NAIC CLIMATE RISK SURVEY

REPORTING YEAR 2023

by

SUN LIFE FINANCIAL INC.

<u>ON BEHALF OF THE FOLLOWING AFFILIATED INSURANCE COMPANIES:</u>

<u>Name:</u>	<u>Address:</u>
United States Branch of Sun Life Assurance Company of Canada	96 Worcester Street Wellesley Hills, Massachusetts 02481
Sun Life and Health Insurance Company (U.S.)	201 Townsend Street, Suite 900 Lansing, Michigan 48933
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Sun Life Assurance Company of Canada and its affiliates, including Sun Life and Health Insurance Company (U.S.) and DentaQuest USA Insurance Company, Inc., are members of the Sun Life group of companies (together "Sun Life"). Sun Life is committed to being part of the climate solution. Meaningful climate action is essential to delivering on our Purpose of helping our Clients achieve lifetime financial security and live healthier lives. Our Purpose can best be realized through the integration of this mindset across our businesses, and through working collaboratively with other stakeholders towards a common goal of mitigating and adapting to the effects of climate change. With $1.4 trillion in assets under management (AUM) as of December 31, 2023; 58,200 employees and 91,700 advisors globally, Sun Life has an important role in the global climate transition, and a responsibility to our stakeholders. In 2021, we set a goal to achieve net-zero greenhouse gas (GHG) emissions in our investments and operations by 2050. In 2023, we established our first set of interim targets for the general account.

I. GOVERNANCE: Disclose the insurer's governance around climate-related risks and opportunities.

Sun Life's climate-related reporting is guided by the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) and is handled at the parent level, Sun Life Financial, Inc. ("SLF"). SLF's Management Discussion & Analysis includes TCFD recommended disclosures and relevant excerpts are attached here as <u>Exhibit A</u>. Additionally, SLF publicly publishes an annual Sustainability Report, relevant excerpts are attached as <u>Exhibit B</u>, to provide an update on the progress it has made globally on key sustainability topics as well as its Net Zero by 2050 commitment, with relevant excerpts attached as Exhibit C.[1] Additional information on SLF's approach to sustainability is also available on its website.

The Board of Directors of SLF (the "Board") and the various committees thereof are ultimately responsible for supervising the management of the business and affairs of Sun Life. The Board and the various committees thereof regularly review the organization's governance processes and practices to make sure that the Board continues to effectively oversee Sun Life's management and business affairs, and to ensure that its governance framework meets regulatory requirements and reflects evolving best practices.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

Three Board Committees have oversight over aspects of climate change:

(1) The Governance, Investment & Sustainability Committee of the Board ("GISC") assists the Board with oversight of sustainability matters, including those related to climate. The GISC is responsible for reviewing and approving Sun Life's Sustainability Policy, overseeing progress against Sun Life's Sustainability Strategy and commitments (including decarbonization targets), reviewing and recommending Board approval of the annual Sustainability Report and the annual CSO plan, and overseeing the development and implementation of Sun Life's Climate Transition Plan. In addition, the GISC reviews any material issues related to sustainability raised by management throughout the year, including climate-related matters.

(2) The Risk Committee of the Board assists the Board with enterprise-wide oversight of the management of current and emerging risks, which may include climate-related risks and, broadly, environmental risks.

(3) The Audit Committee reviews ESG disclosures (including climate-related disclosures) required to be included in Sun Life's financial disclosure documents, and reviews management's quarterly reports on the effectiveness of Sun Life's internal controls over financial reporting, including any evolving standards over ESG disclosures.

For additional information on SLF's sustainability governance model, including the roles of the Board and Board Committees, please refer to page 11 of the Sustainability Report, attached as Exhibit B.

[1] Due to file size limitations, relevant excerpts of Exhibits A, B, and C have been attached hereto. The full and complete Year End 2023 Management Discussion & Analysis, 2023 Sustainability Report, and Net Zero by 2050 commitment can always be found on Sun Life's website or produced upon request.

B. **Describe management's role in assessing and managing climate-related risks and opportunities.**

At the management level, the Chief Sustainability Officer ("CSO") and Chief Risk Officer ("CRO") play key roles in assessing and managing climate-related risks and opportunities.

Sun Life's CSO has overall accountability for sustainability, including climate change, across the enterprise. This accountability includes setting the strategy and governance framework for our organization. The CSO chairs the Executive Sustainability and Climate Change Council ("ESC"), which is composed of senior executives from Sun Life's Global Sustainability Leadership Team. The ESC is the decision-making body for the approval of cross-enterprise sustainability programs and issues management (e.g., human rights), as well as external commitments and targets including related progress oversight (e.g., net zero, sustainable investing, diverse supplier spend).

The CSO also chairs Sun Life's Global Sustainability Leadership Team ("GSLT") which is composed of senior executives from each of our business groups and key functions. The GSLT advises on and implements Sun Life's Sustainability Strategy. Sun Life reports on sustainability performance, including reporting related to climate change and other environmental and social issues, in its annual Sustainability Report, attached as Exhibit B.

Sun Life's CRO is responsible for leading the Risk Management function, which is discussed further in Section III below. Key and emerging risks, which could include climate-related risks, are monitored and reported to the Risk Committee of the Board.

For additional information on SLF's sustainability governance model, including the management's role, please refer to page 11 of the Sustainability Report, attached as Exhibit B.

II. STRATEGY: Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

As part of SLF's updated enterprise Sustainability Strategy, climate change has been elevated as a cross-cutting lens connected to our Purpose and our core pillars of Financial Security, Healthier Lives, Sustainable Investing and foundation as a Trusted and Responsible Business. Meaningful climate action is essential to achieving our Purpose and we are committed to doing our part to support the transition to a low-carbon economy and ensure we are an organization resilient to climate change. For more details on SLF's Sustainability Strategy, please refer to pages 9-12 of the Sustainability Report, attached as Exhibit B.

The Sustainability Strategy sets the foundation for how we will do this while creating competitive advantage and differentiation for our business. Climate change has a variety of implications for our business as an asset management and insurance company, especially when considering the impacts of climate change on human health. As an organization that provides life and health insurance products to Clients across the globe, we are keenly aware of the vast implications of climate change on our Clients' well-being. The increased severity and frequency of extreme weather events and the chronic shift towards higher temperatures have significant impacts on health. Heat-related deaths and hospitalizations have increased over the last decade and will continue to increase as temperatures rise. Lower air quality from pollutants, rising temperatures and wildfires can have long-term implications on respiratory health. Emotional distress, anxiety and trauma caused by these extreme weather events can also negatively impact mental health. Changing precipitation and ensuing floods, droughts and wildfires directly impact food crops and can lead to food insecurity and malnutrition. Changing precipitation and warming temperatures also increase the proliferation of pests, causing direct damage to food crops, while also increasing the transmission of vector-borne disease like dengue fever and Zika virus.

Physical climate impacts could affect investments in real assets such as real estate, commercial mortgages, and infrastructure, as well as our own operations, and operations and revenues of our Clients and businesses across our portfolios. Risks may result from increased severity and frequency of extreme weather events and from longer-term shifts in climate patterns, leading to declining asset values, increasing insurance costs or uninsurability.

Climate-related opportunities include those related to sustainability and green bonds, investments in developing resilient and adaptive real estate and infrastructure as well as renewable energy and other assets and businesses that support or benefit from a transition to a low-carbon economy. In 2019, we were the first life insurer globally to issue a sustainability bond and in 2023, we issued our second sustainability bond. Issuing sustainability bonds demonstrates our commitment to embedding sustainability into our business while contributing positively to society and advancing technologies that enable the transition to a low-carbon economy.

SLF's general account, where SLF is the asset owner, is comprised of assets from proceeds of insurance policies. A series of publicly-disclosed climate-related investment beliefs and principles guide the investment decisions of the general account in-scope asset classes which have net-zero interim targets.

SLF's experience with climate scenario analysis also includes enterprise-wide testing as part of Financial Condition Testing ("FCT"). A focus of our FCT has been climate-related investment risks, which we believe are a larger and more immediate concern. More broadly, we continue to monitor emerging research on the scope and scale of climate-related life and health impacts as they remain a significant longer-term concern to our business. Our actuarial and sustainability teams actively participate in industry consultations and working groups focused on scenario analysis and stress testing. We will continue to mature our climate scenario analysis capabilities as industry guidance, best practices, tools and our internal expertise grow. We expect to continue to build on our climate scenario testing in 2024.

Sun Life has been a supporter of the Task Force on Climate Related Financial Disclosures since 2018. Sun Life published TCFD-aligned disclosures for the last four years and will continue to progress towards alignment with emerging standards and regulations.

For more information on the actual and potential impacts of climate-related risks and opportunities on SLF's strategy, please refer to Management Discussion & Analysis pages 73-74 attached as Exhibit A and Net Zero by 2050: Sun Life's Climate Journey report, attached as Exhibit C.

III. RISK MANAGEMENT: How the insurer identifies, assesses, and manages climate-related risks.

Climate risk management is integrated into our Risk Framework, Governance, and supporting processes. We continue to mature our climate risk management practices to ensure climate resiliency. Our definition of climate risk includes physical impacts of climate change and impacts of the transition to a low-carbon economy. These impacts can include, but are not limited to, damage to owned and operated real assets including real estate and infrastructure, a reduction in the values of investments in public and private fixed income and non-fixed income assets tied to fossil fuels and carbon intensive industries, litigation risk to a company or sector in which we invest, health impacts to affected populations (which can affect long-term morbidity and mortality assumptions), and socio-economic, geopolitical and regulatory changes. We also include an assessment of climate change risk as part of our broader assessment of the risks associated with operating in various markets.

Additionally, an environmental issue, whether caused by climate change or other factors, on a property owned or operated by us could have financial or reputational impacts. Our real estate asset manager maintains an environmental risk management program to help monitor and manage real estate investment assets from losses due to environmental issues and to ensure compliance with applicable laws. Where feasible, we maintain insurance policies to cover certain environmental risks on owned assets. We have implemented a business continuity program to facilitate the recovery of critical business operations if an environmental issue affects a location where we conduct operations. The Company's corporate real estate group, together with our building owners and property managers, assesses the potential effects of climate change-related hazards and examines ways to improve the ability of our buildings to withstand these hazards. These hazards include tornadoes, flash floods, ice storms and coastline flooding.

Climate-related disclosure standards and regulatory requirements continue to be issued and evolve in the jurisdictions in which we operate. Potential divergence in expectations among regulators, as well as the pace of regulatory change in the area of climate change, could lead to additional risks. We continue to monitor our risk management practices and disclosures as new regulations and standards are implemented and as the external landscape continues to evolve. In addition, we participate in consultations with policymakers and regulators on policy and regulatory developments regarding climate-related disclosures. Please refer to page 47 of our Sustainability Report, attached as Exhibit B, for a discussion of our 2023 performance for environmental and social risks.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

As noted above, Sun Life has integrated climate-related risks into its Risk Management Framework to ensure a consistent approach across Sun Life. For more information on Sun Life's Risk Management Framework, please see page 53 of our Management Discussion & Analysis, attached as Exhibit A.

B. Describe the insurer's processes for managing climate-related risks.

As noted above, Sun Life has integrated climate-related risks into its Risk Management Framework to ensure a consistent approach across Sun Life. Sun Life uses a common approach to identify and measure risks. Risk management decisions are formed by evaluating whether the assessed risk for a business activity aligns to our risk appetite and meets the objective of risk-adjusted returns. More information on Sun Life's risk management process can be found on page 56 of our Management Discussion & Analysis, attached as Exhibit A.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

As noted above, Sun Life has integrated climate-related risks into its Risk Management Framework, our general enterprise-risk management process, to ensure a consistent approach across Sun Life. For a complete discussion of Sun Life's approach to Risk Management, including risk governance, risk universe, risk appetite, policies and process, our risk culture and philosophy, please refer to pages 53-80 of our Management Discussion & Analysis, attached as Exhibit A.

IV. METRICS AND TARGETS: The metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

Sun Life has set a goal to achieve net-zero GHG emissions by 2050 for both its investments and operations. As an asset owner, Sun Life plans to achieve net-zero GHG emissions by 2050 for investments in its general account. Our approach for achieving net-zero emissions in the general account focuses on asset classes where we have access to quality data, established net-zero emissions methodologies and where we believe we can have the biggest real-world impact in reducing emissions. We use the Partnership for Carbon Accounting Financials ("PCAF") Part A (Financed Emissions) methodology to calculate our financed emissions. In 2023, we set interim targets for the general account for 2030 for asset classes where there is industry guidance and we have the ability to have an immediate impact; this means our investments in listed corporate bonds (intensity and alignment targets), directly managed listed equities (intensity target), and commercial real estate (intensity target), which collectively cover 29% of Sun Life's general account AUM.

Updated interim targets and a summary of our other commitments and progress towards net-zero GHG emissions are available in our Net Zero by 2050: Sun Life's Climate Journey report, attached as Exhibit C. For our operations, we have set an interim target of a 50% absolute reduction of GHG emissions by 2030, relative to 2019. While we continue our efforts to reduce our operational GHG emissions, we purchase high-quality carbon offsets that are verified and additional (according to carbon standards) to compensate for the remaining emissions in our operations that we have yet to reduce. This approach of purchasing offsets is not part of our enterprise decarbonization strategy, but is one way to help manage the climate impact of our operations today while we work towards our interim 2030 operational target and enterprise-wide goal of net-zero GHG emissions by 2050.

Sun Life is continuing progress towards its target of $20 billion in new sustainable investments from 2021 to 2025 across its general account and Client investments, which are managed by SLC Management. Investments include, but are not limited to, renewable energy, energy efficiency, sustainable buildings, clean transportation, water management, and social infrastructure projects. We report our progress on our operational emissions reduction targets and sustainable investment targets in our annual Sustainability Report, attached as Exhibit B.

In 2023, the Board approved the addition of a Sustainability modifier to the Senior Executive Sun Share Unit Plan, which assesses performance over three years against four goals aligned to two of our Sustainability Pillars. Climate-related goals include sustainable investment and GHG emissions reduction in our operations.

Much of Sun Life's work in 2023 was focused on educating and engaging employees on the transition to net zero. Sun Life also put significant effort into broadening our understanding of our scope 3 emissions and set interim targets for our general account emissions, which is discussed further below. For more information on Sun Life's performance related to climate change, please refer to pages 34–36 of our Sustainability Report, attached as Exhibit B. These pages highlight our climate efforts and broader environmental activities related to Sun Life's operations and workforce. Then, for more information on our sustainable investment approach and activities in 2023, please refer to pages 28–32 of our Sustainability Report.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

Please refer to Sun Life's general discussion about its metrics, above.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

For information on our Scope 1, 2, and 3 emissions, please refer to the ESG Performance Tables on page 54 of our Sustainability Report, attached as Exhibit B.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

Please refer to Sun Life's general discussion about its targets, above.

Exhibit A
Excerpts from Management Discussion & Analysis

K. Risk Management

1. Risk Management Framework

The Company has an established Risk Management Framework ("Risk Framework") approved by the Board that prescribes a comprehensive set of protocols and programs that need to be followed in conducting business activities. The risks that arise when providing products and services to Clients, which are in line with our Purpose to help our Clients achieve lifetime financial security and live healthier lives, are managed within these protocols and programs. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company. While all risks cannot necessarily be eliminated or known with certainty, the Risk Framework seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time and are not expected to exceed pre-established boundaries for risk taking. The Risk Framework, corporate strategy and business objectives are all aligned and risk management protocols and programs are embedded within every business segment.

