

# Sun Life Financial Inc.

**Type of Engagement:** Annual Review

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## Introduction

In August 2019, Sun Life Financial Inc. (Sun Life) issued a \$750 million Series 2019-1 Subordinated Unsecured 2.38% Fixed/Floating Debentures due 2029 (the “2019 Sustainability Bond”), aimed at financing a variety of green and socially impactful projects. In March 2021, Sun Life engaged Sustainalytics to review the allocation of the 2019 Sustainability Bond proceeds to projects and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Sun Life Sustainability Bond Framework.<sup>1</sup>

## Evaluation Criteria

Sustainalytics evaluated the allocation of the equivalent amount of the proceeds from the issuance of the sustainability bond in 2019 to projects and assets based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Sun Life Sustainability Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Sun Life Sustainability Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs. Table 2 shows Sustainalytics’ detailed findings.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Renewable energy</b>	Investments in facilities and equipment dedicated to generation, transmission and distribution of energy from renewable sources, including: <ol style="list-style-type: none"> <li>i. Wind</li> <li>ii. Solar</li> <li>iii. Geothermal</li> <li>iv. Hydro (run of river, small scale &lt;25MW, upgrades of existing facilities or other hydro facilities subject to an ESG assessment<sup>2</sup>)</li> <li>v. Biomass (waste or other non-food feedstock that does not deplete existing terrestrial carbon pools)</li> </ol>	<ul style="list-style-type: none"> <li>• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
<b>Energy efficiency</b>	Investments in facilities and equipment that reduce energy consumption or improve the efficiency of resources, including: <ol style="list-style-type: none"> <li>i. Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment</li> </ol>	<ul style="list-style-type: none"> <li>• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO<sub>2</sub> equivalent)</li> </ul>

<sup>1</sup> Sun Life, “Sun Life Sustainability Bond Framework”, (2019), at: <https://www.sunlife.com/content/dam/sunlife/regional/global-marketing/documents/com/sustainability-bond-framework-e.pdf>

<sup>2</sup> To determine if other hydroelectricity facilities > 25 MW constitute an Eligible Asset, Sun Life will assess the investment relative to Sun Life’s Environmental, Social and Governance (“ESG”) framework. This ESG assessment will include the location, size and any other relevant environmental and social risk factors related to the hydroelectricity facility. Sun Life’s ESG assessment will be subject to review by a qualified third party.

	<ul style="list-style-type: none"> <li>ii. Systems for capture and recycling of waste heat such as district heating and heat recovery</li> <li>iii. Projects that improve efficiency in the delivery of bulk energy services such as energy storage, smart grids, demand response</li> <li>iv. Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems</li> </ul>	
<b>Green buildings</b>	<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"> <li>i. LEED: Platinum or Gold</li> <li>ii. Other equivalent certification schemes, such as BOMA BEST, ENERGY STAR</li> </ul>	<ul style="list-style-type: none"> <li>• Tonnes of greenhouse gas (GHG) emissions reduced/avoided annually (measured in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
<b>Clean transportation</b>	<p>Investments in sustainable and efficient transit infrastructure including:</p> <ul style="list-style-type: none"> <li>i. Rolling stock, infrastructure and vehicles for fully electric or non-motorized public transport</li> <li>ii. Infrastructure dedicated to mass public transportation</li> </ul>	N/A
<b>Sustainable water management</b>	<p>Investments in facilities and equipment that reduce water consumption or improve the efficiency of resources, including:</p> <ul style="list-style-type: none"> <li>i. Installation of water efficient products or technologies or xeriscaping/drought-tolerant landscaping</li> <li>ii. Projects for collection, treatment, recycling or reuse of water, rainwater or wastewater</li> <li>iii. Infrastructure for flood prevention, flood defense or storm-water management</li> </ul>	<ul style="list-style-type: none"> <li>• Litres of water saved</li> </ul>
<b>Access to essential services</b>	<p>Investments in facilities and equipment that enhance access to public, not-for-profit, free or subsidized essential services including:</p> <ul style="list-style-type: none"> <li>i. Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers</li> <li>ii. Infrastructure for the provision of child, youth or adult education and vocational training services</li> </ul>	<ul style="list-style-type: none"> <li>• Number of patient beds financed/supported</li> <li>• Number of families supported</li> </ul>

## Issuing Entity's Responsibility

Sun Life is responsible for providing accurate information and documentation relating to the details of the projects in scope, including description of projects, amounts allocated, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Sun Life's Sustainability Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Sun Life employees and review of documentation to confirm the conformance with the Sun Life Sustainability Bond Framework.

Sustainalytics has relied on the information and the facts presented by Sun Life with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Sun Life.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Sun Life's 2019 Sustainability Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Sun Life Sustainability Bond Framework. Sun Life has disclosed to Sustainalytics that on February 24, 2021, the Sustainability Bond Council reviewed all assets financed and confirmed the full allocation of the equivalent amount of the 2019 Sustainability Bond proceeds.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the allocation of the equivalent amount of Sun Life's 2019 Sustainability Bond proceeds to projects to determine if projects aligned with the Use of Proceeds Criteria outlined in the Sun Life Sustainability Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the allocation of the equivalent amount of Sun Life's 2019 Sustainability Bond proceeds to projects to determine if the impact of projects was reported in line with the KPIs outlined in the Sun Life Sustainability Bond Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects in scope, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Impact Reporting by Eligibility Criteria<sup>4</sup>

Use of proceeds criteria	Number of assets	Value as of December 31, 2020 (CAD Million)	Sun Life Sustainability Bond's share of the project	Impact metric	Projected or Actual	Sun Life's Sustainability Bond Impact
Renewable Energy	1	\$129	24%	Annual GHG emissions reduced or avoided (tonnes of CO <sub>2</sub> )	Actual	24,713 <sup>5</sup>
Energy Efficiency	2	\$102	97%		Projected and Actual	46,597
Green Buildings	1	\$299	97%		Actual	156
<b>Sub-Total</b>	<b>4</b>	<b>\$531</b>		<b>Tonnes of CO<sub>2</sub> reduced or avoided</b>		<b>71,466</b>
Access to Essential Services	1	\$137	76%	Available patient beds	Actual	93
	1	\$70	97%	Available patient beds	Projected	112
	1	\$13	97%	Families supported at any one time in shelter	Projected	29
<b>Sub-Total</b>	<b>3</b>	<b>\$219</b>				
<b>Total</b>	<b>7</b>	<b>\$750</b>				

<sup>4</sup> Avoided GHG emission of Renewable Energy Projects are estimated by multiplying annual renewable energy production (in MWh) by the carbon dioxide emissions factors (tonnes per MWh). Sun Life used emission factors for Canada from the tool developed by the Canada Energy Regulator. Reduced emission of Green Building Projects and Energy Efficiency Projects are estimated by comparing to local baseline certification level in tonnes of carbon dioxide or % of carbon emissions. Impact of the Access to Essential Services Projects are measured by number of supported patients' beds and families the Projects can reach and/or the increase in the share of the population that gain access to the services.

<sup>5</sup> Sun Life's share of installed capacity and annual energy generation of this project is 54 Megawatt (MW) and 176,890 Megawatt hour (MWh).

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