

## Sun Life Financial Inc.

**Type of Engagement:** Annual Review

**Date:** March 5, 2020

**Engagement Lead:** Jonathan Laski, jonathan.laski@sustainalytics.com, (+1) 647 264 6640

### Introduction

In August 2019, Sun Life Financial Inc. (“Sun Life”) issued a sustainability bond, the \$750 million Series 2019-1 Subordinated Unsecured 2.38% Fixed/Floating Debentures due 2029, aimed to finance a variety of green and socially impactful projects. In March 2020, Sun Life engaged Sustainalytics to review the allocation of the equivalent amount of the 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.

### Evaluation Criteria

Sustainalytics evaluated the allocation of the equivalent amount of the proceeds from 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 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>1</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> 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 allocation of the equivalent amount of the sustainability bond proceeds to the projects, including description of projects, estimated and realized costs of projects, 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>2</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed allocation of the equivalent amount of the Sun Life's Sustainability Bond proceeds to projects, is 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 the allocation of the equivalent amount of the Sustainability Bond proceeds was finalized at the Sustainability Bond Council meeting on February 18, 2020.

### Detailed Findings

**Table 2: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the allocation of the equivalent amount of the Sun Life's Sustainability Bond proceeds issued in 2019 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 the Sun Life's Sustainability Bond proceeds issued in 2019 to projects to determine if 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>2</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of allocation of the equivalent amount of the Sun Life's Sustainability Bond proceeds to the projects, 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 1: Impact Reporting by Eligibility Criteria

Sun Life Sustainability Bond Criteria	Number of Assets	Value at December 31, 2019 (C\$m)	Sun Life Sustainability Bond's share of the Project	Impact Metric	Projected or Actual	Direct Positive Impact to Society of the SLF Series 2019-1 Sustainability Bond
Renewable Energy	1	\$ 129	24%	Annual GHG emissions reduced or avoided (tonnes of carbon dioxide)	Actual	24,763 (1)
Energy Efficiency	2	\$ 104	97%		Projected and Actual	9,837
Green Building	1	\$ 300	97%		Actual	310
<b>Sub-Total</b>	<b>4</b>	<b>\$ 533</b>		<b>Tonnes of Carbon Dioxide Reduced or Avoided</b>		<b>34,910</b>
Access to Essential Services	1	\$ 130	76%	Available Patient Beds	Actual	93
	1	\$ 73	97%	Available Patient Beds	Projected	112
	1	\$ 14	97%	Families Supported at any one time in shelter	Projected	29
<b>Sub-Total</b>	<b>3</b>	<b>\$ 217</b>		<b>New Patient Beds and Families Supported</b>		<b>234</b>
<b>Total</b>	<b>7</b>	<b>\$ 750</b>				

(1) Sun Life's share of installed capacity and annual energy generation of this project is 54 MegaWatt (MW) and 176,890 MegaWatt hour (MWh), respectively

---

## Disclaimer

© Sustainalytics 2020. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer’s economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [info@sustainalytics.com](mailto:info@sustainalytics.com)