2. Risk Governance and Accountabilities

Our Risk Framework sets out lines of responsibility and authority for risk-taking, governance and control. These governance requirements are summarized below.

Risk Management Governance Structure

The Board and Management Committees as well as the risks that they oversee are highlighted below.

Board Governance and Oversight					
Business and Strategic Risk	**Credit Risk**	**Market Risk**	**Insurance Risk**	**Liquidity Risk**	**Operational Risk**
Board of Directors					
Risk Committee	Risk Committee Governance, Investment & Sustainability Committee	Risk Committee	Risk Committee	Risk Committee	Risk Committee Audit Committee Management Resources Committee Governance, Investment & Sustainability Committee
Senior Management Committee Governance and Oversight					
Business and Strategic Risk	**Credit Risk**	**Market Risk**	**Insurance Risk**	**Liquidity Risk**	**Operational Risk**
Executive Risk Committee					
Executive Risk Committee	Investment & Credit Risk Committee	Corporate Asset Liability Management Committee	Insurance Risk Committee	Corporate Asset Liability Management Committee	Operational Risk & Compliance Committee
Business Group Risk and Oversight					

Board of Directors

The Board is responsible for ensuring the governance of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place. By approving our Risk Framework and the Risk Appetite Policy and providing ongoing oversight of the risk management programs, the Board monitors that significant risks are appropriately identified and managed. The Board oversees business and strategic risk through review and approval of the Business and Strategic Plans, and regularly discusses key themes, issues and risks arising in connection with the design or implementation of these plans.

The Risk Committee is a standing committee of the Board whose primary functions are to assist the Board with oversight of the management of current and emerging risks enterprise-wide, and of the Risk Management function to ensure that management has in place programs, policies, processes and controls designed to identify and effectively manage the significant risks to which the Company is exposed and has sufficient capital to underpin those risks. It reviews and approves all risk management policies and reviews compliance with those policies. In addition, where the Board has delegated risk oversight to other committees of the Board ("Board Committees"), the Risk Committee provides the Board with an integrated view of oversight of risk management across all Board committees. The Risk Committee regularly monitors the Company's risk profile to ensure it is within the agreed risk appetite and that the Company's capital position exceeds regulatory capital requirements, and monitors and recommends to the Board for approval, the specific risk limits allocated to the businesses and the annual Capital Plan. The Risk Committee also oversees risk management activities of our subsidiaries and joint ventures under the Company's management control and risks posed to the Company through its other joint ventures.

The Governance, Investment & Sustainability Committee (“GISC”) of the Board is responsible for assisting the Board in overseeing (i) the development of effective corporate governance guidelines and processes, including those addressing the effectiveness of the Board and its committees and director succession planning and recruitment; (ii) the Company's Investment Plan and investment performance, including investment practices, procedures and controls related to the management of the general fund investment portfolio; (iii) sustainability matters including the Company's Sustainability Policy, Sustainability Report and Sustainability Plan; and (iv) compliance and compliance management programs, including compliance with legal and regulatory requirements, the identification and management of compliance risk, and the development of policies and processes to sustain ethical behaviour. GISC also serves as the conduct review committee of the Company in accordance with applicable provisions of the *Insurance Companies Act (Canada)*.

The Audit Committee of the Board is responsible for assisting the Board in overseeing the integrity of financial statements and related information provided to shareholders and other stakeholders, compliance with financial regulatory requirements, adequacy and effectiveness of the internal controls implemented and maintained by management, and assessing the qualifications, independence and performance of the external auditor.

The Management Resources Committee of the Board is responsible for assisting the Board with oversight of succession planning for senior executive positions and programs to effectively attract, retain, develop and reward employees. It provides guidance to management on advancing the talent agenda to achieve strategic objectives and foster the Company's culture. The Committee reviews incentive designs and governance of material incentive programs against alignment with business objectives and avoiding excessive risk taking. It reviews the implications of key enterprise risks, including people and culture risks pertaining to compensation design and human resources practices. In addition, the Committee reviews compensation matters, including the remuneration of executives who have a material impact on the risk exposure of the Company.

Senior Management Committees

The Executive Risk Committee ("ERC") provides executive management oversight of the Company's enterprise risk management activities. This includes the review and articulation of the risk appetite, overseeing that the risk profile is within the agreed risk appetite, and overseeing that there are policies, processes and controls are in place to identify and effectively manage the significant risks, in accordance with the risk appetite and the overall objective of promoting a balanced business and product model to achieve agreed upon risk-adjusted returns and allocate capital accordingly.

The Investment & Credit Risk Committee is responsible for reviewing critical matters related to the on-going management of the Company's General Fund. Accordingly, the Committee is responsible for overseeing, monitoring and reviewing current and potential credit and investment risk exposures, other credit and investment risk management issues and future credit and investment risk management strategies.

The Corporate Asset Liability Management Committee is responsible for providing oversight and input on the Asset Liability Management framework, policies, guidelines, limits, measurement and performance assessment applicable to the management of market and liquidity risks, as well as providing oversight of asset liability management and hedging strategy changes.

The Operational Risk & Compliance Committee is responsible for providing oversight of the Company's operational and compliance risk management practices, current and emerging operational risk exposures, and the processes to ensure ongoing identification of major operational and compliance risks facing the Company.

The Insurance Risk Committee is responsible for providing oversight and direction on insurance risk exposures facing the Company and to ensure that effective insurance risk management practices and controls are in place. This includes reviewing the current and emerging insurance risk profile; engaging in review of topical insurance, reinsurance and underwriting risk issues; and reviewing and recommending changes to the insurance risk measurement methodology.

Accountabilities

Primary accountability for risk management is delegated by the Board to our Chief Executive Officer ("CEO"). The CEO further delegates responsibilities throughout the Company through management authorities and responsibilities. The CEO delegates accountability for the various classes of risk management to our executive officers, who are accountable for ensuring that the management of risk in the scope of their business accountability is in accordance with the Board approved Risk Framework, Risk Appetite Policy and risk management policies.

3. Risk Universe

As a large financial services organization operating in a complex industry, the Company encounters a variety of risks and uncertainties. We face risks in formulating our business strategy and business objectives, in carrying on our business activities in the pursuit of our strategy and objectives, and from external factors such as changes in the economic, geopolitical, environmental, social and regulatory landscape. We are subject to financial and insurance risks that are connected to our liabilities and with the management and performance of our assets, including how we match returns from assets with the payment of liabilities to our Clients. Each of these risks is also considered from the perspective of different types of uncertainties under which either the outcomes and/or their probabilities of occurrence are unknown. The Risk Framework covers all risks and these have been grouped into six major categories: business and strategic, credit, market, liquidity, insurance and operational risks. The Risk Framework sets out the key risk management processes in the areas of risk: appetite, identification, measurement, management, monitoring and reporting. The Risk Framework sets out both qualitative and quantitative measures and processes to control the risk the Company will bear in respect of each of these categories of risk and in aggregate.

4. Risk Appetite

Our Risk Appetite Policy defines the amount and type of risk we are willing to accept in pursuit of our business objectives, and is approved by the Board. It is forward-looking and our Strategic Plan, Capital Plan, Business Plan and business objectives are established within its boundaries.

The Company's risk appetite seeks to balance the various needs, expectations, risk and reward perspectives and investment horizons of all stakeholders. In particular, our risk appetite supports the pursuit of shareholder value while ensuring that the Company's ability to pay claims and fulfill policyholder commitments is not compromised.

The Company's risk appetite is the primary mechanism to operationalize its risk philosophy and the boundaries of permissible risk-taking across the enterprise. It ensures that business activities are assessed against performance criteria that are appropriately risk-adjusted. Our risk appetite supports the objective of maintaining adequate capital, managing earnings volatility, managing operational risk and managing liquidity. To accomplish this, our risk appetite includes a wide array of qualitative and quantitative standards that reflect the Company's overall risk management principles and values.

We are generally comfortable accepting diversifiable risks where we are capable of using risk pooling to create liability portfolios with relatively low volatility. We take risk where we have internal expertise such as actuarial, underwriting, claims management, investment, risk management and distribution or where reinsurance partners are able to supplement our internal expertise. We prefer risks that arise across various dimensions, including products, geographies (intra-national and international), distribution channels and asset classes in order to maximize diversification opportunities.

Our Risk Appetite Policy sets out specific constraints which define the aggregate level of risk that the Company is willing to accept. We translate our risk appetite constraints into specific risk limits by risk class and business segment. Our risk profile is measured, managed and monitored regularly to ensure that we operate within our risk appetite. Our risk appetite limits are reviewed periodically to reflect the risks and opportunities inherent in our evolving business strategies and operating environment.

5. Risk Management Policies

In order to support the effective communication, implementation and governance of our Risk Framework, we have codified our processes and operational requirements in a comprehensive series of risk management frameworks, policies and operating guidelines. These frameworks, policies and guidelines promote the application of a consistent approach to managing risk exposures across our global business platform. The Board and Board Committees regularly review and approve significant changes to the risk management framework and policies and regularly review management's reporting and attestation on compliance to these policies.

6. Risk Management Process

The risk management process as set out in our Risk Framework is described below:

Risk Identification and Measurement

All business segments employ a common approach to identify and measure risks. Business segments have accountability for identifying and managing risks facing their business. We have a process to identify and monitor key and emerging risks that may have a material impact on our finances, operations or reputation. We evaluate potential correlations and inter-connections between various risk events and categories, and monitor key and emerging risks, emerging regulatory and rating agency requirements, or industry developments and various research reports.

Risk measurement involves determining and evaluating potential risk exposures and includes a number of techniques, such as monitoring key risk indicators, probability-severity assessments, stress testing (including sensitivity and scenario analysis), reverse stress testing and stochastic modelling. Risk measures are expressed in quantitative and qualitative terms.

A robust stress testing program is an essential component of the Company's Risk Framework used to measure, monitor, understand and mitigate the Company's risk exposures and to ensure ongoing capital adequacy under plausible stress events. Stress testing is performed on key metrics such as earnings, regulatory capital ratios and liquidity to identify and monitor potential vulnerabilities to key risk drivers and ensure that the Company is operating within its risk appetite.

We develop and test a range of scenarios based on our internal assessment and regulatory guidance. Emerging risks are one of the inputs to determine stress test scenarios. Sensitivity testing is conducted on a regular basis and measures the earnings and regulatory capital and liquidity impacts from changes in underlying risk factors, assuming that there are no changes to any of the other risk factors. Sensitivity testing is performed for individual risks and for consolidated risk exposures at different levels of stress and at various levels of aggregation. Scenario testing involves changes to a number of risk factors to assess the impact of and interaction between these risk factors. These scenarios include integrated scenario testing, reverse scenario testing and key assumption sensitivity testing. We also use the Financial Condition Testing ("FCT") process, as prescribed by the Canadian Institute of Actuaries, to satisfy requirements under the Canadian insurance Company Act, and OSFI regulations, to annually stress test capital.

Risk Management, Monitoring and Reporting

Risk management decisions are formed by evaluating whether the assessed risk for a business activity aligns to our risk appetite and meets the objective of risk-adjusted returns.

Monitoring processes include oversight by the Board, which is exercised through Board Committees and Senior Management committees described in the Risk Governance and Accountabilities section in this document.

At least on a quarterly basis, the Senior Management committees, Board Committees and the Board review reports that summarize our risk profile against the Board approved risk appetite, including the exposures across our principal risks, any changes in risk trends, forward-looking view of risks and emerging risks. These committees also review the effectiveness of the risk management strategies presented in the reports. On a regular basis, the Board and the Board Committees review and approve any significant changes to risk management frameworks and policies for the management of risk and review compliance with these frameworks and policies.

7. Three Lines of Defence

The Company has adopted the Three Lines of Defence ("LOD") model to provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. This segregation of responsibility helps to establish a robust control framework that promotes transparent and independent challenge of all risk taking activities, and that encourages all functions to engage in self-critical examination to foster continuous improvement of the management of risk in our business.

The **first line of defence** is represented by the business segment management who own the risks that are intrinsic to the business and have the primary responsibility to identify, measure, manage, monitor and report these risks. Some of the first LOD risk related responsibilities include:

- Identification of key and emerging risks;
- Manage, measure, monitor and report on risk within their business operations;
- Accountability for business results and the risks taken to achieve business results and the resulting impact of those risks; and
- Operating within risk appetite and according to risk management policies.

The **second line of defence** includes the Chief Risk Officer ("CRO") and heads of the oversight functions who are responsible for providing independent oversight of our Company-wide risk management programs. The CRO is responsible for developing our Risk Framework and Risk Appetite Policy, and for overseeing the development and implementation of risk management strategies aimed at optimizing the risk-return profile of the Company. The CRO is supported by a network of business segment risk officers. The functional heads support the CRO in the implementation and communication of our Risk Framework and Risk Appetite Policy. Some of the key second LOD risk related responsibilities include:

- Establishment of the risk management framework and policies;
- Providing oversight and effective independent challenge of first line; and
- Independent reporting to Senior Management committees and the Board of Directors on the level of risk against risk appetite.

The **third line of defence** responsibilities are distinct from first and second LOD responsibilities. The Internal Audit function is the third LOD and is responsible for providing independent assurance to Senior Management and the Board and/or Board Committees on the design and operational effectiveness of the risk management practices and internal controls carried out by first LOD and second LOD. Internal Audit provides a quarterly opinion on the effectiveness of internal controls, risk management and governance processes to the Audit Committee of the Board. In addition, the Risk Committee may engage third-party independent reviews to supplement the third LOD review of the effectiveness of the Company's risk management programs.

8. Risk Culture and Philosophy

We have built a strong corporate culture on a foundation of ethical behaviour, high business standards, integrity and respect. The Board establishes the "tone from the top" and is accountable to ensure that the CEO and Senior Management create and sustain a culture of integrity throughout the organization. We work together through our focus on diversity, equity and inclusion and sustainability to fulfill our Purpose of helping our Clients to achieve lifetime financial security and to live healthier lives.

Risk culture relates to how we behave and respond, in addition to the requirements we set. It enables and rewards taking the right risks in an informed manner. It enables effective challenge and transparency regarding risks and outcomes without fear of reprisal. It drives us to understand Client needs and preferences so that we can act in their best interests. In order to support employees in fulfilling their role, we have taken action to ensure our risk protocols and procedures are well defined and embedded in our day-to-day business activities, assess that appropriate resources and training are provided, establish and communicate a common risk philosophy and a high bar for integrity and conduct, and encourage every employee to openly identify risk exposures and communicate escalating risk concerns. The following seven elements support our Risk Culture:

- Establishing tone from the top;
- Encouraging transparency in risk-taking;
- Performing effective challenge in conducting business decisions;
- Aligning incentives and risk management practices;
- Effectively communicating the risk culture expectations;
- Establishing clear accountabilities; and
- Promoting ongoing resiliency

A key premise of our culture is that all employees have an important role to play in managing the Company's risks. Risk Management is embedded in the enterprise's culture, which encourages ownership and responsibility for risk management at all levels. Our compensation programs are aligned to the organization's risk management practices through our governance structure for the design and approval of incentive compensation plans and processes used to support the alignment of compensation and risk management. We continuously reinforce and embed the culture through communication and training on risk culture elements at various forums and across various levels through training on the Code of Conduct annually, reinforcing accountability through performance reviews and compensation, continually monitoring processes and outcomes that drive expected behaviours, and through defining roles, responsibilities and expectations in the risk management policies.

