

Second-Party Opinion

Sun Life Sustainability Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Sun Life Financial Inc. (Sun Life) Sustainability Bond Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The five green categories and the one social category for eligible use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Sustainable Water Management, and (vi) Access to Essential Services – are aligned with those recognized by the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Overall, the use of proceeds will, in Sustainalytics' opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 1, 3, 6, 7, 8, and 11.



PROJECT EVALUATION / SELECTION A dedicated Sustainability Bond Council will oversee Sun Life's internal process in evaluating and selecting projects. The Sustainability Bond Council will be comprised of cross-functional team members including the chief investment officer, treasurer and head of capital planning, and the VP government, regulatory affairs & sustainability (or equivalent roles). This is in line with market practice.



MANAGEMENT OF PROCEEDS Sun Life's Treasury Team will maintain a Sustainability Bond Register to track the net use of proceeds. The amount equal to net proceeds of the Sustainability Bond will be earmarked for allocation to Eligible Assets. Sun Life intends to fully allocate each Sustainability Bond within 18 months of issuance. This is in line with market practice.



REPORTING Sun Life intends to publish a Sun Life Sustainability Bond report within one year of issuance, and on an annual basis. Allocation reporting will include, among other things, the allocated amount to each eligible category, one or more examples of Eligible Assets financed under each eligible category, and the balance of unallocated proceeds. Impact reporting will include relevant environmental and social metrics, where feasible. Sustainalytics views Sun Life's allocation and impact reporting as aligned with market practice.

Evaluation date	March 2019
Issuer Location	Toronto, Canada

Report Sections

Introduction	2
Sustainalytics' Opinion	3
Appendices	9

For inquiries, contact the Sustainable Finance Solutions project team:

Ankita Shukla (New York)
Project Manager
ankita.shukla@sustainalytics.com
(+1) 617 603 3329

Mayur Mukati (Toronto)
Project Support
mayur.mukati@sustainalytics.com
(+1) 647 936 5656

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 0184

Introduction

Sun Life Financial Inc. ("Sun Life", the "Issuer", or the "Group") is a financial services organization providing insurance, retirement, wealth and asset management solutions to individuals, businesses and institutions globally, including Canada, the US, Asia, and the UK.¹ The company focuses primarily on individual life insurance, variable annuity products, group insurance, and employee benefits in North America with a growing presence in Asia-Pacific region. The company is headquartered in Toronto, Canada.²

Sun Life has developed the Sustainability Bond Framework (the "Framework") under which it is issuing Sustainability Bonds, where an amount equal to the issuance will be used to refinance or finance, in whole or in part, new and/or existing green or social assets.

The Framework defines eligible green categories in the following five areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water Management

The Framework defines eligible social category in the following area:

1. Access to Essential Services

Sun Life engaged Sustainalytics to review the Sustainability Bond Framework, dated March 2019, and provide a second-party opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).³ This Framework has been published in a separate document.⁴

As part of this engagement, Sustainalytics held conversations with various members of Sun Life's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Sun Life's sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Sun Life Sustainability Bond Framework and should be read in conjunction with that Framework.

¹ Sun Life Financial Inc., Corporate Website: https://www.sunlife.com/Global/About+us/Who+we+are?vgnLocale=en_CA

² Bloomberg. Company Overview of Sun Life Financial Inc.: <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=412944>

³ The Sustainability Bond Guidelines are administered by the International Capital Market Association, at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ Sun Life Sustainability Bond Framework: https://www.sunlife.com/Global/In+the+community/Sustainability?vgnLocale=en_CA

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on Sun Life Sustainability Bond Framework

