



Sun Life Sustainability Bond Framework

April 2024

Background

Our sustainability ambition is to maximize our positive impact and ensure the resiliency of our organization, in support of our Purpose of helping Clients achieve lifetime financial security and live healthier lives. We aim to create competitive advantage and differentiation for our business through the following focus areas of our sustainability plan:



Financial Security

We aspire to increase the lifetime financial security of our Clients, employees and communities. We're increasing access to and use of insurance and wealth products, and empowering and educating people to improve financial security outcomes.



Healthier Lives

We aspire to improve health and wellness outcomes for our Clients, employees and communities. We're improving access to and use of health insurance and health care, and empowering people to navigate and manage their health journey to improve health outcomes. Our investments in community health complement these efforts.



Sustainable Investing

We aspire to deliver sustainable returns for Clients. We manage general account assets with material environmental, social and governance (ESG) factors embedded in our investment processes and help our Clients meet their sustainable investing goals. In addition, we invest general account assets in ways that support a low-carbon and more inclusive society.



Climate Change

We are committed to being part of the climate solution. We're decarbonizing our business and engaging with our stakeholders to support the transition to a low-carbon economy. Meaningful climate action is essential to achieving our Purpose and ensuring the resiliency of our business.

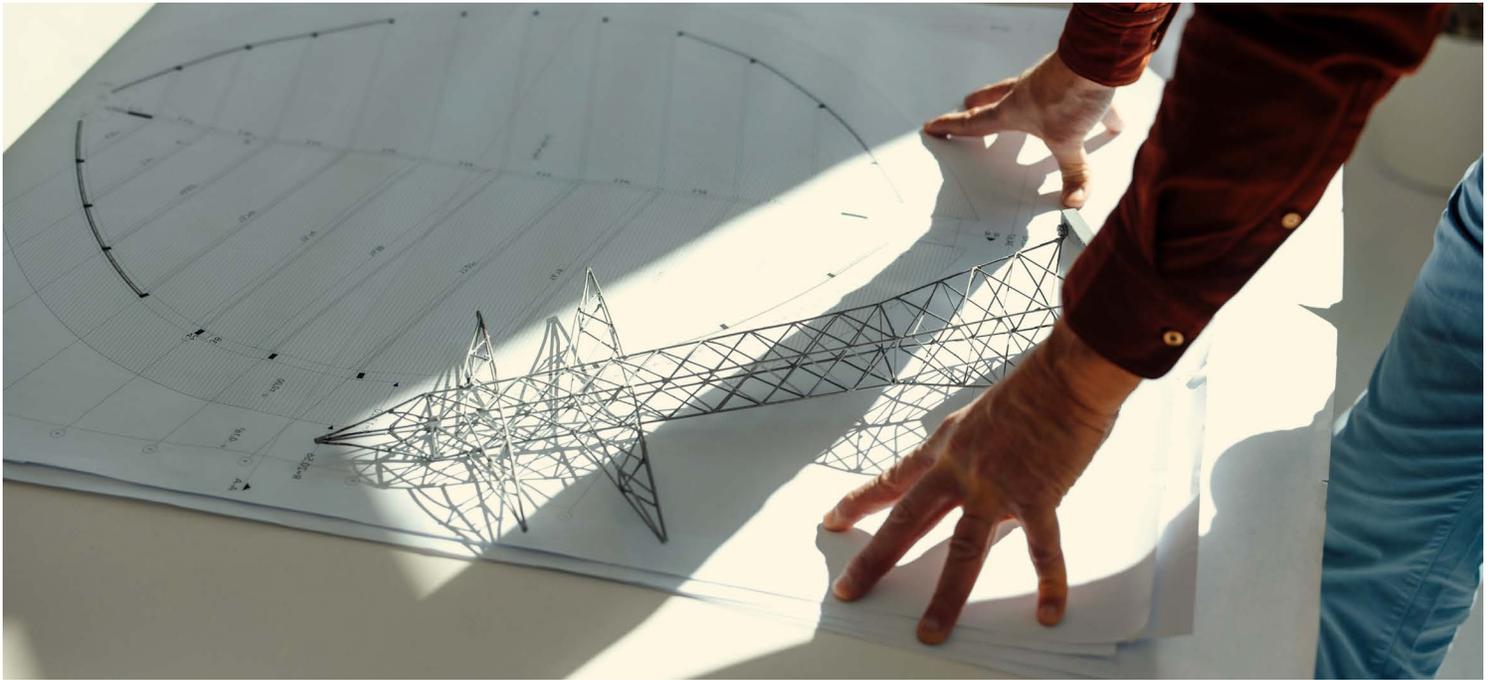


Trusted and Responsible Business

We aspire to be a responsibly-managed business that is Client-focused, competitive, forward-thinking and sustainable for the long term.