The Company's risk philosophy includes the following core principles:

Strategic Alignment

Our corporate strategy and business objectives are required to be established within the boundaries and prescriptions set out in the Risk Framework and the Risk Appetite Policy. This requires us to consider whether a business activity, intended to achieve the business and financial objectives, will result in a risk profile that we are willing to accept and which we are prepared to manage. We have established a range of explicit risk appetite constraints for credit, market, insurance, operational and liquidity risks. Business and strategic risk is managed through our strategic and business planning process and through controls over the implementation of these Strategic and Business Plans. Risks associated with activities outside our risk appetite or outside the acceptable defined risks are avoided.

Client and Other Stakeholder Interests

Our Risk Appetite Policy considers the interests of a large number of key stakeholders, including Clients, shareholders, debt-holders, employees, regulators, distributors, rating agencies and other capital markets participants. The policy prescribes how to balance the needs, expectations, risk and reward perspectives, and investment horizons of these different stakeholders.

Effective risk management requires that objectives and incentives be aligned to ensure management's decisions are consistent with the Company's risk philosophy and risk appetite. To ensure this, the Business Plans and strategies are independently tested to ensure that they operate within the boundaries and requirements set out in the Risk Framework and the Risk Appetite Policy, and the results of this testing are reported to the Board. Compensation programs for employees are approved by the Board and the Board Committees and are aligned with the Company's risk philosophy, values, business and risk management strategies, and the long-term interests of stakeholders. In establishing annual performance objectives, we consider risk management goals to ensure that business decisions are consistent with the desired risk and return profile of the Company.

Capability Alignment

We seek out profitable risk-taking opportunities in those areas where we have established risk management skills and capabilities. Conversely, we endeavour to avoid or transfer risks that are beyond our risk-taking capability. Our ability to measure and evaluate risks, the quality of our risk governance and control environment, the depth and quality of our risk responses and the robustness of our pricing strategies are particularly important capabilities that we assess.

Portfolio Perspective

In evaluating a particular risk, consideration is given to a portfolio perspective of risk and return including the explicit recognition of the impacts of diversification and concentration and how different risks interact with each other. This perspective is extended to the development of risk mitigation and pricing strategies, recognizing that often the most cost-effective way of managing risk involves utilizing available relationships already inherent in our businesses.

Risk-Adjusted Returns

Financial return metrics used to assess business activities are developed in consideration of the constraints set out in the Risk Appetite Policy, and reflect the expected costs of mitigation and the cost of risk capital required to support the risk taking activity.

Culture

Culture is the sum of the shared assumptions, values and beliefs that create the unique character of an organization. Our culture encourages behaviour aligned with goals for long-term value creation. It defines the appropriate behaviour for any given situation, governs the interaction with Clients and affects how employees identify with the organization. Our culture has significant potential to impact our risk profile. An organization's culture impacts its ability to create value and to protect value. Maintaining the right balance of risk-taking and risk control activities is a key organizational capability and fundamental to our long-term sustainable success.

Sustainability

Sustainability addresses the Company's material economic, environmental and social impacts, and the opportunities and risks they present in delivering long-term value to all key stakeholders for the Company. Our sustainability ambition is to help our Clients achieve lifetime financial security, foster healthier lives and advance sustainable investing. Policies, processes and controls are in place to identify and effectively manage significant risks, including sustainability-related risks, to which we are exposed while operating within the Risk Appetite Policy. Sustainability is considered essential to long-term business success and as a result, is a priority for Sun Life in order to maximize our impact on society and create competitive advantage and differentiation for our business.

9. Risk Categories

The text and tables in the following section of this MD&A include our disclosure on credit, market and liquidity risks in accordance with IFRS 7 *Financial Instruments - Disclosures* ("IFRS 7") and IFRS 17 *Insurance Contracts*, as well as a discussion on how we measure risk and our objectives, policies and methodologies for managing these risks. Disclosures in accordance with IFRS 7 and IFRS 17 are identified by a vertical line in the left margin of the page. The identified text and tables represent an integral part of our audited Annual Consolidated Financial Statements for the year ended December 31, 2023. The fact that certain text and tables are identified with a vertical line does not imply that these disclosures are of any greater importance than any other text or tables, and the Risk Management disclosure should be read in its entirely.

The disclosures in the Risk Management section of this document should be considered carefully together with other information in this MD&A and in the 2023 AIF, our Consolidated Financial Statements and other reports and materials that we file with securities regulators.

In this section, segregated funds include segregated fund guarantees, variable annuities and investment products, and includes Run-off reinsurance in U.S. In-force Management.

Our Risk Framework groups all risks into six major risk categories: market, insurance, credit, business and strategic, operational and liquidity risks.

i. Market Risk

Risk Description

We are exposed to market risk, which is defined as the risk that the value or future cash flows of insurance and investment contract liabilities or financial assets will fluctuate because of changes or volatility in market prices. Market risk includes equity, interest rate and spread, real estate, foreign currency, and inflation risks.

Market Risk Management Governance and Control

We employ a wide range of market risk management practices and controls as outlined below:
- Market risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Risk Committee.

- Income and regulatory capital sensitivities are monitored, managed, and reported against pre-established risk appetite limits for equity, interest rate, credit spread, real estate and foreign currency risks.
- Comprehensive asset-liability management and hedging policies, programs and practices are in place.
- Regulatory solvency requirements include risk-based capital requirements and are monitored regularly.
- Product Design and Pricing Policy requires a detailed risk assessment and pricing provisions for material risks.
- Stress-testing techniques, such as FCT, are used to measure the effects of large and sustained adverse market movements.
- Insurance contract liabilities are established in accordance with Canadian actuarial standards of practice and International Financial Reporting Standards.
- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels. Actual capital levels are monitored to ensure they exceed internal targets.

Specific market risks and our risk management strategies are discussed below in further detail.

Equity Risk

Equity risk is the potential for financial loss arising from declines or volatility in equity market prices. We are exposed to equity risk from a number of sources.

We generate revenue in our asset management businesses and from certain insurance and annuity contracts where fees are levied on account balances that are affected directly by equity market levels. Accordingly, we have further exposure to equity risk as adverse fluctuations in the market value of such assets will result in corresponding adverse impacts on revenue, income, and the contractual service margin. In addition, declining and volatile equity markets may have a negative impact on sales and redemptions (surrenders) in these businesses, and this may result in further adverse impacts on net income, the contractual service margin, and capital.

A portion of our exposure to equity risk arises in connection with benefit guarantees on segregated fund products, some participating insurance contracts, some adjustable insurance contracts, and some universal life contracts. These benefit guarantees may be triggered upon death, maturity, withdrawal or annuitization. The cost of providing these guarantees is uncertain and depends upon a number of factors, including general capital market conditions, our hedging strategies, policyholder behaviour and mortality experience, each of which may result in negative impacts on net income, the contractual service margin, and capital.

We also have direct exposure to equity markets from the investments supporting other general account liabilities, surplus, and employee benefit plans. These exposures fall within our risk-taking philosophy and appetite, and are therefore generally not hedged.

Interest Rate and Spread Risk

Interest rate and spread risk includes the potential for financial loss arising from changes in the value of insurance and investment contract liabilities and financial assets due to changes or volatility in interest rates or spreads. In practice, when asset cash flows and the policy obligations they support are not matched, this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows in unfavourable interest rate or credit spread environments. This risk is managed in our asset-liability management program. Details of the asset-liability management program are discussed under the heading "Market Risk Management Governance and Control" in section K - Risk Management in this document.

Our primary exposure to interest rate and spread risk arises from insurance and investment contracts that contain guarantees in the form of minimum crediting rates, maximum premium rates, settlement options, guaranteed annuitization options and minimum benefits. If investment returns fall below guaranteed levels, we may be required to increase liabilities or capital in respect of these contracts. The guarantees attached to these products may be applicable to both past premiums collected and future premiums not yet received. Segregated fund contracts provide benefit guarantees that are linked to underlying fund performance and may be triggered upon death, maturity, withdrawal or annuitization. Exposure to guarantees is managed within our risk appetite limits through our asset-liability management program, which may include the use of hedging strategies utilizing interest rate derivatives such as interest rate floors, swaps, futures and swaptions. The impact of these guarantees on net income, contractual service margin, and capital are included in the disclosed market risk sensitivities.

Significant changes or volatility in interest rates or spreads could have a negative impact on sales of certain insurance and annuity products, and adversely impact the expected pattern of redemptions (surrenders) on existing policies. Increases in interest rates or widening credit spreads may increase the risk that policyholders will surrender their contracts, potentially forcing us to liquidate assets at a loss. While we have established hedging programs in place and our insurance and annuity products often contain surrender mitigation features, these may not be sufficient to fully offset the adverse impact of changes in interest rates or spreads. Declines in interest rates or narrowing spreads can result in compression of the net spread between interest earned on investments and interest credited to policyholders. Declines in interest rates or narrowing spreads can also result in increased asset calls, mortgage prepayments, and net reinvestment of positive cash flows at lower yields, and therefore adversely impact our profitability and financial position. Negative interest rates may additionally result in losses on our cash and short-term deposits and low or negative returns on our fixed income assets impacting our profitability.

We also have direct exposure to interest rates and spreads from investments supporting other general account liabilities, surplus and employee benefit plans. Higher interest rates or wider spreads will reduce the value of our existing assets. Conversely, lower interest rates or a narrowing of spreads will result in reduced investment income on new fixed income asset purchases. These exposures fall within our risk-taking philosophy and appetite and are therefore generally not hedged.

A sustained low interest rate environment may additionally adversely impact our net income, CSM, capital, and our ability to implement our business strategy and plans. This may be realized through lower sales, less profitable new business, changes in the pattern of redemptions on existing policies, among other impacts.

Real Estate Risk

Real estate risk is the potential for financial loss arising from fluctuations in the value of, or future cash flows from, our investments in real estate. We are exposed to real estate risk and may experience financial losses resulting from the direct ownership of real estate investments or indirectly through fixed income investments secured by real estate property, leasehold interests, ground rents, and purchase and leaseback transactions. Real estate price risk may arise from external market conditions, inadequate property analysis, inadequate insurance coverage, inappropriate real estate appraisals, or from environmental risk exposures. We hold real estate investments that support general account liabilities and surplus, and fluctuations in value will affect our net income, CSM, and capital. A material and sustained increase in interest rates may lead to deterioration in real estate values.

Foreign Currency Risk

Foreign currency risk is the result of mismatches in the currency of our assets and liabilities (inclusive of capital), and cash flows. This risk may arise from a variety of sources such as foreign currency transactions and services, foreign currency hedging, investments denominated in foreign currencies, investments in foreign subsidiaries and net income from foreign operations. Changes or volatility in foreign exchange rates, including a change to currencies that are fixed in value to another currency, could adversely affect our net income, contractual service margin and capital.

As an international provider of financial services, we operate in a number of countries, with revenues and expenses denominated in several local currencies. In each country in which we operate, we generally maintain the currency profile of assets to match the currency of liabilities and required capital. This approach provides an operational hedge against disruptions in local operations caused by currency fluctuations. Foreign currency derivative contracts such as currency swaps and forwards are used as a risk management tool to manage the currency exposure in accordance with our Asset Liability Management Policy. As at December 31, 2023 and December 31, 2022, the Company did not have a material foreign currency risk exposure.

Changes in exchange rates can affect our net income and surplus when financial results in functional currencies are translated into Canadian dollars. Net income earned outside of Canada is generally not currency hedged and a weakening in the local currency of our foreign operations relative to the Canadian dollar can have a negative impact on our net income reported in Canadian currency. A strengthening in the local currency of our foreign operations relative to the Canadian dollar would have the opposite effect. Regulatory capital ratios could also be impacted by changes in exchange rates.

Inflation Risk

Inflation risk is the potential for financial loss arising from changes in inflation rates. This risk results from insurance contract liabilities that are linked to market measures of inflation such as the Consumer Price Index. The primary sources for this risk exposure are from certain group and retail annuity contracts and group long term disability contracts. In these contracts, the annuity and disability benefit payments may be linked to an indexing formula containing an inflation price index. Benefit payments linked to inflation indices may also include various caps, floors and averaging mechanisms that vary across product designs.

Exposure to inflation risk is managed within our asset-liability management program, primarily by investing in inflation linked assets to match liability exposures.

Market Risk Sensitivities

We use a variety of methods and measures to manage and quantify our market risk exposures. These include duration and key rate duration management, convexity measures, cash flow gap analysis, scenario testing, and sensitivity testing of earnings and regulatory capital ratios.

The measurement of liabilities and assets are affected by the level of equity market performance, interest rates, credit and swap spreads and other market risk variables. The following sections set out the estimated immediate impact on, or sensitivity of, our net income[(1)], contractual service margin, OCI and SLF Inc.'s LICAT ratio to certain instantaneous changes in market variables as at December 31, 2023 and December 31, 2022[(2)].

(1) Net income in section K - Risk Management in this document refers to common shareholders' net income.

(2) Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

The estimated sensitivities in the tables below reflect the impact of market movements on insurance contracts and investment contracts, assets backing insurance contracts, assets backing investment contracts, assets backing the surplus segment, and seed investments in our asset management subsidiaries.

Net income sensitivities to equity and real estate market movements are driven primarily by changes in the value of investments backing general account liabilities and surplus. Net income sensitivities to interest rates and spreads are driven by the net impact on liabilities and the assets backing them. Lower interest rates or a narrowing of spreads will result in increased liabilities for insurance contracts, offset by increased values of the assets backing general account liabilities. Higher interest rates or a widening of spreads will result in decreased liabilities for insurance contracts, offset by decreased values of the assets backing general account liabilities. Further detail on the impact of changes or volatility in market prices on assets and liabilities is provided under the headings "Equity Risk", "Interest Rate and Spread Risk", and "Real Estate Risk" above.

OCI sensitivities are impacted by changes in the market value of assets classified as FVOCI. The market value of FVOCI fixed income assets, which are held primarily in our surplus and investment contract segments, increases with lower interest rates or a narrowing of spreads, and decreases with higher interest rates or a widening of spreads.

As these market risk sensitivities reflect an instantaneous impact on net income, CSM, OCI and SLF Inc.'s LICAT ratio, they do not include impacts over time such as the effect on fee income in our asset management businesses.

Refer to Additional Cautionary Language and Key Assumptions Related to Sensitivities in this section for important additional information regarding these estimates.

Equity Market Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income, CSM, OCI and SLF Inc.'s LICAT ratio to certain instantaneous changes in equity market prices as at December 31, 2023 and December 31, 2022[1].

($ millions, unless otherwise noted)				**As at December 31, 2023**
Change in Equity Markets[2][3][4]	**25% decrease**	**10% decrease**	**10% increase**	**25% increase**
Potential impact on net income (after-tax)	**(400)**	**(175)**	**175**	**425**
Potential impact on CSM (pre-tax)	**(625)**	**(250)**	**250**	**600**
Potential impact on LICAT ratio[5]	**3.0% point decrease**	**1.0% point decrease**	**1.0% point increase**	**2.5% point increase**

($ millions, unless otherwise noted)				As at December 31, 2022[1]
Change in Equity Markets[2][3][4]	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income (after-tax)	(300)	(125)	125	325
Potential impact on CSM (pre-tax)	(650)	(250)	250	625
Potential impact on LICAT ratio[5]	3.5% point decrease	1.0% point decrease	0.5% point increase	2.0% point increase

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

[2] Represents the respective change across all equity markets as at December 31, 2023 and December 31, 2022. Assumes that actual equity exposures consistently and precisely track the broader equity markets. Since in actual practice equity-related exposures differ from broad market indices (due to the impact of active management, basis risk, investments in private equity and other factors), realized sensitivities may differ significantly from those illustrated above. Sensitivities include the impact of re-balancing equity hedges for hedging programs at 2% intervals (for 10% changes in equity markets) and at 5% intervals (for 25% changes in equity markets).