Sustainalytics is of the opinion that the Sun Life Sustainability Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The five green categories and the one social category eligible for the use of proceeds are recognized as impactful by the GBP 2018, SBG 2018, and the SBG 2018.
 - The eligible projects under the green use of proceeds ("Eligible Assets") will provide meaningful environmental contributions.
 - Sun Life has confirmed, through its eligibility criteria, that the eligible assets under hydro will only include the run-of-river, small-scale (<25 MW), and/or upgrades to existing hydroelectric facilities (small or large) with ESG assessment subject to review by a qualified third-party. The ESG assessment will include consideration of the location, size and any other relevant environmental and social risk factors related to the hydroelectricity facility. Sustainalytics believes that the assessment and review will support effective risk mitigation and prevent bond proceeds from being directed to projects with substantial negative impacts.
 - The eligibility criteria for biomass stipulates that feedstock will be procured only from waste or other non-food sources that do not deplete terrestrial carbon pools. Sustainalytics views this addition positively and considers it to strengthen the Framework.
 - Sun Life has confirmed to Sustainalytics that projects which result in energy efficiency improvements related to fossil-fuel generation will be excluded.
 - Sun Life's green buildings eligibility criteria are based on third-party certification standards such as LEED (Gold or above), BOMA BEST, ENERGY STAR, or any other equivalent certification schemes. Sustainalytics has conducted an evaluation of the certifications and considers such certification standards as having a positive impact (see Appendix 1 for additional details on the certification schemes).
 - The Framework has defined the general public, including children, youth, adult, and elderly as target populations for infrastructure provisions under the social use of proceeds.
 - Within the access to essential services category, the Framework allows for investments in infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centers, as well as for the provision of child, youth or adult education and vocational training services. Sustainalytics considers access to inclusive and equitable services a fundamental human right, particularly since it targets enhancing access to public, not-for-profit, free or subsidized essential services, which is recognized as bringing significant positive social benefits to society.
- Project Evaluation and Selection:
 - A dedicated Sustainability Bond Council will oversee Sun Life's internal process in evaluating and selecting projects. The Sustainability Bond Council will include the chief investment officer, the treasurer and head of capital planning and the VP government, regulatory affairs & sustainability (or equivalent roles) which will be responsible for the ultimate review and selection of assets that will qualify as Eligible Assets. Sustainalytics considers that the collaboration between relevant business units is likely to strengthen the implementation of the Framework and is in line with market practice.
- Management of Proceeds:
 - Sun Life's treasury team will maintain a Sustainability Bond Register to track the net use of proceeds. The amount equal to net proceeds of the Sustainability Bond will be earmarked for allocation to Eligible Assets within 18 months of issuance.
 - All Sustainability Bond proceeds will be managed according to Sun Life's normal liquidity practices. Sun Life's process with respect to the management of proceeds is in line with market practice.
- Reporting:

Sun Life Sustainability Bond Framework

- Sun Life intends to publish a Sun Life Sustainability Bond report within one year of issuance, and on an annual basis, as long as the bonds are outstanding. Sustainalytics considers this in line with market practice.
- The allocation reporting will include, among other things, the allocated amount to each eligible category, one or more examples of Eligible Assets financed under each eligible category, and the balance of unallocated proceeds.
- Where feasible, the impact reporting will include relevant environmental and social metrics, such as area of certified green buildings (by square feet and by certification level), annual water savings, greenhouse gas (GHG) emissions reduced and/or avoided, energy reduced and/or avoided (MWh), and number of beds/patients.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Sun Life Sustainability Bond Framework aligns with the SBG 2018, and the four core components of the GBP 2018 and the SBP 2018. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Sustainability Bond Framework to the company's sustainability strategy

Sustainalytics is of the opinion that Sun Life articulates a strong commitment towards sustainability, including sustainable investing. The company has demonstrated its commitment to mitigate climate change and promote positive social impact in its 2018 Sustainability Report⁵ through the following efforts:

- In 2018, Sun Life identified and validated 13 priority topics, with ongoing stakeholder engagement and periodic materiality analysis, including environmental impacts, sustainable investing, and infrastructure investments. Sun Life also linked many priority topics to SDGs, and in particular, to SDG 3: Good Health & Well-Being because of the company's purpose of helping its clients achieve lifetime financial security and healthier lives.
- Sun Life's 'Sustainable Governance' outlined its support for global initiatives for sustainable business model through C-level engagement, as well as its commitment through dedicated teams or representatives to manage, implement, monitor and report on sustainability-related principles, strategy and initiatives.
- Sun Life participated in or developed internal or external initiatives related to employee well-being, mental health, digital diabetes management, digital wellness programs, and roadshows for physical, mental and/or financial health.
- Sun Life's sustainable investment activities included the following initiatives:
 - Supported renewable energy, energy efficiency and/or other environmental projects through the purchase of IFC's green bonds, the first of its kind green bonds in the Philippines, and Sindicatum Renewable Energy company's green bonds;
 - Committed to investing in Clean Energy and Environmental Fund LP, which invests in clean energy and green businesses across China;
 - Mobilized investments of nearly CAD\$14 billion in infrastructure projects, including renewable energy investments of over CAD\$5 billion, green building investments of over CAD\$2 billion, clean transportation investments of over CAD\$1.6 billion, and investments for access to essential services of over CAD\$5 billion;
 - Increased green bond holdings to over CAD\$480 million in North America and Asia;
 - Achieved green building certifications, such as LEED Platinum, LEED Silver, and BOMA BEST, for several buildings developed and/or owned by the company. Additionally, received "first-ever BOMA BEST Platinum certification for a centennial building in North America (Sun Life building in Montreal)" for its outstanding environmental performance and management.
- Sun Life is on track to meet the targets to reduce its GHG emissions intensity (tonnes per square foot) across corporate and investment real estate portfolios by 20% and 30% by 2020 and 2030, respectively, relative to 2014 baseline.

⁵ Sun Life Financial Inc., 2018 Sustainability Report:
https://cdn.sunlife.com/static/Global/digital_media/MarCom/Sustainability/Sustainability_Report_E.pdf

Sun Life Sustainability Bond Framework

- Sun Life and its asset management business, including Sun Life Institutional Investments (Canada) Inc., Ryan Labs Asset Management, Bentall Kennedy, and MFS, are signatories to the UN-supported Principles of Responsible Investment.⁶
- Global Real Estate Sustainability Benchmark (GRESB) recognized Bentall Kennedy, in 2018, as one of the top firms in the world for sustainable property management and investing for eighth consecutive year.

Sustainalytics is of the opinion that Sun Life's sustainability strategy and actions demonstrate the importance the company places on achieving positive environmental and social impacts. Sustainalytics also believes that Sun Life's green and/or social use of proceeds are aligned with the company's overall sustainability efforts and can support the transition towards a low-carbon economy.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the proceeds from Sun Life's Framework will be directed towards eligible projects that are recognized by market norms (GBP 2018, SGP 2018, and SBG 2018) to have positive impact; yet Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects are pollution control in construction and development projects, increased exposure of local communities to adverse effects, and biodiversity loss.

Sustainalytics is of the opinion that Sun Life can mitigate such risks with the following elements of its strategy and operations:

- According to Sun Life's 2018 Annual Report,⁷ the company is committed to manage risks associated with environmental issues including climate change within the Environmental Risk subcategory under the Business & Strategic Risk:
 - The company commits to maintain an environmental risk management program to protect investment assets against such risks and ensure compliance with applicable laws.
 - Sun Life has an International Sustainability Council (ISC) for broader environmental and sustainability issues, and prepares Sustainability Reports under the purview of Governance, Nomination & Investment Committee.
 - Sun Life's Risk Appetite Policy sets out specific constraints that define Sun Life's overall risk appetite in order to pursue shareholder value, ensure claims and fulfill policyholder commitments.
 - Sun Life's Risk Management Framework, approved by the Board of Directors, prescribes a range of protocols and programs related to Sun Life's business activities. It also outlines responsibility and authority for risk-taking, governance and control, including relevant internal stakeholders such as Senior Management Committees and the Board Committees.
- Sun Life's Code of Business Conduct,⁸ which applies to all employees and directors, mentioned about the company's commitment to "social responsibility", "exemplary governance", and building "healthier, sustainable communities". It also discussed the commitment of its employees to comply with the Code and all applicable laws, regulations and internal policies.
- Sun Life has confirmed to Sustainalytics that environmental factors are incorporated into initial and ongoing reviews and assessments of public fixed income, private fixed income, real estate and commercial mortgage investments, and this is overseen by Sunlife's Sustainable Investment Council.
- The company, through its affiliates, also considers sustainable investing and incorporates an environmental, social and governance (ESG) lens in investment decision-making.
- According to Sun Life Sustainability Bond Framework, the Group's approach to sustainable investing includes: (i) factoring material non-financial risks into investment decisions from internal and external sources; and (ii) identifying, measuring, and managing non-financial risks dynamically. Additionally, Sun Life's Environmental Operating Guideline provides guidance on the assessment and monitoring of environmental risks within the Group's real estate, mortgages and other infrastructure projects.