Sustainability Driven

For more information on our sustainability plan, visit sunlife.com/sustainability.



Net Zero by 2050: Sun Life's Climate Journey

Guided by ambitious targets and plans, we're intensifying our actions to limit climate change and steward a more sustainable environment, society and economy. To help achieve a low-carbon future, we have set the following goals and targets:

- Net-zero greenhouse gas (GHG) emissions by 2050, in our operations and investments:
 - Interim targets established or under development for several of our asset management businesses and for Sun Life's general account¹
 - 50% absolute reduction of GHG emissions in our operations by 2030, relative to 2019²

For more information on Sun Life's net zero ambitions refer to our Net Zero by 2050 report and annual Sustainability Report available at sunlife.com/en/sustainability/data-and-reports/.

Principles for Responsible Investment

Sun Life Assurance Company of Canada has been a signatory to the UN-supported Principles for Responsible Investment (PRI) since 2014. Many of our asset management businesses are also PRI signatories.

¹ Refer to our Net Zero by 2050 report (<https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/net-zero-climate-journey-e.pdf>) for details.

² Emissions resulting from global corporate offices and data centres as well as from business travel, inclusive of majority-owned Sun Life affiliate companies. All emissions reporting is aligned to the GHG Protocol Corporate Accounting and Reporting Standard using the financial control approach.



Framework Overview

This Sustainability Bond Framework (the “Framework”) is a component of Sun Life’s broader sustainability strategy. By issuing Sustainability Bonds, we are demonstrating our commitment to embed sustainability into our business while contributing positively to society and supporting the transition to a low-carbon economy.

The Framework applies to Sustainability Bonds issued by Sun Life on or after April 22, 2024. Sun Life’s Sustainability Bond Framework published in 2019 continues to govern Sun Life Sustainability Bonds issued prior to such date.

For the purpose of issuing Sustainability Bonds on or after the date hereof, Sun Life has developed the following framework, which addresses the four core components of the ICMA Green Bond Principles³, the ICMA Social Bond Principles⁴ and the ICMA Sustainability Bond Guidelines⁵ and their recommendations on the use of external reviews and impact reporting:

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

Eligible Assets financed or re-financed by Sun Life’s Sustainability Bonds are also intended to align with the United Nations Sustainable Development Goals (“SDGs”). SDGs are a collection of 17 goals designed to be a “blueprint to achieve a better and more sustainable future for all.”⁶

³ International Capital Markets Association, “The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)”, published on June 28, 2022. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁴ International Capital Markets Association, “The Social Bond Principles (SBP) 2023”, published on June 22, 2023. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

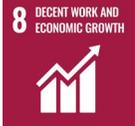
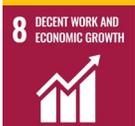
⁵ International Capital Markets Association, “The Sustainability Bond Guidelines (SBG) 2021”, published on June 24, 2021. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁶ United Nations, “Take Action for the Sustainable Development Goals”, <https://www.un.org/sustainabledevelopment/sustainable-development-goals>

I. Use of proceeds

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

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

| Eligible Category per ICMA Green Bond Principles and ICMA Social Bond Principles | Eligibility Criteria | UN SDGs Alignment |
|--|---|---|
| 1. Renewable Energy | <p>Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources, including:</p> <ul style="list-style-type: none"> i. Wind ii. Solar iii. Geothermal (direct emissions intensity <100g CO₂e/kWh) iv. Hydro⁷ v. Biomass (waste or other non-food feedstock that does not deplete existing terrestrial carbon pools, compete with food production, or have links to deforestation or other ecosystem conversion and associated biodiversity loss) with direct emissions intensity <100gCO₂e/kWh and municipal waste to energy projects vi. Hydrogen generation facilities using renewable energy vii. Renewables deployment and servicing enablement, distributed energy projects (e.g. microgrids, solar, and storage) and energy storage (technology agnostic) |    |
| 2. Energy Efficiency | <p>Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> i. Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and building envelope improvements ii. Systems for capture and recycling of waste heat such as district heating and heat recovery iii. Projects that improve efficiency in the delivery of bulk energy services such as energy storage and smart grids iv. Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, demand response, sensors or building information systems |    |

⁷ Hydro projects will meet any of the following: (1) lifecycle GHG emissions below 100gCO₂e/kWh for hydropower plants in operation before 2020 and below 50gCO₂e/kWh for hydropower plants in operation in 2020 or after, (2) power density greater than 5W/m² for hydropower plants in operation before 2020 and 10W/m² for hydropower plants in operation in 2020 or after or (3) electricity generation facility is a run of river plant.