[3] The market risk sensitivities include the estimated impact of our hedging programs in effect as at December 31, 2023 and December 31, 2022, and include new business added and product changes implemented prior to such dates.

[4] Net income, CSM and OCI sensitivities have been rounded in increments of $25 million. The sensitivities exclude the market impacts on the income from our joint ventures and associates, which we account for on an equity basis.

[5] The LICAT sensitivities illustrate the impact on SLF Inc. as at December 31, 2023 and December 31, 2022. LICAT ratios are rounded in increments of 0.5%.

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

Interest Rate Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income, CSM, OCI and SLF Inc.'s LICAT ratio to certain instantaneous changes in interest rates as at December 31, 2023 and December 31, 2022[1].

($ millions, unless otherwise noted)	**As at December 31, 2023**		As at December 31, 2022[1]	
Change in Interest Rates[2][3][4]	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Potential impact on net income (after-tax)	**(25)**	**50**	(100)	75
Potential impact on CSM (pre-tax)	**75**	**(75)**	125	(150)
Potential impact on OCI	**200**	**(200)**	225	(225)
Potential impact on LICAT ratio[5]	**1.5% point increase**	**1.5% point decrease**	1.5% point increase	2.5% point decrease

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

[2] Interest rate sensitivities assume a parallel shift in assumed interest rates across the entire yield curve as at December 31, 2023 and December 31, 2022 with no change to the ultimate risk-free rate. Variations in realized yields based on factors such as different terms to maturity and geographies may result in realized sensitivities being significantly different from those illustrated above. Sensitivities include the impact of re-balancing interest rate hedges for hedging programs at 10 basis point intervals (for 50 basis point changes in interest rates).

[3] The market risk sensitivities include the estimated impact of our hedging programs in effect as at December 31, 2023 and December 31, 2022, and include new business added and product changes implemented prior to such dates.

[4] Net income, CSM and OCI sensitivities have been rounded in increments of $25 million. The sensitivities exclude the market impacts on the income from our joint ventures and associates, which we account for on an equity basis.

[5] The LICAT sensitivities illustrate the impact on SLF Inc. as at December 31, 2023 and December 31, 2022. The sensitivities reflect the worst scenario as at December 31, 2023 and assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded in increments of 0.5%.

The above sensitivities were determined using a 50 basis point change in interest rates and a 10% and 25% changes in our equity markets because we believe that these market shocks were reasonably possible as at December 31, 2023. Significant changes in market variables may result in other than proportionate impacts on our sensitivities.

Potential Impact of Change in Ultimate Risk-Free Rate

Interest rate sensitivities do not include any impact from changes to the ultimate risk-free rate. Our estimated sensitivity to a 10 basis point decrease in the ultimate risk-free rate assumed in our insurance contract liabilities is a decrease in reported net income of approximately $50 million after-tax, and a decrease in CSM of approximately $25 million.

Credit Spread and Swap Sensitivities

Credit spread sensitivities reflect the impact of changes in credit spreads on our asset and liability values (including provincial government bonds, corporate bonds, and other fixed income assets). Swap spread sensitivities reflect the impact of changes in swap spreads on swap-based derivative positions and liability values.

The following tables set out the estimated immediate impact on, or sensitivity of, our net income, CSM, OCI and SLF Inc.'s LICAT ratio to certain instantaneous changes in credit spreads and our net income, CSM, and OCI to certain changes in swap spreads as at December 31, 2023 and December 31, 2022[1].

($ millions, unless otherwise noted)	**As at December 31, 2023**		As at December 31, 2022[1]	
Change in Credit Spreads[2][3]	**50 basis point decrease**	**50 basis point increase**	50 basis point decrease	50 basis point increase
Potential impact on net income (after-tax)	**50**	**(50)**	50	(50)
Potential impact on CSM (pre-tax)	**75**	**(25)**	75	(100)
Potential impact on OCI	**200**	**(175)**	200	(200)
Potential impact on LICAT ratio[4]	**1.0% point increase**	**1.0% point decrease**	1.0% point increase	2.0% point decrease

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

[2] The credit spread sensitivities assume a parallel shift in the indicated spreads across the entire term structure with no change to the ultimate liquidity premium. The sensitivities reflect a floor of zero on credit spreads where the spreads are not currently negative. Variations in realized spread changes based on different terms to maturity, geographies, asset classes and derivative types, underlying interest rate movements, and ratings may result in realized sensitivities being significantly different from those provided above.

[3] Net income, CSM, and OCI sensitivities have been rounded in increments of $25 million.

[4] The LICAT sensitivities illustrate the impact on SLF Inc. as at December 31, 2023 and December 31, 2022. The sensitivities reflect the worst scenario as of December 31, 2023 and assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded in increments of 0.5%.

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

($ millions, unless otherwise noted)	**As at December 31, 2023**		As at December 31, 2022[1]	
Change in Swap Spreads[2][3]	**20 basis point decrease**	**20 basis point increase**	20 basis point decrease	20 basis point increase
Potential impact on net income (after-tax)	**(25)**	**25**	(25)	25

(1) Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.
(2) The swap spread sensitivities assume a parallel shift in the indicated spreads across the entire term structure. Variations in realized spread changes based on different terms to maturity, geographies, asset classes and derivative types, underlying interest rate movements, and ratings may result in realized sensitivities being significantly different from those provided above.
(3) Net income, CSM, and OCI sensitivities have been rounded in increments of $25 million.

Real Estate Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income, OCI and CSM to certain instantaneous changes in the value of our real estate investments as at December 31, 2023 and December 31, 2022[1].

($ millions, unless otherwise noted)	**As at December 31, 2023**		As at December 31, 2022[1]	
Change in Real Estate Values[2]	**10% decrease**	**10% increase**	10% decrease	10% increase
Potential impact on net income (after-tax)	**(475)**	**475**	(500)	500
Potential impact on CSM (pre-tax)	**(100)**	**100**	(100)	100

(1) Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.
(2) Net income, CSM, and OCI sensitivities have been rounded in increments of $25 million.

LICAT Interest Rate Scenario Switch

The LICAT interest rate risk is assessed under four different interest rate scenarios, and the scenario leading to the highest capital requirement is chosen as the worst scenario for each geographic region as defined by the LICAT guideline. Changes and interaction between the level and term movements in interest rates and credit spreads can shift the interest rate scenario applied in the LICAT calculation causing a discontinuity where capital requirements change materially. In 2020, OSFI updated the LICAT guideline for interest rate risk requirements for participating businesses to be smoothed over six quarters. As a result, the actual impact to the LICAT ratio from participating businesses in any quarter will reflect the scenarios from current quarter as well as the prior five quarters and switching between the scenarios would have the effect of offsetting the previous impacts over time. It should be noted that switching of the scenario can also change the direction of our sensitivities.

In Q4'23, SLF Inc. experienced a scenario switch, resulting in no change in the LICAT ratio. For SLF Inc., assuming no further scenario switches, the remaining impact of one percentage point is expected to decrease the LICAT ratio over the next five quarters.

In Q4'23, Sun Life Assurance experienced a scenario switch, resulting in one-and-a-half percentage change to the LICAT ratio. For Sun Life Assurance, assuming no further scenario switches, the remaining impact of four-and-a-half percentage points is expected to decrease the LICAT ratio over the next five quarters.

Market Risk Management Strategies

Market risk is managed at all stages during the product life cycle including product design and development, ongoing review and positioning of our suite of products, and ongoing asset-liability management and hedge re-balancing. Our market risk management strategies are developed based on policies and operating guidelines at the enterprise level, business segment level and product level. Liabilities having a similar risk profile are grouped together and a customized investment and hedging strategy is developed and implemented to optimize return within our risk appetite limits.

We have implemented asset-liability management and hedging programs involving regular monitoring and adjustment of market risk exposures using assets, derivative instruments and repurchase agreements to maintain market risk exposures within our risk appetite. The general availability and cost of these hedging instruments may be adversely impacted by a number of factors including changes in interest rates, increased volatility in capital markets, and changes in the general market and regulatory environment within which these hedging programs operate. In particular, regulations for derivatives could impose additional costs and could affect our hedging strategy. In addition, these programs may themselves expose us to other risks.

In general, market risk exposure is mitigated by the assets supporting our products. This includes holdings of fixed income assets such as bonds and mortgages. Derivative instruments may supplement these assets to reduce the risk from cash flow mismatches and mitigate the market risk associated with liability features and optionality.

(1) Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

General Account Insurance and Annuity Products

Most of our expected net income sensitivity to changes in interest rates and equity markets is derived from our general account insurance and annuity products. We have implemented market risk management strategies to mitigate a portion of the market risk related to our general account insurance and annuity products.

Individual insurance products include universal life and other long-term life and health insurance products. Major sources of market risk exposure for individual insurance products include the reinvestment risk related to future premiums on regular premium policies, asset reinvestment risk on both regular premium and single premium policies and the guaranteed cost of insurance. Interest rate risk for individual insurance products is typically managed on a duration basis, within tolerance ranges set out in the applicable investment policy or guidelines. Targets and limits are established so that the level of residual exposure is commensurate with our risk appetite. Exposures are monitored frequently, and assets are re-balanced as necessary to maintain compliance within prescribed tolerances using a combination of assets and derivative instruments. A portion of the longer-term cash flows are backed with equities and real estate.

For participating insurance products and other insurance products with adjustable features, the investment strategy objective is to provide a total rate of return given a constant risk profile over the long term.

Fixed annuity products generally provide the policyholder with a guaranteed investment return or crediting rate. Interest rate risk for these products is typically managed on a duration basis, within tolerance ranges set out in the applicable investment guidelines. Targets and limits are established so that the level of residual exposure is commensurate with our risk appetite. Exposures are monitored frequently, and assets are re-balanced as necessary to maintain compliance within prescribed tolerances using a combination of fixed income assets and derivative instruments.

Certain insurance and annuity products contain minimum interest rate guarantees. Market risk management strategies are implemented to limit potential financial loss due to reductions in asset earned rates relative to contract guarantees. These typically involve the use of hedging strategies utilizing interest rate derivatives such as interest rate floors, swaps and swaptions.

Certain insurance and annuity products contain features which allow the policyholders to surrender their policy at book value. Market risk management strategies are implemented to limit the potential financial loss due to changes in interest rate levels and policyholder behaviour. These typically involve the use of dynamic hedging strategies and the purchase of interest rate swaptions.

Certain products have guaranteed minimum annuitization rates. Market risk management strategies are implemented to limit the potential financial loss and typically involve the use of fixed income assets, interest rate swaps, and swaptions.

Segregated Funds Products

Certain segregated fund products provide benefit guarantees, which are linked to underlying fund performance and may be triggered upon death, maturity, withdrawal or annuitization. The cost of providing these guarantees is uncertain and depends upon a number of factors including general capital market conditions, our hedging activities, policyholder behaviour and mortality experience, each of which may result in negative impacts on net income, the contractual service margin and capital.

Our hedging programs use derivative instruments and fixed income assets to mitigate the interest rate, equity market, and foreign currency exposure of our segregated fund contracts. As at December 31, 2023, over 90% of our segregated fund contracts, as measured by fund values, were included in a hedging program. While a large percentage of contracts are included in the hedging program, not all of our market risk exposure related to these contracts is hedged. For those segregated fund contracts included in the hedging program, we generally hedge the value of expected future net claims costs and associated risk adjustments for non-financial risk.

Our hedging strategy is applied both at the line of business or product level and at the total company level using a combination of hedging techniques such as re-balancing of short-dated interest rate and equity derivative contracts and longer-dated put options. We actively monitor our overall market exposure and may implement tactical hedge overlay strategies in order to align sensitivities with risk management objectives.

The impact of segregated fund guarantees and associated hedging programs on net income, contractual service margin and capital are included in the disclosed market risk sensitivities.

Market Risk Management Applications for Derivative Usage

The primary uses of derivatives are set out in the table below as at December 31, 2023.

Products/Application	Uses of Derivative	Derivatives Used
General asset-liability management - interest rate risk exposure for most insurance and annuity products	To manage the sensitivity of the duration gap between assets and liabilities to interest rate changes	Interest rate swaps, swaptions, floors and bond futures
Guarantees on insurance and annuity contracts - minimum interest rate guarantees, guaranteed surrender values and guaranteed annuitization options	To limit potential financial losses from significant reductions in asset earned rates relative to contract guarantees	Interest rate swaps, swaptions, floors and bond futures
Segregated fund guarantees	To manage the exposure of product guarantees sensitive to movement in equity market and interest rate levels and currency fluctuations	Put options, call options, futures and swaps on equity indices, interest rate swaps, bond futures, and foreign exchange forwards
Currency exposure in relation to asset-liability management	To reduce the sensitivity to currency fluctuations by matching the value and cash flows of specific assets denominated in one currency with the value and cash flows of the corresponding liabilities denominated in another currency	Currency swaps and forwards
Credit exposure	To replicate credit exposures and enhance investment returns	Credit default swaps

Additional Cautionary Language and Key Assumptions Related to Sensitivities

Our market risk sensitivities are measures of our estimated change in net income, OCI, CSM and LICAT ratio for changes in market risk variables described above, based on market risk variables and business in force as at the reporting date. These sensitivities are calculated independently for each risk factor, generally assuming that all other risk variables stay constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairment or valuation allowances on deferred tax assets.

We have provided measures of our net income sensitivity to instantaneous changes in equity markets, interest rates, credit spreads, swap spreads, real estate price levels, and capital sensitivities to changes in equity price levels, interest rates and credit spreads. The LICAT ratio and CSM sensitivities are non-IFRS financial measures, and for additional information, see section M - Non-IFRS Financial Measures in this document. The cautionary language which appears in this section is applicable to all net income, CSM, OCI and LICAT ratio sensitivities.

Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of the market shocks, the interaction between these risk factors, model error, or changes in other assumptions such as business mix, effective tax rates, policyholder behaviour, currency exchange rates and other market variables relative to those underlying the calculation of these sensitivities. The extent to which actual results may differ from the indicative ranges will generally increase with larger movements in risk variables. Our sensitivities as at December 31, 2022[1] have been included for comparative purposes only.

Sensitivities to interest rates and credit spreads assume a parallel shift in assumed interest rates across the entire yield curve or a parallel shift in the indicated spreads across the entire term structure, with no change to the ultimate risk-free rate or ultimate liquidity premium. Realized sensitivities may be significantly differently from those illustrated based on factors such as different terms to maturity, geographies, asset classes and derivative types, and ratings.

