our net-zero GHG emissions reduction goals and targets is based on a number of assumptions and is subject to a number of factors beyond our control, including 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 commitments and net-zero targets by governments and companies, the development and deployment of new technologies and industry-specific solutions including in hard-to-abate sectors, international cooperation, and the development of regulations internationally. The energy transition will not be linear and the pace of decarbonization for different sectors and countries will vary. We intend to review and potentially revise our emissions reduction goals and targets as appropriate as data quality and methodologies improve and as best practices, regulations and climate science continue to evolve. This report may contain examples of our internal ESG research processes and is not intended to represent any particular product's or strategy's performance or how any particular product or strategy will be invested at any particular time. Other factors that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements in this report include the matters set out in the annual information form of Sun Life Financial Inc. for the year ended December 31, 2023 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.

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.