| Eligible Category per ICMA Green Bond Principles and ICMA Social Bond Principles | Eligibility Criteria | UN SDGs Alignment |
|--|--|---|
| 3. Green Buildings | <p>Investments in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, or energy ratings such as:</p> <ul style="list-style-type: none"> i. LEED (Platinum or Gold) ii. CaGBC Zero Carbon Building Certification (Design and Performance) iii. BOMA BEST (Platinum or Gold) iv. ENERGY STAR (85 and above) v. Passive House Institute - EnerPHit vi. Toronto Green Standard Tier 2 or higher vii. BC Step Code (Step 3 or above) viii. New or existing buildings belonging to top 15% low carbon buildings based on emission intensity in the region, as determined by a third-party assessment |  |
| 4. Clean Transportation | <p>Investments in sustainable and efficient transport and supporting infrastructure including:</p> <ul style="list-style-type: none"> i. Infrastructure dedicated to mass public transportation ii. Electric vehicles |   |
| 5. Sustainable Water and Wastewater Management | <p>Investments in facilities and equipment that reduce water consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> i. Installation of water efficient products or technologies or xeriscaping/drought-tolerant landscaping ii. Projects for collection, treatment, recycling or reuse of water, rainwater or wastewater iii. Infrastructure for flood prevention, flood defense or storm-water management |   |
| 6. Environmentally Sustainable Management of Living Natural Resources and Land Use | <p>Investments in holdings and activities that contribute to the sustainable management of living natural resources and land use, including:</p> <ul style="list-style-type: none"> i. Certified sustainable timber and agricultural holdings and/or production activities that have received or are expected to receive certification from credible third-party certification systems such as Forest Stewardship Council (FSC); Programme for the Endorsement of Forest Certification (PEFC); Sustainable Forestry Initiative (SFI); Sustainable Agriculture Initiative (SAI) Platform; Canada Organic, USDA Organic; FAIRTRADE; UTZ; Rainforest Alliance <p>Nature-based climate solutions promoting conservation, restoration, and/or management of forests, grasslands and wetlands</p> |   |

| Eligible Category per ICMA Green Bond Principles and ICMA Social Bond Principles | Eligibility Criteria | UN SDGs Alignment |
|---|---|--|
| 7. Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products | <p>Investments in solutions that extend product-life, reduce waste and/or improve resource use, including:</p> <ul style="list-style-type: none"> i. Products designed to be fully recyclable or composted ii. Technologies that enable the substitution of virgin raw materials with entirely or nearly entirely recycled content |  |
| 8. Terrestrial and Aquatic Biodiversity | <p>Investments in activities that contribute to protection, restoration, and management of coastal, marine and watershed environments</p> |   |
| 9. Access to Essential Services | <p>Investments in facilities and services that enhance access to public, not-for-profit, free or subsidized essential services targeted at populations such as low-income or marginalized communities and vulnerable groups as well as the general public including:</p> <ul style="list-style-type: none"> i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers ii. Infrastructure for the provision of child, youth or adult education and vocational training services iii. Emergency or temporary shelters |    |
| 10. Affordable Housing | <p>Investments aimed at maintaining or improving access to suitable, sustainable and affordable housing⁸, including acquisition, repair, expansion, and/or improvement of social housing including:</p> <ul style="list-style-type: none"> i. Projects that target households with income less than 80% of area median income, or equivalent threshold, and/or meet national/regional affordable housing definitions in the applicable jurisdiction |   |

⁸Definitions to be provided as part of project descriptions in post-issuance reporting.

| Eligible Category per ICMA Green Bond Principles and ICMA Social Bond Principles | Eligibility Criteria | UN SDGs Alignment |
|--|--|--|
| 11. Affordable Basic Infrastructure | Investments aimed at maintaining or improving access to basic infrastructure for underserved communities, including construction, development, operation, acquisition, refurbishment and maintenance of: <ol style="list-style-type: none"> i. Drinking water sources ii. Sanitation and plumbing iii. Electricity and communication networks |   |
| 12. Socioeconomic Advancement and Empowerment | Investments that support the provision of equitable access to and control over assets, services, resources and opportunities including: <ol style="list-style-type: none"> i. Capital to support equity ownership by Indigenous communities |  |

II. Project selection and evaluation process

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

Sun Life’s general account is managed primarily by SLC Management, the company’s fixed income and alternatives asset management firm⁹. SLC Management’s investment teams will identify existing and future green or social assets and propose them to the Sustainability Bond Council for review and confirmation in accordance with the Eligibility Criteria defined in the Sun Life Sustainability Bond Framework.

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

Further responsibilities of the Sustainability Bond Council include:

- Review and approval of the Framework and any amendments or updates to the Framework;
- Monitoring of Eligible Assets over the life of the investment(s) to ensure that the eligibility of assets have not changed;
- Review and approval of the annual post-issuance allocation and impact reports, oversight of external verification;
- Monitoring of ongoing green bond and social bond market practices, including the consideration of whether any updates or amendments should be made to the Framework to reflect new or developing practices; and
- Reviews Sun Life’s Sustainability Bond Register (described below).