The sensitivities reflect the composition of our assets and liabilities as at December 31, 2023 and December 31, 2022[1], respectively. Changes in these positions due to new sales or maturities, asset purchases/sales, or other management actions could result in material changes to these reported sensitivities. In particular, these sensitivities reflect the expected impact of hedging activities based on the hedging programs in place as at the respective calculation dates. The actual impact of hedging activity can differ materially from that assumed in the estimated sensitivities due to ongoing hedge re-balancing activities, changes in the scale or scope of hedging activities, changes in the cost or general availability of hedging instruments, basis risk (i.e., the risk that hedges do not exactly replicate the underlying portfolio experience), model risk, and other operational risks in the ongoing management of the hedge programs or the potential failure of hedge counterparties to perform in accordance with expectations.

Our hedging programs may themselves expose us to other risks, including basis risk, volatility risk, and increased levels of derivative counterparty credit risk, liquidity risk, model risk and other operational risks. These factors may adversely impact the net effectiveness, costs, and financial viability of maintaining these hedging programs and therefore adversely impact our profitability and financial position. While our hedging programs are intended to mitigate these effects (e.g., hedge counterparty credit risk is managed by maintaining broad diversification, dealing primarily with highly-rated counterparties, and transacting through over-the-counter ("OTC") contracts cleared through central clearing houses, exchange-traded contracts or bilateral OTC contracts negotiated directly between counterparties that include credit support annexes), residual risk, potential reported earnings and capital volatility remain.

[1] Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

The sensitivities are based on methods and assumptions in effect as at December 31, 2023 and December 31, 2022[1], as applicable. Changes in the regulatory environment, assumptions or methods used to measure assets and liabilities after those dates could result in material changes to the estimated sensitivities. Changes in market risk variables in excess of the changes illustrated may result in other than proportionate impacts.

The sensitivities reflect the CSM as at December 31, 2023 and December 31, 2022[1]. For insurance contracts measured using the VFA, where the change in the effect of the time value of money and financial risk not arising from the underlying items adjusts the CSM, changes in the CSM balance will affect the sensitivity of income to changes in market risk variables.

Our LICAT sensitivities may be non-linear and can change due to the interrelationship between market rates and spreads, actuarial assumptions and our LICAT calculations.

For the reasons outlined above, our sensitivities should only be viewed as indicative estimates of the underlying sensitivities of each factor under these specialized assumptions, and should not be viewed as predictors of our future income, OCI, CSM or capital. Given the nature of these calculations, we cannot provide assurance that actual impacts will be consistent with the estimates provided.

Information related to market risk sensitivities should be read in conjunction with the information contained in section N - Accounting and Control Matters - 1 - Critical Accounting Policies and Estimates in this document. Additional information on market risk can be found in Note 2 and Note 6 of the 2023 Annual Consolidated Financial Statements and the Risk Factors section in the 2023 AIF.

ii. Insurance Risk

Risk Description

Insurance risk is the uncertainty of product performance due to actual experience emerging differently than expected in the areas of mortality, morbidity and longevity. In addition, policyholder behaviour, product design and pricing, expense and reinsurance risks impact multiple risk categories, including insurance risk.

Insurance Risk Management Governance and Control

We employ a wide range of insurance risk management practices and controls, as outlined below:

- Insurance risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Risk Committee.
- Income and regulatory capital sensitivities are monitored, managed and reported against pre-established risk appetite limits for policyholder behaviour, mortality, morbidity and longevity risks.
- Comprehensive Insurance Risk Policy, guidelines and practices are in place.
- The global underwriting manual aligns underwriting practices with our corporate risk management standards and ensures a consistent approach in insurance underwriting.
- Board-approved maximum retention limits are in place. Amounts issued in excess of these limits are reinsured.
- Detailed procedures, including criteria for approval of risks and for claims adjudication are established and monitored for each business segment.
- Underwriting and risk selection standards and procedures are established and overseen by the corporate underwriting and claims risk management function.
- Diversification and risk pooling is managed by aggregation of exposures across product lines, geography and distribution channels.
- We use reinsurance to limit losses, minimize exposure to significant risks and to provide additional capacity for growth.
- The Insurance Risk Policy and Investment & Credit Risk Policy establish acceptance criteria and protocols to monitor the level of reinsurance ceded to any single reinsurer or group of reinsurers.
- Reinsurance counterparty risk is monitored, including annual reporting of reinsurance exposure to the Risk Committee.
- Various limits, restrictions and fee structures are introduced into plan designs in order to establish a more homogeneous policy risk profile and limit potential for anti-selection.
- Regulatory solvency requirements include risk-based capital requirements and are monitored regularly.
- The Product Design and Pricing Policy requires detailed risk assessment and pricing provision for material risks.
- Company specific and industry level experience studies and drivers of earnings analysis are monitored and factored into valuation, renewal and new business pricing processes.
- Stress-testing techniques, such as FCT, are used to measure the effects of large and sustained adverse movements in insurance risk factors.
- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels.

The concentration for insurance risks is monitored geographically and its adverse effect is mitigated through a diversified product portfolio, product design, underwriting standards and practices, utilizing reinsurance as well as the Company's global operation. Specific to the reinsurance risk, the concentration is measured by aggregating the exposure to each reinsurance counterparty across all Business Groups to ensure it does not exceed a predefined risk level.

Specific insurance risks and our risk management strategies are discussed below in further detail.

(1) Effective January 1, 2023, we adopted IFRS 17 and IFRS 9, and certain financial assets were reclassified between measurement categories as permitted. December 31, 2022 amounts provided in the sensitivities in section K - Risk Management of this document have been adjusted to reflect these January 1, 2023 reclassifications. See Note 2 of the 2023 Annual Consolidated Financial Statements for further details on the reclassifications.

Policyholder Behaviour Risk

We can incur losses due to adverse policyholder behaviour relative to the assumptions used in the pricing and valuation of products regarding lapse of policies or exercise of other embedded policy options.

Uncertainty in policyholder behaviour can arise from several sources including unexpected events in the policyholder's life circumstances, the general level of economic activity (whether higher or lower than expected), changes in the financial and capital markets, changes in pricing and availability of current products, the introduction of new products, changes in underwriting technology and standards, as well as changes in our financial strength or reputation. Uncertainty in future cash flows affected by policyholder behaviour can be further exacerbated by unexpected behaviour during times of economic turbulence or at key option exercise points in the life of an insurance contract.

Various types of provisions are built into many of our products to reduce the impact of uncertain policyholder behaviour. These provisions include:

- Surrender charges that adjust the payout to the policyholder by taking into account prevailing market conditions.
- Limits on the amount that policyholders can surrender or borrow.
- Restrictions on the timing of policyholders' ability to exercise certain options.
- Restrictions on both the types of funds policyholders can select and the frequency with which they can change funds.
- Policyholder behaviour risk is also mitigated through reinsurance on some insurance contracts.

Internal experience studies are used to monitor, review and update policyholder behaviour assumptions as needed, which could result in updates to policy liabilities.

Mortality and Morbidity Risk

Mortality and morbidity risk is the risk that future experience could be unfavourable relative to the assumptions used in the pricing and valuation of products. Mortality and morbidity risk can arise in the normal course of business through random fluctuation in realized experience, through catastrophes, as a result of a pandemic, or in association with other risk factors such as product development and pricing risk. Adverse mortality and morbidity experience could also occur through systemic anti-selection, which could arise due to poor plan design, or underwriting process failure or the development of investor-owned and secondary markets for life insurance policies.

External factors could adversely affect our life insurance, health insurance, critical illness, disability, long-term care insurance and annuity businesses. Morbidity experience could be unfavourably impacted by external events, such as pandemics, increases in disability claims during economic slowdowns and increases in high medical treatment costs and growth in utilization of specialty drugs. This introduces the potential for adverse financial results.

Detailed uniform underwriting procedures have been established to determine the insurability of applicants and to manage exposure to large claims. These underwriting requirements are regularly scrutinized against industry guidelines and oversight is provided through a corporate underwriting and claim management function.

The Insurance Risk Policy, which is approved by the Risk Committee, sets out limits on the maximum amount of insurance risk per life that may be retained. Amounts in excess of the Board-approved maximum retention limits are reinsured. On a single life or joint-first-to-die basis our retention limit is $40 in Canada and US$40 outside of Canada. For survivorship life insurance, our maximum global retention limit is $50 in Canada and US$50 outside of Canada. In certain markets and jurisdictions, retention levels below the maximum are applied. Reinsurance is utilized for numerous products in most business segments, and placement is done on an automatic basis for defined insurance portfolios and on a facultative basis for individual risks with certain characteristics.

Concentration risk exposure is monitored on group policies in a single location. We do not have a high degree of concentration risk to single individuals or groups due to our well-diversified geographic and business mix. The largest portion of mortality risk within the Company is in North America. Individual and group insurance policies are underwritten prior to initial issue and renewals, based on risk selection, plan design, and rating techniques.

Retention limits per life vary by geographic region and amounts in excess of limits are reinsured to ensure there is no exposure to unreasonable concentration of risk.

Longevity Risk

Longevity risk is the potential for losses arising from adverse changes in rates of mortality improvement relative to the assumptions used in the pricing and valuation of products. This risk can manifest itself slowly over time as socioeconomic conditions improve and medical advances continue. It could also manifest itself more quickly, for example, due to medical breakthroughs that significantly extend life expectancy. Longevity risk affects contracts where benefits or costs are based upon the likelihood of survival and higher than expected improvements in insured life expectancy could therefore increase the ultimate cost of these benefits (for example, annuities, pensions, pure endowments, some segregated funds, and specific types of health contracts).

To improve management of longevity risk, we monitor research in the fields that could result in a change in expected mortality improvement. Stress-testing techniques are used to measure and monitor the impact of extreme mortality improvement on the aggregate portfolio of insurance and annuity products.

Product Design and Pricing Risk

Product design and pricing risk is the risk a product does not perform as expected, causing adverse financial consequences. This risk may arise from deviations in realized experience versus assumptions used in the pricing of products. Risk factors include uncertainty concerning future investment yields, policyholder behaviour, mortality and morbidity experience, sales levels, mix of business, expenses and taxes. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy or contract, the terms of these policies or contracts may not allow for sufficient adjustments to maintain expected profitability. This could have an adverse effect on our profitability and capital position.

Our Product Design and Pricing Policy, approved by the Risk Committee, establishes the framework governing our product design and pricing practices and is designed to align our product offerings with our strategic objectives and risk-taking philosophy. Consistent with this policy, product development, design and pricing processes have been implemented throughout the Company. New products follow a stage-gate process with defined management approvals based on the significance of the initiative. Each initiative is subject to a risk assessment process to identify key risks and risk mitigation requirements and is reviewed by multiple stakeholders. Additional governance and control procedures are listed below:

- Pricing models, methods, and assumptions are subject to periodic internal peer reviews.
- Experience studies, drivers of earnings analysis, and product dashboards are used to monitor actual experience against those assumed in pricing and valuation.
- On experience rated, participating, and adjustable products, emerging experience is reflected through changes in policyholder dividend scales as well as other policy adjustment mechanisms such as premium and benefit levels.
- Limits and restrictions may be introduced into the design of products to mitigate adverse policyholder behaviour or apply upper thresholds on certain benefits.

Expense Risk

Expense risk is the risk that future expenses are higher than the assumptions used in the pricing and valuation of products. This risk can arise from general economic conditions, unexpected increases in inflation, slower than anticipated growth, or reduction in productivity leading to increases in unit expenses. Expense risk occurs in products where we cannot or will not pass increased costs onto the policyholder and will manifest itself in the form of a liability increase or a reduction in expected future profits.

We closely monitor expenses through an annual budgeting process and ongoing monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses.

Reinsurance Risk

We purchase reinsurance for certain risks underwritten by our various insurance businesses. Reinsurance risk is the risk of financial loss due to adverse developments in reinsurance markets (for example, discontinuance or diminution of reinsurance capacity, or an increase in the cost of reinsurance), insolvency of a reinsurer or inadequate reinsurance coverage. While reinsurance arrangements provide for the recovery of claims arising from the liabilities ceded, we retain primary responsibility to the policyholders.

Rates for our in-force reinsurance treaties can be either guaranteed or adjustable for the life of the ceded policy. Changes in reinsurance market conditions, including actions taken by reinsurers to increase rates on existing and new coverage and our ability to obtain appropriate reinsurance, may adversely impact the availability or cost of maintaining existing or securing new reinsurance capacity, with adverse impacts on our business strategies, profitability and financial position. There is a possibility of rate increases or renegotiation of some of the legacy reinsurance contracts by our reinsurers, as the global reinsurance industry continues to review and optimize their business models. In addition, changes to the regulatory treatment of reinsurance arrangements could have an adverse impact on our capital position.

We have an Insurance Risk Policy approved by the Risk Committee and an Investment & Credit Risk Policy approved by the Governance, Investment & Sustainability Committee, which set acceptance criteria and processes to monitor and manage the level of reinsurance ceded to any single reinsurer. These policies are regularly reviewed and approved by the relevant Board Committee to ensure the alignment with our risk appetite levels and reinsurance risk guidelines.

The policies set the acceptance criteria which verify if a reinsurer qualifies as a suitable reinsurance counterparty, having the capability, expertise, governance practices and financial capacity to assume the risks being considered. In addition, a periodic due diligence is performed on the existing reinsurance counterparties, including an internal credit assessment for reinsurance counterparties with whom we have material exposure.

The exposure to each reinsurance counterparty is monitored closely to ensure that no single reinsurance counterparty represents an undue level of credit risk and does not exceed the predefined limits. In order to diversify our reinsurance risk, there is generally more than one reinsurance counterparty supporting a reinsurance pool. A summary of the reinsurance counterparty credit risk exposures is reported annually to the Risk Committee.

To further increase the reinsurance risk control, our reinsurance agreements include provisions to allow actions to be taken, such as recapture of ceded risk (at a potential cost to the Company), in the event that the reinsurance counterparty loses its legal ability to carry on business through insolvency or regulatory action.

In case of unfavourable developments in the reinsurance markets, we also have an option to discontinue or implement changes to the new sales of our products to better manage the associated risks.

Additional information on insurance risk can be found in Note 7 of our 2023 Annual Consolidated Financial Statements and in the Risk Factors section in the AIF.

iii. Credit Risk

Risk Description

Credit risk is the possibility of loss from amounts owed by our borrowers or financial counterparties. We are subject to credit risk in connection with issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties (including derivative, repurchase agreement and securities lending counterparties), other financial institutions and other entities. Losses may occur when a counterparty fails to make timely payments pursuant to the terms of the underlying contractual arrangement or when the counterparty's credit rating or risk profile otherwise deteriorates. Credit risk can also arise in connection with deterioration in the value of, or ability to realize, any underlying security that may be used as collateral for the debt obligation. Credit risk can occur as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Events that result in defaults, impairments or downgrades of the securities in our investment portfolio would cause the Company to record realized or unrealized losses and may cause an increase in our provisions for asset default, adversely impacting earnings.

Credit Risk Management Governance and Control

We employ a wide range of credit risk management practices and controls, as outlined below:

- Credit risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Risk Committee.
- Risk appetite limits have been established for credit risk.
- Income and regulatory capital sensitivities are monitored, managed and reported against pre-established risk limits.
- Comprehensive Investment and Credit Risk Management Policy, guidelines and practices are in place.
- Specific investment diversification requirements are in place, such as defined investment limits for asset class, geography, and industry.
- Risk-based credit portfolio, counterparty, and sector exposure limits have been established.
- Mandatory use of credit quality ratings for portfolio investments has been established and is reviewed regularly. These internal rating decisions for new fixed income investments and ongoing review of existing rating decisions are independently adjudicated by Corporate Risk Management.
- Comprehensive due diligence processes and ongoing credit analyses are conducted.
- Regulatory solvency requirements include risk-based capital requirements and are monitored regularly.
- Comprehensive compliance monitoring practices and procedures including reporting against pre-established investment limits are in place.
- Reinsurance exposures are monitored to ensure that no single reinsurer represents an undue level of credit risk.
- Stress-testing techniques, such as FCT, are used to measure the effects of large and sustained adverse credit developments.
- Insurance contract liabilities are established in accordance with Canadian actuarial standards of practice.
- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels. Actual capital levels are monitored to ensure they exceed internal targets.