⁶ Sun Life Financial Inc., News releases:

https://www.sunlife.com/Global/Newsroom/News+releases/Announcement/Sun+Life+Financial+becomes+first+major+Canadian+life+insurer+to+officially+sign+on+to+the+UN+supported+PRI?vgnLocale=en_CA&id=122907

⁷ Sun Life Financial Inc., 2018 Annual Report:

https://cdn.sunlife.com/static/Global/Investors/Financial%20results%20and%20reports/Annual%20reports/01_2018%20Annual%20Report.pdf

⁸ Sun Life Financial Inc., Code of Business Conduct:

https://cdn.sunlife.com/static/global/files/Code%20of%20business%20conduct/pa_e_code_of_business_conduct.pdf

Overall, due to all the above-mentioned systems and processes, Sustainalytics believes that Sun Life has sufficient measures in place which will support the mitigation of environmental and social risks.

Section 3: Impact of Use of Proceeds

All five eligible green categories and an eligible social category are recognized as impactful by the GBP 2018, and the SBP 2018.

Environmental Impacts

The green use of proceeds will be used for investments in the following five categories:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Sustainable Water Management

The environmental categories defined in the Sun Life Sustainability Bond Framework are recognized as having beneficial environmental impacts by the GBP 2018.

Social Impacts

The social use of proceeds will be used for investments in the following category:

1. Access to Essential Services

Impact of targeted essential services in Canada

Proceeds from the Sun Life Sustainability Bond may be directed towards investments in infrastructure that support essential services in Canada, including health care, child education and care, elder care, and/or youth and adult vocational training services. Sustainalytics notes that the Eligible Assets under the Access to Essential Services will benefit all Canadians, including children, youth and adults, and/or seniors (age 65 or more). Overall, Sustainalytics is of the opinion that access to inclusive and equitable services is a fundamental human right, recognized as bringing significant positive social benefits to society, and as such the use of proceeds will lead to social benefits to the population in general.

Health care infrastructure

Canada's publicly funded health care system, known as Medicare, includes 13 provincial and territorial health care insurance plans, which meets the standards described in *Canada Health Act*, and provides universal coverage for medically necessary hospital and physician services on the basis of need, rather than the ability to pay.⁹ Under the Canadian Constitution, the roles and responsibilities for the organization of Canada's health care system are divided between federal, and provincial and territorial governments. Sun Life's investment in infrastructure may include facilities and equipment for health care, including public or non-profit hospitals, laboratories, clinics, and/or other healthcare facilities, that are free or subsidized, and will complement Canada's efforts to ensure universal coverage for medically necessary health care services. Sustainalytics views positively that the Framework specifies that public and not-for-profit facilities may be the recipients of Sun Life's Sustainability Bond proceeds, and that such infrastructure investments will enhance Canada's health care system and/or its access to all residents based on need.

Infrastructure for child education and childcare and elder care

Sustainalytics believes that Sun Life's intended investments in free or subsidized services for child education and/or childcare as well as elder care centres will support Canada's long-term and inclusive economic growth. In Canada, the childcare costs vary widely across big cities as well as neighbouring provinces. The country ranked second last in the OECD in government spending on early childhood education and care, as reported in 2014.¹⁰ The report also recommended to increase Canadian government childcare support "to

⁹ Government of Canada, Canada's Health Care System- About Medicare: <https://www.canada.ca/en/health-canada/services/canada-health-care-system.html>

¹⁰ CBC, Child-care affordability varies widely across Canada: <https://www.cbc.ca/news/business/child-care-affordability-varies-widely-across-canada-1.2829817>

Sun Life Sustainability Bond Framework

ensure that the broader group of Canadians have access to affordable good-quality childcare." Moreover, the aging demographics of Canada presents complex socio-economic and health care challenges. Elder care services will be considered vital for the future of Canadian economy as one in four Canadians will be a senior (of age 65 or more) by 2030.¹¹