In the unlikely event that Sun Life identifies allocations to projects that no longer constitute Eligible Assets in accordance with the Sun Life Sustainability Bond Framework, Sun Life will allocate the corresponding amounts to different assets that comply with Sun Life’s Sustainability Bond Framework.

⁹SLC Management is the brand name for the institutional asset management business of Sun Life under which the entities Sun Life Capital Management (U.S.) LLC in the United States, and Sun Life Capital Management (Canada) Inc. in Canada operate. These entities are also referred to as “SLC Fixed Income” and represent the investment grade public and private fixed income strategies of SLC Management. BentallGreenOak, InfraRed Capital Partners, Crescent Capital Group and Advisors Asset Management Inc. are also part of SLC Management.



III. Management of proceeds

Sun Life has established a Sustainability Bond Register in relation to Sustainability Bonds issued by Sun Life for the purpose of recording the Eligible Assets and the allocation of an amount equal to the net proceeds from Sustainability Bonds to Eligible Assets. The Sustainability Bond Register contains relevant information to identify each Sustainability Bond and the Eligible Assets relating to it and forms the basis of Sun Life's Sustainability Bond Use of Proceeds Report.

SLC Management maintains and updates the Sustainability Bond Register, which is reviewed semi-annually by the Sustainability Bond Council.

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

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

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

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



IV. Reporting

Allocation Reporting

Within one year of the issuance of a Sustainability Bond and as long as there are outstanding Sustainability Bonds issued under this Framework, Sun Life will publish a report on its website. The Sun Life Sustainability Bond Use of Proceeds Report will be updated every year until allocation

of the net proceeds of each outstanding Sustainability Bond to Eligible Assets is complete, and thereafter, as necessary in case of new developments.

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

1. Sustainability Bond details (issuance date, size, currency, maturity date) for each outstanding Sustainability Bond;
2. Confirmation that the use of proceeds of the Sustainability Bonds complies with the Sun Life Sustainability Bond Framework in effect at the time of issuance of each Sustainability Bond;
3. The amount of net proceeds allocated to each Eligible Category;
4. For each Eligible Category, one or more examples of Eligible Assets financed, in whole or in part, by the proceeds obtained from the Sustainability Bond, including their general details (brief description, location, stage, i.e. construction or operation);
5. Amount of net proceeds used for Eligible Assets that are new or existing projects;
6. The balance of unallocated net proceeds of Sun Life's outstanding Sustainability Bonds;
7. Impact reporting (details below).

Impact Reporting

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

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

Below are examples of environmental and social impact measures that may be reported depending on the Eligible Asset:

| Eligible Categories | Potential Impact Performance Metrics |
|--|--|
| Renewable Energy | <ul style="list-style-type: none"> Renewable energy capacity installed (MW) Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent) |
| Energy Efficiency | <ul style="list-style-type: none"> Annual energy savings (MWh) Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent) |
| Green Buildings | <ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent) Green building certifications and certified area (square footage) |
| Clean Transportation | <ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (metric tonnes of CO₂ equivalent) New public transportation infrastructure built (km) |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> Annual absolute amount of water saved, reduced, or treated (m³) |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | <ul style="list-style-type: none"> Sustainable forestry certification and certified area (square footage) |
| Circular Economy Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products | <ul style="list-style-type: none"> Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/or as absolute amount in tonnes p.a. |
| Terrestrial and Aquatic Biodiversity | <ul style="list-style-type: none"> Maintenance/safeguarding/increase of protected area/OECM/habitat in km² |
| Access to Essential Services | <ul style="list-style-type: none"> Number of hospital beds Number of families supported at any one time in emergency shelter |
| Affordable Housing | <ul style="list-style-type: none"> Number of individuals/families benefiting from subsidized housing |
| Affordable Basic Infrastructure | <ul style="list-style-type: none"> Number of people served by infrastructure type |
| Socioeconomic Advancement and Empowerment | <ul style="list-style-type: none"> Number of loans supporting equity ownership by Indigenous communities |

V. External review

Sun Life has obtained an independent Second Party Opinion to confirm the alignment of our 2024 Sustainability Bond Framework, with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The Second Party Opinion will be published on the Sun Life website.

Prior to the first anniversary of the issuance of a Sustainability Bond, Sun Life will request a qualified independent external reviewer to review the green and social assets linked to the Sustainability Bond proceeds, in order to assess compliance with the Sun Life Sustainability Bond Framework. This review will be carried out annually until the full allocation of an amount equal to the net proceeds from the Sustainability Bond. Sun Life will post the external review report on its website.



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