Our core principles of credit risk management include asset diversification, fundamental research and analysis of cash flows, proactive and continuous risk monitoring, active management and relative value assessment, all with the objective of optimizing risk-adjusted returns, with due consideration for the impacts of capital and taxation.

We rate fixed income investments primarily through the use of internally developed scorecards which combine an estimated probability of default and loss given default to determine an expected loss and credit risk rating. This rating is expressed using a 22-point scale that is generally consistent with those used by external rating agencies, and is based on detailed examination of the borrower's, or issuer's, credit quality and the characteristics of the specific instrument. The probability of default assessment is based on borrower-level or issuer-level analysis, which encompasses an assessment of industry risk, business strategy, competitiveness, strength of management and other financial information. The loss given default assessment is based on instrument-level analysis, which considers the impact of guarantees, covenants, liquidity and other structural features. These scorecards provide input to stochastic value-at-risk models and are used to stress test the portfolio, which provide insight into the distribution and characteristics of credit risk within our portfolios. In accordance with our policies and under normal circumstances, our ratings cannot be higher than the highest rating provided by certain Nationally Recognized Statistical Rating Organizations ("NRSROs"). Certain assets, including those in our sovereign debt and asset-backed securities portfolios, are assigned a rating based on ratings provided by NRSROs using a priority sequence order of Standard & Poor's, Moody's, Fitch and DBRS Limited.

Additional information on credit risk can be found in Note 6 of our 2023 Annual Consolidated Financial Statements and in the Risk Factors section in the AIF.

iv. Business and Strategic Risk

Risk Description

Business and strategic risk is the risk of loss from the inability to adequately identify, plan or implement an appropriate strategy to achieve strategic and business objectives or adapt to changes in Client behaviours, the external business, economic, geopolitical, regulatory or environmental and social landscape or when assumptions made in strategy are not realized as expected.

Business and Strategic Risk Management Governance and Control

We employ a wide range of business and strategic risk management practices and controls, as outlined below:

- Business and strategic risk governance practices are in place, including independent monitoring, review and reporting to Senior Management, the Board and the Board Committees.
- Business and strategic risk is managed through our strategic and business planning process and controls over the implementation of these plans. These plans are reviewed and discussed at the executive level and the key themes, issues and risks emerging are discussed by the Board and the Board Committees.
- Our Business and Strategic Plans are subject to approval by the Board, which also receives regular reviews of implementation progress against key Business Plan objectives.
- Comprehensive policies including the Risk Management Framework, Risk Appetite Policy, Product Design and Pricing Policy, Mergers and Acquisition Policy, Capital and Liquidity Management Framework and Capital Risk Policy are in place.
- Our corporate strategy and business objectives are established within the boundaries of the Risk Appetite Policy. Our business strategies and plans are designed to align with our risk appetite, our capital position and our financial performance objectives.
- Our risk appetite is periodically assessed, taking into consideration the economic and regulatory environments in which we operate.
- Merger, acquisition, strategic investments and divestiture transactions are governed by a Board-approved Merger and Acquisition Risk Management Policy and significant transactions require the approval of the Board.
- Stress-testing techniques, such as FCT, are used to measure the effects of large and sustained adverse scenarios.
- Key and emerging risks are identified, monitored and reported, including emerging regulatory changes that may have a material impact on our finances, operations or reputation.

- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels. Actual capital levels are monitored to ensure they exceed internal targets.

We regularly review and adapt our business strategies and plans to take account of changes in the external business, economic, geopolitical and regulatory environments in which we operate. Our business strategies and plans are designed to align with our risk appetite, our capital position and our financial performance objectives. We periodically reassess our risk appetite taking into consideration the economic, regulatory and competitive environment in which we operate.

Specific business and strategic risks are discussed below in further detail.

Geopolitical Risk

Geopolitical risk is the wide array of risks associated with conflict or tensions between states as well as events or trends with global or international dimensions that increase risks for the operations of companies. We operate in various geographies and our business and financial operations are susceptible to regional and global economic, geopolitical and regulatory changes. Geopolitical risk may lead to increased volatility in the global capital and energy markets, difficulty in conducting business in certain geographies, an increased threat of targeted cyber-attacks, and has the potential to introduce reputational risk.

Economic Risk

We may be affected by economic and capital markets conditions and economic shocks around the globe as a result of increasingly connected global markets. Factors such as changes in interest rates, foreign exchange rates, market volatility, housing prices, consumer spending, saving and debt, business investment and inflation around the globe can affect the business and economic environments in which we operate. In addition, adverse economic conditions often arise in conjunction with volatile and deteriorating capital markets conditions, which can have an adverse impact on Client behaviour, our sales and profitability, credit and financial strength ratings, and capital and liquidity positions.

Execution Risk

Our business strategies and plans are dependent on the successful execution of organizational and strategic initiatives designed to support the growth of our business. Our ability to manage the execution of these initiatives effectively and prioritize initiatives directly affects our ability to execute our strategies. Identifying and implementing the right set of initiatives is critical to achieving our Business Plan targets. Failure to identify and implement the right set of initiatives could also lead to cost structure challenges and inability to achieve our growth objectives.

Distribution Risk

Failure to achieve planned distribution scale could materially impact our financial and strategic objectives. This includes the inability to attract and retain intermediaries and agents at a cost that is financially feasible to the Company, or to develop online sales and Client support capabilities and technologies. Distribution risk may also be influenced where our distribution or product strategy and related services (including online sales and Client support capabilities and technologies) are not developed, modified or executed in line with our strategic objectives or in consideration of the changes in Client behaviour or our regulatory environment. In addition, the lack of a well-diversified distribution model in the jurisdictions in which we do business may cause over-reliance on agency channel or key partners.

Risks Relating to Mergers, Acquisitions, Divestitures and Strategic Investments

We regularly explore opportunities to selectively acquire other businesses or to divest ourselves of all or part of certain businesses, in support of our growth and strategic objectives. Any transaction carries risks associated with economic, operational, strategic, financial, tax, legal, regulatory, compliance, environmental and social, and other factors.

There is a risk that we may be unable to make an appropriate acquisition in a desired market or business line or unable to realize the financial and strategic benefits of the transactions due to competitive factors, regulatory requirements or other aspects. There is a risk that the capital utilized to finance any transaction may limit our ability to deploy further capital to pursue other opportunities and initiatives. These risks could adversely impact our ability to achieve our financial and strategic objectives.

Our ability to realize the contemplated economic, financial, and strategic benefit of any transaction that we enter into is contingent on several factors. These include the effective separation and/or integration of the transferred businesses, restructure and/or reorganization of related businesses, and retention of key personnel to effectively execute these transactions. In addition, post-closing activities and the harmonization of any differences in organizational culture may require the dedication of significant management resources, which may distract management's attention from our day-to-day business. Further, anticipated synergies and other benefits may not materialize due to a failure to successfully integrate the acquired businesses with our existing operations. Any of these risks, if realized, could prevent us from achieving the expected outcomes from a transaction and impact our financial and strategic objectives.

To mitigate these risks, we have established procedures to govern the evaluation, execution and integration of mergers and acquisitions transactions. Regular updates on execution and integration risks relating to these transactions are provided to the Board, its Committees and senior management teams, as appropriate, along with any mitigants developed to address such risks.

Competitive Environment

Competition from insurance companies, banks, asset managers, mutual fund companies, financial planners and other service providers (including new entrants and non-traditional financial services companies) is intense, and could adversely affect our business in certain countries.

The businesses in which we engage are highly competitive and our ability to sell our products is dependent on many factors, including scale, price and yields offered, distribution channels, digital capabilities, financial strength ratings, range of product lines and product and service quality, brand strength, investment performance, historical dividend levels and the ability to provide value added services to distributors and Clients. In certain markets, some of our competitors may be superior to us on one or more of these factors. Our competitors have significant potential to disrupt our business through targeted strategies to reduce our market share which may include targeting our key people or bancassurance partners and other distributors or aggressively pricing their products. Our ability to achieve our Business Plans and strategies depends significantly upon our capacity to anticipate and respond quickly to these competitive pressures.

Technology is driving rapid change in the financial services sector and is enabling new entrants to compete or offer services to our competitors to enhance their ability to compete in certain segments of the insurance, wealth and asset management markets. The emergence of new technologies such as robotic process automation, artificial intelligence, blockchain and advanced analytics may have an impact on the financial services sector and how companies interact with their stakeholders. Our current competitors or new entrants may use these or other new technologies to provide services in various areas such as customized pricing, proactive outreach to Clients and targeted marketing in order to strengthen their Client relationships and influence Client behaviour. The impact of disruption from changing technology and innovation by traditional and non-traditional competitors who may offer a better user experience, functionality or lower priced products and may have lower distribution costs will require us to adapt at a more rapid pace and may create margin pressures. The risk of disruption may also impact our distribution models as new and low cost digital-based business models emerge in connection with the distribution of financial services and products, such as insurtechs and robo-advisors. These risks are evolving rapidly with an increasing number of digital users and are difficult to anticipate and respond to proactively, and may adversely impact our profitability and financial position.

Investment Performance

Investment performance risk is the possibility that we fail to achieve the desired return objectives on our investment portfolio, or that our asset management businesses fail to design or execute investment strategies in order to achieve competitive returns on the products and managed accounts offered by these businesses. Failure to achieve investment objectives may adversely affect our revenue and profitability through slower growth prospects and adverse impacts on policyholder or Client behaviour.

Changes in Legal and Regulatory Environment

Most of our businesses are subject to extensive regulation and supervision. Changes to legislation, regulations or government policies, or the manner in which they are interpreted or enforced, may require that we make significant changes to our strategy and may result in increased implementation costs and diversion of resources to manage the change. These changes could impact financial reporting, accounting processes, capital requirements, the regulatory framework for our products and services, the regulation of selling practices, sales intermediaries and product offerings, solvency requirements, executive compensation, and corporate governance practices and could impose restrictions on our foreign operations (such as limits on foreign ownership of local companies). All of these changes could have an adverse effect on our business and operations. Our failure to comply with existing and evolving regulatory requirements could also result in regulatory sanctions and could affect our relationships with regulatory authorities and our ability to execute our business strategies and plans.

Environmental and Social Risk

Our financial performance, operations, and reputation may be adversely affected if we do not adequately prepare for the direct or indirect impacts of environmental and social risks. Environmental and social risks include but are not limited to environmental damage on properties owned or managed by us, climate change-related physical and transition risks, as well as issues of public health and inequality. These risks may occur in our direct operations, investing activities or other areas of our value chain.

Business units in our Asset Management pillar integrate ESG considerations in their investment decision-making for Sun Life assets and Client assets, where applicable. Existing ESG risks are considered, subject to data availability and materiality, in initial and ongoing reviews and assessments of public equities, public fixed income, private fixed income, real estate, infrastructure and commercial mortgage investments, among others. In addition, we monitor our third-party managers in the asset management, general account and fund platform businesses through our International Investment Centre ("IIC"). In the due diligence and monitoring of third-party managers, the IIC, functioning as an investment research and consulting group, assesses each manager's consideration of ESG risks in its investment processes, as well as other relevant sustainability factors, and monitors them on an ongoing basis. These activities may be undertaken on behalf of, or in partnership with, the relevant Sun Life businesses. These businesses may also undertake their own due diligence activities.

We engage in and monitor environmental, social and broader sustainability developments in part through our participation as a signatory to the United Nations-supported Principles for Responsible Investment ("PRI"), United Nations Environment Programme - Finance Initiative ("UNEP FI"), including the Principles for Sustainable Insurance, and CDP.

In line with our strategy and our Purpose, Sun Life aims to drive further actions that create a cleaner, more inclusive, and sustainable future. Strong governance will help us deliver on our commitments and remain accountable to our stakeholders:

- Our Chief Sustainability Officer ("CSO") leads enterprise-wide efforts to embed sustainable practices across our businesses.
- Our Executive Sustainability and Climate Change Council ("ESC"), chaired by our CSO, is composed of senior executives from Sun Life's Global Leadership Team. The ESC is the decision-making body for the approval of cross-enterprise sustainability programs and issues management (e.g., human rights), as well as external commitments and targets including related progress oversight (e.g., net zero, sustainable investing, diverse supplier spend). ESC members also provide oversight on the company's implementation of OSFI Guideline B-15: Climate Risk Management and development of the enterprise climate transition plan.
- Our Global Sustainability Leadership Team ("GSLT") is composed of senior executives from each of our business groups and key functions. The GSLT advises on and implements our Sustainability Strategy.

We report on sustainability performance, including reporting related to climate change and other environmental and social issues, in our annual Sustainability Report, which is published in tandem with our Annual Report and is available at sunlife.com/sustainability.

Climate Change

Climate change is one of the defining issues of our time. Governments, regulators, investors, Clients and other stakeholders are rapidly increasing efforts to tackle this global issue. We believe that it is incumbent upon us to respond and to take actions that support the goal of the Paris Agreement to limit the global temperature increase in this century to well below 2 degrees Celsius compared to pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.

The commitments we make to our Clients can often extend decades into the future. For this reason, we must account for climate-related risks across our operations and investments. These risks are likely to intensify and spread as climate-related impacts escalate in frequency and severity.

Meaningful climate action is essential to delivering on our Purpose of helping our Clients achieve lifetime financial security and live healthier lives. Our Purpose can best be realized through the integration of this mindset across our businesses, and through working collaboratively with other stakeholders towards a common goal of mitigating and adapting to the effects of climate change. Sun Life is doing its part to support the transition to a low-carbon economy and to ensure our organization is resilient to climate change. We set an enterprise-wide goal to achieve net-zero greenhouse gas ("GHG") emissions by 2050 as well as multiple interim targets across our businesses (refer to Metrics and Targets for additional details).

Our approach to climate change includes the following elements:

- We recognize that as a long-term investor, we have the opportunity to be part of the solution to this global challenge and invest proactively in assets and businesses that support the transition to a low-carbon economy.
- We are committed to advocacy and collaboration with governments, regulators, investors and industry leaders to develop supportive net-zero programs and policies that pave a path towards decarbonization.
- We assess climate-related impacts on our businesses and investments with the aim of prudently managing the associated risks. We acknowledge the challenges of uncertainty and imperfect data to inform decision making.
- We advocate for better data and disclosures, so we can make better-informed assessments of climate-related risks. We support the actions of regulators, including OSFI, to align their reporting requirements to the International Sustainability Standards Board's IFRS S1 and S2, and welcome ongoing efforts to improve disclosure standards.
- We commit to continuously improving our climate-related measurement, monitoring and reporting.
- We are focused on driving climate action and strengthening the resilience of our own operations around the world, as well as the properties that we own in our investment portfolio.