Infrastructure for youth and/or adult vocational training services

According to the OECD (2015),¹² there are several strengths as well as challenges to Canada's postsecondary vocational education and training (VET), i.e., apprenticeships and college programmes. Canada's vocational training offers wide range of trade, professional or occupational skills, while ensuring the needs of special groups such as aboriginal people and those with disabilities. However, Canada has a comprehensive high school system with a relatively limited vocational element. Additionally, postsecondary vocational education and training are funded through a combination of public subsidy and tuition fees. Sustainalytics believes that Sun Life's potential investment in free or subsidized infrastructure for education and vocational training services will strengthen Canada's provisions for such services while reducing the proportion of youth not in education or training.

Alignment with/contribution to SDGs

The UN Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Responsible investment practices are essential to advancing the SDGs and achieving transformational change through the SDGs. Sun Life's Sustainability Bonds advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy Energy Efficiency	7. Affordable and Clean Energy	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.
Green Buildings Clean Transportation	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, and resilience to disasters. 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Sustainable Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Access to Essential Services	1. No Poverty 3. Good Health and Well-Being	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe,

¹¹ OECD, Government of Canada- Action for Seniors report: <https://www.canada.ca/en/employment-social-development/programs/seniors-action-report.html#tc2a>

¹² OECD Reviews of Vocational Education And Training: <https://www.oecd.org/education/a-skills-beyond-school-commentary-on-canada.pdf>

Sun Life Sustainability Bond Framework

	8. Decent Work and Economic Growth	effective, quality and affordable essential medicines and vaccines for all 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.
--	------------------------------------	---

Conclusion

Sun Life has developed a Sustainability Bond Framework to finance, or refinance, a broad range of eligible projects that intend to deliver positive environmental and social outcomes. Sustainalytics believes that Sun Life's Framework is aligned with the overall mission of the company and that the environmental and social use of proceed categories will advance a number of key SDGs. Additionally, Sustainalytics is of the opinion that Sun Life has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Furthermore, Sustainalytics highlights that Sun Life may invest in infrastructure for health care, child education and care, elder care, and/or youth and adult vocational training services, which will enhance access to public, not-for-profit, free or subsidized essential services, and that are recognized as impactful by the SBP 2018.

Overall, Sustainalytics is of the opinion that the Sun Life Sustainability Bond Framework is robust, transparent, and in alignment with the SBG 2018 and the four core components of the GBP 2018 and the SBP 2018.

Appendices

Appendix 1: Comparison of Green Building Certification Schemes

	LEED ¹³	ENERGY STAR ¹⁴	BOMA BEST Sustainable Buildings ¹⁵
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that helps businesses and individuals save money and protect our climate through superior energy efficiency. Every ENERGY STAR label is independently certified, whether on a product, a home, a building, or a manufacturing plant. It is administered and promoted in Canada by Natural Resources Canada. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year. And the information submitted in the certification application must be verified by a licensed professional to be eligible for approval.	BOMA BEST Sustainable Buildings is Canada's environmental assessment and certification program for existing buildings of all sizes. It provides building owners, managers and operators a roadmap for operational improvement through the use of questionnaires and survey-based assessment on ten key areas of environmental performance and management.
Certification levels	Certified Silver Gold Platinum	1-100 ENERGY STAR score (of at least 75 and meet certain other eligibility criteria)	Certified Bronze Silver Gold Platinum
Areas of Assessment	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	• Energy efficient products • Energy savings at home • Energy efficient new homes and apartments • Energy strategies for buildings and plants In case of buildings, the relevant data needed for Commercial Offices benchmarking: • Gross floor area • Hours of operation per week • Number of workers on the main shift • Heating degree days • Cooling degree days	• Energy • Water • Air • Comfort • Health and Wellness • Custodial • Purchasing • Waste • Site • Stakeholder Engagement

¹³ USGBC, LEED: www.usgbc.org/LEED

¹⁴ Natural Resources Canada, ENERGY STAR certification: <https://www.nrcan.gc.ca/energy/efficiency/buildings/energy-benchmarking/building/20258>