We commit to working together across industries, with our Clients, investees and other stakeholders to all do our part in addressing the climate crisis. We are working to understand the solutions to this complex, global challenge. Our approach to climate change will evolve over time, as we continue to build our internal expertise, obtain high-quality and industry-relevant data, and further align to external developments and regulatory requirements.

The following sets out our climate-related disclosures in line with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, which are structured around four themes that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets.

Governance

The Board uses reports from the Board Committee Chairs (detailed below) and other presentations by management and external experts, to decide on the nature and extent of its input and to provide challenge, advice and guidance to senior management on the enterprise approach to climate change. In 2023, climate-related topics were reviewed by the Board or a Committee of the Board at each of the quarterly meetings as well as the annual board strategy meeting either as part of dedicated agenda topics on Sun Life's Business and Strategic Plans, including Sun Life's Sustainability Strategy, or as part of various committee, officer and business group reports. The Board has received climate change training and education focused on sustainability-related matters, including board oversight on the impact of climate-related risks on asset management and insurance and on the impact of ESG on board governance and compensation.

Three Board Committees have oversight over aspects of climate change:

- The Governance, Investment & Sustainability Committee of the Board ("GISC") assists the Board with oversight of sustainability matters, including those related to climate. The GISC is responsible for reviewing and approving Sun Life's Sustainability Policy, overseeing progress against Sun Life's Sustainability Strategy and commitments (including decarbonization targets), reviewing and recommending Board approval of the annual Sustainability Report and the annual CSO plan, and overseeing the development and implementation of Sun Life's Climate Transition Plan. In addition, the GISC reviews any material issues related to sustainability raised by management throughout the year, including climate-related matters.
- The Risk Committee of the Board assists the Board with enterprise-wide oversight of the management of current and emerging risks, which may include climate-related risks and, broadly, environmental risks.
- The Audit Committee reviews ESG disclosures (including climate-related disclosures) required to be included in Sun Life's financial disclosure documents, and reviews management's quarterly reports on the effectiveness of Sun Life's internal controls over financial reporting, including any evolving standards over ESG disclosures.

At the management level, the CSO, Chief Risk Officer ("CRO"), and Chief Investment Officer ("CIO") play key roles in assessing and managing climate-related risks and opportunities. Additional committees are in place at SLC Management and MFS to support these activities.

- Our CSO has overall accountability for sustainability, including climate change, across the enterprise. This accountability includes setting the strategy and governance framework for our organization. The CSO chairs our ESC and GSLT. Sun Life's Vice President of Climate Change and Environmental Impact reports directly to the CSO and oversees the development and implementation of the enterprise-wide climate change strategy, climate risk and decarbonization performance and reporting functions.
- Our CRO is responsible for leading the Risk Management function (as noted above in Risk Management sections 2 and 7). Key and emerging risks are monitored and reported to the Risk Committee of the Board.
- Our CIO chairs the Sustainability Committee and Sustainable Investment Council within SLC Fixed Income. The Sustainability Committee is responsible for overseeing the direction, priorities and implementation of sustainable investing initiatives across SLC Fixed Income. The Sustainable Investment Council, composed of investment team leaders, is a sub-committee of the Sustainability Committee. It is the steering body for ESG integration in SLC Fixed Income's investment processes, representing and working across asset class teams.
- The SLC Risk Committee provides oversight of SLC Management's investment advisors (which includes SLC Fixed Income, InfraRed, BGO, Crescent, and AAM), operational, investment, business and strategic risks, including those relating to ESG.
- MFS has oversight committees to provide strategic leadership and support the effective integration of sustainability across MFS. The MFS Sustainability Executive Group provides strategic leadership concerning MFS' sustainability strategy. It includes various senior leaders responsible for the integration of sustainability across the firm. MFS also has committees that are a part of its

existing committee governance structure. These committees are devoted to the implementation of specific aspects of MFS' sustainability strategy, including ESG integration strategy and policies, engagement, proxy voting and ESG Client and corporate strategies and policies.

Strategy

As part of our updated enterprise Sustainability Strategy, climate change has been elevated as a cross-cutting lens connected to our Purpose and our core pillars of Financial Security, Healthier Lives, Sustainable Investing and foundation as a Trusted and Responsible Business. Meaningful climate action is essential to achieving our Purpose and we are committed to doing our part to support the transition to a low-carbon economy and ensure we are an organization resilient to climate change. The strategy sets the foundation for how we will do this while creating competitive advantage and differentiation for our business.

Climate change has a variety of implications for our business as an asset management and insurance company, especially when considering the impacts of climate change on human health. As an organization that provides life and health insurance products to Clients across the globe, we are keenly aware of the vast implications of climate change on our Clients' well-being. The increased severity and frequency of extreme weather events and the chronic shift towards higher temperatures have significant impacts on health. Heat-related deaths and hospitalizations have increased over the last decade and will continue to increase as temperatures rise. Lower air quality from pollutants, rising temperatures and wildfires can have long-term implications on respiratory health. Emotional distress, anxiety and trauma caused by these extreme weather events can also negatively impact mental health.

Changing precipitation and ensuing floods, droughts and wildfires directly impact food crops and can lead to food insecurity and malnutrition. Changing precipitation and warming temperatures also increase the proliferation of pests, causing direct damage to food crops, while also increasing the transmission of vector-borne disease like dengue fever and Zika virus.

From an investment perspective, climate change presents both risks and opportunities. A transition to a low-carbon economy could affect asset values over time. Among other impacts, portfolio investments in coal, conventional oil and oil sands producers, utilities and related fossil fuel industries, railways and pipelines, as well as markets that depend on these industries, may be subject to additional financial risk as a result of changes in regulation, cost of capital, consumer preferences, technological or business model disruption, etc. This may lead to lower overall profitability and/or stranded assets (assets for which the investment costs cannot be recovered as intended).

Physical climate impacts could affect investments in real assets such as real estate, commercial mortgages, and infrastructure, as well as our own operations, and operations and revenues of our Clients and businesses across our portfolios. Risks may result from increased severity and frequency of extreme weather events and from longer-term shifts in climate patterns, leading to declining asset values, increasing insurance costs or uninsurability.

For further discussion of potential climate-related risks, please refer to Environmental and Social Risk in Sun Life's 2023 Annual Information Form ("AIF") under Risk Factors – Business and Strategic Risk.

Climate-related opportunities include those related to sustainability and green bonds, investments in developing resilient and adaptive real estate and infrastructure as well as renewable energy and other assets and businesses that support or benefit from a transition to a low-carbon economy. Many companies and industries are benefiting from climate change-related tailwinds, such as mobility (vehicle electrification), energy efficiency services, battery technology and renewables. Through our asset managers' ESG integration efforts, we seek to identify these investment opportunities in both public and private markets, including opportunities in securitized investments and direct investments (real estate, traditional public infrastructure, and other types of public infrastructure such as sustainable agriculture).

Climate-related risks and opportunities are considered in our asset management businesses' investment processes and in our financing activities. In 2019, we were the first life insurer globally to issue a sustainability bond and in 2023, we issued our second sustainability bond. Issuing sustainability bonds demonstrates our commitment to embedding sustainability into our business while contributing positively to society and advancing technologies that enable the transition to a low-carbon economy. Through our Asset Management pillar, we believe we are well-positioned to support Clients who want to invest in the net-zero transition. Asset management is delivered by MFS as well as the businesses that operate under the SLC Management brand: SLC Fixed Income, InfraRed, BGO, Crescent, and AAM. Climate-related investment strategies for our asset managers are highlighted below:

- MFS, as a long-term investor in public issuers seeking to understand the duration and stability of financial returns, assesses climate change at both the issuer level and portfolio level. As with all risks and opportunities, MFS' assessment of environmental issues such as climate change begins with in-depth fundamental issuer and industry analysis. Climate change and regulations associated with climate change are materially impacting many businesses' revenue growth, margins and returns, cash flows, capital expenditures and valuation. As long-term investors seeking to allocate capital responsibly, MFS can use a variety of tools to increase the rate of change, which MFS believes will improve investment results and create value for Clients. MFS also regularly engages with issuers to encourage better disclosure and management of climate-related risks and opportunities. MFS' Strategic Climate Action Plan sets forth its investment philosophy with regard to the risks and opportunities associated with climate change, along with its expectations for issuers to have a climate plan to reduce or eliminate their emissions toward a goal of achieving net zero.
- SLC Fixed Income offers its institutional Clients opportunities to invest in sustainable infrastructure through its private fixed income investments. Sustainable infrastructure categories include renewable energy, energy efficiency and clean transportation. SLC Fixed Income engages with certain portfolio companies, where relevant, to help inform its understanding and management of climate-related risks and opportunities. SLC Fixed Income's Climate Report sets forth its investment philosophy and associated disclosures with regard to risks, strategies and targets associated with climate change.
- InfraRed invests in and manages social infrastructure, low-carbon generation, renewable energy, energy efficiency and energy enabling infrastructure projects, which advances its sustainable investment options for institutional Clients while complementing its focus on sustainable investing and climate change. InfraRed also actively assesses the physical-related climate risks associated with its existing and new investments in order to actively manage the climate resilience of the essential infrastructure projects it manages.
- BGO analyzes climate-related risks for activities that are in scope using the following tools and programs. To help identify exposure to physical climate risks for certain new acquisitions, BGO utilizes Moody's ESG Solutions as a Climate Risk Provider. Included in the assessment are projections of exposure to floods from extreme precipitation, hurricane-force winds, sea level rise, water stress,

heat stress, wildfires, and earthquakes. Risks identified in this assessment are included in underwriting with details of what may be causing this risk and mitigation actions. As part of BGO's ESG Risk Matrix for new acquisitions, assets are scanned for indicators that may impact transition risk, such as energy performance, GHG emissions, and the existence of any local regulations. Transition risk metrics such as utility price impacts and government regulations are continually monitored for certain assets at the property level through its sustainability data management systems.
- Crescent's investment decisions are guided by Clients' long-term interests, which are served through the incorporation of ESG considerations, including those related to climate change. Where possible, Crescent seeks to engage collaboratively with portfolio companies on topics such as understanding climate change risks and emissions intensity.

As longer-term investors, we believe that integrating climate change as a key element of our investment objectives can be a source of competitive advantage as it should lead to stronger risk-adjusted returns over time. The integration of climate change risks and opportunities may also result in stronger ESG investment ratings from groups such as PRI, Morningstar, GRESB and others, which can be key decision factors for Clients. Our asset managers may take the approach of active engagement and education to work with investee companies in their transition to net zero. SLC Fixed Income is a member of the Climate Engagement Canada and Climate Action 100+ investor initiatives. Through those initiatives and in its capacity as Sun Life's primary general account asset manager, SLC Fixed Income engages with some of the world's largest corporate GHG emitters with whom Sun Life has investments to support best practices around sustainability disclosures, and to better understand their management of climate-related risks and opportunities. MFS and Crescent are also signatories to Climate Action 100+.

For investment funds offered by the Sun Life Canada businesses, we recognize that our Clients are increasingly seeking a sustainable investment lens from our solutions. Our GRS business' proprietary ESG integration evaluation framework helps sponsors of group retirement plans make informed decisions about the investment options they make available to their employees in their workplace plans. The evaluation framework uses detailed criteria in three key areas: firm policies, investment process and active ownership. SLGI evaluates its investment managers using similar criteria. This approach provides deeper insights into its investment managers' direction on ESG matters and their ability to embed these considerations across all aspects of the investment decision process.

Sun Life's general account, where Sun Life is the asset owner, is comprised of assets from proceeds of insurance policies. A series of publicly-disclosed climate-related investment beliefs and principles guide the investment decisions of the general account in-scope asset classes which have net-zero interim targets. When evaluating in-scope general account investments in carbon-intensive sectors, Sun Life will consider credible GHG reduction plans and alignment or commitment to alignment with net zero. Our in-scope general account investments prioritize companies that are either categorized as net zero aligned, aligning, or committed to aligning, informed by the Net Zero Investment Framework. We also regularly review the financial performance of our investments and incorporate non-financial metrics. Performance against GHG reduction targets, where material, are a part of this fundamental investment analysis and will inform our general account investment decisions. For more information, refer to Sun Life's Net Zero by 2050: Sun Life's Climate Journey report.

In addition to the asset management and investment activities above, our experience with climate scenario analysis also includes enterprise-wide testing as part of FCT[1]. A focus of our FCT has been climate-related investment risks, which we believe are a larger and more immediate concern. More broadly, we continue to monitor emerging research on the scope and scale of climate-related life and health impacts as they remain a significant longer-term concern to our business. We expect to continue to build on our climate scenario testing in 2024. In addition to using climate scenarios in FCT, we continue to leverage learnings from our experience with climate scenario analysis including our participation in the pilot project between the Bank of Canada, OSFI, and a small group of Canadian financial institutions in 2021.

We engage on emerging climate regulation and policy impacting our business directly and through industry associations, such as the Canadian Life and Health Insurance Association, the American Council of Life Insurers and the Canadian Chamber of Commerce. We have advocated for improved climate-related financial disclosure and data, harmonization of emerging standards and regulations, and investments in data and scientific research on the link between climate change and life and health outcomes. Better and more consistent data across industries would allow for improved decision making and ultimately for capital to flow to those companies that are working to develop credible solutions for the transition to a low-carbon economy. In addition, we advocate for improving Canada's sustainable finance market and expanding opportunities to invest in green buildings and sustainable infrastructure. We disclose our lobbying activities in compliance with regulatory obligations as determined by each jurisdiction.

In addition to the engagements above, our actuarial and sustainability teams, as well as our asset managers actively participate in industry consultations and working groups focused on scenario analysis and stress testing. We will continue to mature our climate scenario analysis capabilities as industry guidance, best practices, tools and our internal expertise grow.

Risk Management

Climate risk management is integrated into our Risk Framework, Governance, and supporting processes (as noted in preceding sections 1 through 8 and under Governance above). We continue to mature our climate risk management practices to ensure climate resiliency.

Our definition of climate risk includes physical impacts of climate change and impacts of the transition to a low-carbon economy. These impacts can include, but are not limited to, damage to owned and operated real assets including real estate and infrastructure, a reduction in the values of investments in public and private fixed income and non-fixed income assets tied to fossil fuels and carbon intensive industries, litigation risk to a company or sector in which we invest, health impacts to affected populations (which can affect long-term morbidity and mortality assumptions), and socio-economic, geopolitical and regulatory changes. We also include an assessment of climate change risk as part of our broader assessment of the risks associated with operating in various markets.

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[1] Financial Condition Testing is a stress testing exercise to assess the future financial condition of Sun Life under adverse scenarios.

From an investment perspective, our asset managers integrate climate-related risks (where material to an issuer, industry and/or asset class) into the risk management process as they look to make long-term investments that are better positioned to withstand issues related to climate change from a financial materiality perspective. They incorporate a number of different analyses into their assessment of climate risks through both stand-alone analysis of physical risks by geographic region and through the assessment of business model and carbon transition risks. Climate-related risk categories monitored may include acute and chronic physical risks and transition risks related to current and emerging laws and regulation, changing technology, market and reputation risks or consumer preferences.