¹⁵ BOMA Canada: <http://bomacanada.ca/bomabest/aboutbomabest/>

Sun Life Sustainability Bond Framework

		• Percent of the building that is cooled • Percent of the building that is heated	
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	To be eligible for ENERGY STAR certification, a building must earn an ENERGY STAR score of 75 or higher, indicating that it performs better than at least 75 percent of similar buildings nationwide. Through Portfolio Manager, EPA delivers 1 – 100 ENERGY STAR scores for many types of buildings. The ENERGY STAR score accounts for differences in operating conditions, regional weather data, and other important considerations.	To be eligible for BOMA BEST, a series of questions must be answered about the building. Each question describes an environmental measure that impacts building management or performance, some being more important than others. The points are attributed to each question, except for BEST Practices which represent the minimum requirements for all buildings. The buildings that completes the online assessment must undergo an on-site verification conducted by a third-party, before the final certification is awarded.
Performance display			

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sun Life Financial Inc.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Sun Life Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The five green categories and the one social category for eligible use of proceeds – (i) Renewable Energy, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Clean Transportation, (v) Sustainable Water Management, and (vi) Access to Essential Services – are aligned with those recognized by the Green Bond Principles 2018, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. Overall, the use of proceeds will, in Sustainalytics' opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 1, 3, 6, 7, 8, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☒ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| ☐ Affordable basic infrastructure | ☒ Access to essential services |
| ☐ Affordable housing | ☐ Employment generation (through SME financing and microfinance) |
| ☐ Food security | ☐ Socioeconomic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | ☐ Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated Sustainability Bond Council will oversee Sun Life's internal process in evaluating and selecting projects. The Sustainability Bond Council will be coordinated by the treasurer and head of capital planning, and will consist of cross-functional team members, including the chief investment officer, and the VP government, regulatory affairs & sustainability (or equivalent roles). This is in line with market practice.

Evaluation and selection

- | | |
|---|--|
| ☒ Credentials on the issuer's social and green objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | ☐ Documented process to identify and manage potential ESG risks associated with the project |
| ☐ Summary criteria for project evaluation and selection publicly available | ☐ Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| ☒ Evaluation / Selection criteria subject to external advice or verification | ☒ In-house assessment |
| ☐ Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sun Life's Treasury Team will maintain a Sustainability Bond Register to track the net use of proceeds. The amount equal to net proceeds of the Sustainability Bond will be earmarked for allocation to Eligible Assets. Sun Life intends to fully allocate each Sustainability Bond within 18 months of issuance. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| ☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| ☐ Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| ☐ Allocations to future investments only | ☒ Allocations to both existing and future investments |
| ☒ Allocation to individual disbursements | ☒ Allocation to a portfolio of disbursements |

- ☐ Disclosure of portfolio balance of unallocated proceeds
 ☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Sun Life intends to publish a Sun Life Sustainability Bond report within one year of issuance, and on an annual basis. Allocation reporting will include, among other things, the allocated amount to each eligible category, one or more examples of Eligible Assets financed under each eligible category, and the balance of unallocated proceeds. Impact reporting will include relevant environmental and social metrics, where feasible. Sustainalytics views Sun Life's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other *(please specify)*:

Information reported:

- ☒ Allocated amounts
 ☐ Sustainability Bond financed share of total investment
- ☒ Other *(please specify)*: one or more examples of Eligible Assets financed under each Eligible Category; and the balance of unallocated proceeds.

Frequency:

- ☒ Annual
 ☐ Semi-annual
- ☐ Other (please specify):

Impact reporting:

- ☐ Project-by-project
 ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s)
 ☐ Other (please specify):

Frequency:

- ☒ Annual
 ☐ Semi-annual
- ☐ Other (please specify):

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings
 ☒ Energy Savings
- ☒ Decrease in water use
 ☐ Number of beneficiaries
- ☐ Target populations
 ☒ Other ESG indicators (please specify): area of certified

green buildings (by square feet and by certification level), and number of beds/patients.

Means of Disclosure

- | | |
|---|---|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☒ Other (please specify): website |
| ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion 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, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. 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 Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support 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 for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