Each of our asset managers takes its own approach to identifying, assessing, monitoring and responding to climate-related risks and opportunities, based on the asset classes it invests in. Approaches are refined periodically. Examples of approaches include:

- Proprietary climate risk surveys to identify, assess and respond to climate-related risks and opportunities
- Portfolio and asset level risk analysis to inform investment decisions and resilience plans
- Scoring methodologies that look to standardize the assessment of transition risks
- Emissions data analysis
- Stranded asset modeling
- Real assets physical risk exposure assessment
- Carbon intensity monitoring and benchmarking
- Individual as well as collaborative engagements on topics such as decarbonization

Additionally, an environmental issue, whether caused by climate change or other factors, on a property owned or operated by us could have financial or reputational impacts. Our real estate asset manager maintains an environmental risk management program to help monitor and manage real estate investment assets from losses due to environmental issues and to ensure compliance with applicable laws. Where feasible, we maintain insurance policies to cover certain environmental risks on owned assets. We have implemented a business continuity program to facilitate the recovery of critical business operations if an environmental issue affects a location where we conduct operations. The Company's corporate real estate group, together with our building owners and property managers, assesses the potential effects of climate change-related hazards and examines ways to improve the ability of our buildings to withstand these hazards. These hazards include tornadoes, flash floods, ice storms and coastline flooding.

Climate-related disclosure standards and regulatory requirements continue to be issued and evolve in the jurisdictions in which we operate. Potential divergence in expectations among regulators, as well as the pace of regulatory change in the area of climate change, could lead to additional risks. We continue to monitor our risk management practices and disclosures as new regulations and standards are implemented and as the external landscape continues to evolve. In addition, we participate in consultations with policymakers and regulators on policy and regulatory developments regarding climate-related disclosures.

Metrics and Targets

Sun Life has set a goal to achieve net-zero GHG emissions by 2050 for both its investments and operations. As an asset owner, Sun Life plans to achieve net-zero GHG emissions by 2050 for investments in its general account. Our approach for achieving net-zero emissions in the general account focuses on asset classes where we have access to quality data, established net-zero emissions methodologies and where we believe we can have the biggest real-world impact in reducing emissions. We use the Partnership for Carbon Accounting Financials ("PCAF") Part A (Financed Emissions) methodology to calculate our financed emissions. In 2023, we set interim targets for the general account for 2030[(1)] for asset classes where there is industry guidance and we have the ability to have an immediate impact; this means our investments in listed corporate bonds (intensity and alignment targets), directly managed listed equities (intensity target), and commercial real estate (intensity target), which collectively cover 29% of Sun Life's general account AUM[(2)]. Our asset managers that are members of the Net Zero Asset Managers ("NZAM") initiative have also set respective interim targets for the assets they manage. The NZAM initiative is an international group of asset managers committed to supporting the goal of net-zero emissions by 2050. NZAM members include MFS, SLGI, and SLC Management asset managers: SLC Fixed Income, InfraRed and BGO. Updated interim targets and a summary of our other commitments and progress towards net-zero GHG emissions are available in our Net Zero by 2050: Sun Life's Climate Journey report.

For our operations, we have set an interim target of a 50% absolute reduction of GHG emissions by 2030, relative to 2019[(3)]. While we continue our efforts to reduce our operational GHG emissions, we purchase high-quality carbon offsets that are verified and additional (according to carbon standards) to compensate for the remaining emissions in our operations that we have yet to reduce. This approach of purchasing offsets is not part of our enterprise decarbonization strategy, but is one way to help manage the climate impact of our operations today while we work towards our interim 2030 operational target and enterprise-wide goal of net-zero GHG emissions by 2050.

Sun Life is continuing progress towards its target of $20 billion in new sustainable investments from 2021 to 2025 across its general account and Client investments, which are managed by SLC Management. Investments include, but are not limited to, renewable energy, energy efficiency, sustainable buildings, clean transportation, water management, and social infrastructure projects.

We report our progress on our operational emissions reduction targets and sustainable investment targets in our annual Sustainability Report available at www.sunlife.com/sustainability.

In 2023, the Board approved the addition of a Sustainability modifier to the Senior Executive Sun Share Unit Plan, which assesses performance over three years against four goals aligned to two of our Sustainability Pillars. Climate-related goals include sustainable investment and GHG emissions reduction in our operations.

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(1) Relative to a 2019 baseline for intensity targets and a 2022 baseline for alignment target.
(2) As of December 31, 2019, Sun Life's general account invested assets AUM was $161.6 billion.
(3) Emissions resulting from global corporate offices and data centres as well as from business travel, inclusive of majority-owned Sun Life affiliate companies.

Sun Life and majority-owned affiliate companies report global Scope 1 and 2 emissions from company-occupied real estate, data centres and real estate investments under our financial control (as defined in the GHG Protocol Corporate Accounting and Reporting Standard) as well as Scope 3 emissions (where data is available)[1] associated with business travel, real estate-related sources, and select asset classes within our general account in our annual Sustainability Report. We continue to advance the quality and availability of emissions data across our enterprise emissions inventory. All emissions reporting is aligned to the GHG Protocol Corporate Accounting and Reporting Standard using the financial control approach. Additional information on GHG emissions calculations can be found in Sun Life's Financial GHG Reporting Methodology.

Please refer to Environmental and Social Risk in our AIF for additional climate-related risk discussion.

v. Operational Risk

Risk Description

Operational risk is the risk of loss (financial and non-financial) resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is present in all of our business activities and encompasses a broad range of risks as described below. Operational risk is embedded in the practices utilized to manage other risks and, therefore, if not managed effectively, operational risk can impact our ability to manage other key risks.

Operational Risk Management Governance and Control

We employ a wide range of operational risk management practices and controls, as outlined below:

- Operational risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Board Committees.
- Risk appetite limits have been established in Operational Risk.
- Comprehensive Operational Risk Management Framework, Policies, guidelines and practices are in place.
- Our governance practices, corporate values, Code of Conduct and Company-wide approach to managing risk set the foundation for mitigating operational risks.
- Our Code of Conduct sets the tone for a strong ethical culture, and we regularly review and update the Code of Conduct to ensure that it continues to meet the expectations of regulators and other stakeholders. All our directors and employees must reconfirm annually their understanding of and commitment to comply with the Code of Conduct.
- We have established appropriate internal controls and systems for talent acquisition, rewards and development programs that attract, build and retain top talent and create strong succession plans as well as compensation programs, and we provide ongoing training to our people.
- We conduct regular monitoring of employee engagement to ensure we create and maintain a work environment where all employees are welcome and able to contribute effectively.
- Stress-testing techniques, such as FCT, are used to measure the effects of large and sustained adverse scenarios.
- We mitigate a portion of our operational risk exposure through our corporate insurance program by purchasing insurance coverage that seeks to provide insurance against unexpected material losses resulting from events such as criminal activity, property loss or damage and liability exposures, or that satisfies legal requirements and contractual obligations.
- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels. Actual capital levels are monitored to ensure they exceed internal targets.

Specific operational risks and our risk management strategies are discussed below in further detail and in the Risk Factor section in the AIF.

Information Security and Privacy Risks

Information and technology are used in almost all aspects of our business and operations. As part of our Client strategy, we continue to enhance the digital side of our business to support and enable new business models and processes, that are more personal, proactive and predictive.

Our business and the successful implementation of our digital strategy are dependent on various factors including maintaining a secure environment for our Clients, employees and other parties' information. This requires the effective and secure use, management and oversight of information and physical assets. We engage with various stakeholders and leverage emerging technologies, including digital, mobile applications, cloud computing, artificial intelligence and robotic process automation. These technologies are used to collect, process and maintain information relating to business transactions and financial reporting, as well as the personal information of our Clients and employees. We also obtain services from a wide range of third-party service providers and have outsourced some business and information technology functions in various jurisdictions.

There continues to be an increasing number of information security compromises and privacy breaches across industry sectors, governments and individuals. The increasing scope and complexity of malicious activity poses a significant risk to our systems and these risks may be exacerbated by the breadth of our operations, our geographic footprint and the complexity of our technology systems. A serious security or privacy breach of either an internal or third-party service provider's computer system that contains sensitive business, Client and/or employee information may result in business interruption, theft or misuse of confidential information, regulatory penalties and scrutiny, litigation, reputational damage and may have an adverse impact on current and future business opportunities with our Clients, employees and business relationships. We continue to actively monitor for increases in malicious activity due to escalating geopolitical tensions across the globe.

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[1] Scope 3 emissions are related to global business travel (air, rail, car-rental and employee-claimed mileage), utilities for company-occupied real estate that are not under our financial control, water consumption and waste generated at real estate investments, as well as select asset classes within our general account.

We continue investing in people, processes and technology to strengthen our abilities to respond to the evolving threat landscape. Our Information Security framework is overseen by the Chief Information Security Officer, supported by senior leadership and by our Operational Risk Management Framework. Our information security framework and governance controls (policies, procedures, training) are aligned with recognized industry standards and are compliant with applicable laws and regulations. Our Chief Privacy Officer oversees the global privacy program and sets direction for privacy compliance across the enterprise. Over 30 Privacy Officers across the enterprise help our businesses make privacy-related decisions.

Our well-established security controls and processes are intent on protecting our information and computer systems and the information entrusted to us by our Clients and employees. Our protection strategy leverages information security risk assessments and privacy impact assessments to evaluate potential risks. The security framework also includes technology and process safeguards and regularly promotes secure behavioural practices. As part of our layered security approach, we deliver general security awareness training sessions to all employees every year that is reinforced with regular awareness resources and activities.

Many jurisdictions in which we do business are developing and implementing cyber security reporting requirements and more stringent consumer privacy legislation, many with greater enforcement powers for regulators and higher fines and penalties. Our global privacy program monitors adherence to our global privacy commitments, local laws and local privacy policies. We have also established a network of privacy officers across the Company who monitor emerging privacy legislation and provide guidance on handling personal information and help manage, report and resolve any privacy incidents that may occur. We also conduct privacy training, provide regular monitoring and reporting and carry cyber risk insurance to help mitigate the impact of privacy incidents.

Human Resources Risk

Our ability to achieve business objectives can be adversely affected if we are unable to attract, retain or effectively deploy resources with the in-depth knowledge and necessary skills required, or are unable to design compensation and talent programs that effectively drive employee behaviour and shape corporate culture. Failure to manage Human Resources risk can also lead to direct financial and reputational loss including losses arising from activity that is inconsistent with Human Rights or employment laws or health and safety regulations.

To mitigate this risk, we have comprehensive Human Resource policies, practices and programs in place to ensure compliance with employment legislation, minimize the risk of employee misconduct, and proactively develop employee skills, capabilities and behaviours to meet future business needs.

Regulatory Compliance, Legal and Conduct Risk

We are subject to extensive regulatory oversight by financial services regulators in the jurisdictions in which we conduct business. Failure to comply with applicable laws or to conduct our business consistent with changing regulatory or public expectations could adversely impact our reputation and may lead to regulatory investigations, examinations, proceedings, settlements, penalties, fines, restrictions on our business, litigation or an inability to carry out our business strategy.

Our Chief Compliance Officer oversees our comprehensive Enterprise-wide compliance framework, which is aligned with guidance from OSFI and other regulators. This framework promotes proactive, risk-based management of compliance and regulatory risk, and includes Enterprise and business segment policies and operating guidelines, programs to promote awareness of laws and regulations that impact us, ongoing monitoring of emerging legal issues and regulatory changes and training programs. The employee training programs include anti-money laundering and anti-terrorist financing, anti-bribery and corruption, fraud, privacy and information security risk management. Effective governance, oversight and implementation is a coordinated effort between first and second lines of defence functions. Second line oversight and effective challenge relies on a network of compliance officers. The Chief Compliance Officer reports regularly to the Board and Board Committees on the health of the compliance program, key compliance risks, emerging regulatory trends, escalation of significant issues and key risk indicators.

Information Technology Risk

The use of technology and computer systems is essential in supporting and maintaining business operations. We use technology to support virtually all aspects of our business and operations. The rapidly changing business environment increases the risk of our technology strategy not being agile enough to adapt to new business demands in a timely manner leading to financial losses, increased costs and the inability to meet Client needs.

Initiatives supporting our business strategy rely on developing innovative information technology solutions and upgrading our existing systems on a timely basis to meet business needs. Although every reasonable precaution is taken to ensure information technology systems remain available, stable and current, it is not possible to fully eliminate all risk. Some changes and upgrades are extremely complex and there is a chance that an undetected technical flaw may exist, which, when implemented, stops or disrupts critical information technology systems or business applications.

Third-Party Risk

We engage in a variety of third-party relationships, including with distributors, independent contractors, outsourcing service providers and suppliers. Our profitability or reputation could be impacted if these third parties are unable to meet their ongoing service commitments or fail to perform to expected standards.

To manage these risks, we have established Company-wide policies and guidelines which are consistent with OSFI's and other local regulatory requirements, and which set out our requirements to identify, assess, manage, monitor and report on third-party risks. Our program includes third-party risk assessments and enhanced due diligence if a supplier will have access to any personal data and/or confidential information or access to non-public systems. The key elements and risks associated with the third party are documented in the form of a written agreement, and the company monitors performance of its third parties in a manner that is commensurate to the size, risk, scope and complexity of the third-party relationship.

Business Disruption Risk

To conduct operations, our businesses are dependent on the availability of trained employees, physical locations and access to technology. A significant business disruption to our operations can result if one or more of these key elements are negatively impacted. System disruptions as well as unanticipated events, including pandemics, can negatively affect staff, preventing them from getting to work or from operating business processes.

To manage this risk, we have implemented a business continuity program to facilitate the recovery of critical business operations. This program encompasses business continuity, crisis management and disaster recovery planning. Our policy, guidelines and operating procedures establish consistent processes designed to ensure that key business functions can continue and normal operations can resume effectively and efficiently should a major disruption occur. In addition, to regularly update and test business continuity plans for critical business operations, we conduct mandatory business continuity awareness training for all employees annually and have off-site backup facilities and failover capability designed to minimize downtime and accelerate recovery time in the event of a major disruption.

Model Risk

We use complex models to support many business functions including product development and pricing, capital management, valuation, financial reporting, planning, hedging, asset-liability management, risk management and advanced analytics (such as artificial intelligence, predictive modeling and decision making algorithms). Model risk is the risk of loss, either in the form of financial loss, inappropriate or poor business decisions, damage to reputation, or other adverse impact, arising from inaccurate model outputs or incorrect use or interpretation of model outputs.

To manage model risk, we have established robust, Company-wide model risk management procedures over the models' life cycle with respect to building, using, changing and retiring models. The policy and operating guidelines set out minimum, risk-based requirements to ensure that models are effectively controlled, maintained and appropriately understood by users.

Information Management Risk

As an international provider of financial services, we deal with extensive information across a number of countries. Information management risk is the a) inability to capture, manage, retain and appropriately dispose of business records, b) the inability to provide data that is valid, complete, accurate, consistent, unique, or timely to support business decisions, and c) the inability to manage data location and cross-border access appropriately. Failure to manage these risks could have financial or reputational impacts, and may lead to regulatory proceedings, penalties and litigation. To manage and monitor information management risk, we have a data governance framework, which includes a records management program, data quality best practices, and data residency controls.

We continue to evolve our risk management best practices to manage risks associated with Generative-AI as we identify use cases and run experiments designed to identify opportunities.

vi. Liquidity Risk

Risk Description

Liquidity risk is the possibility that we will not be able to fund all cash outflow commitments and collateral requirements as they fall due. This includes the risk of being forced to sell assets at depressed prices resulting in realized losses on sale. This risk also includes restrictions on our ability to efficiently allocate capital among our subsidiaries due to various market and regulatory constraints on the movement of funds. Our funding obligations arise in connection with the payment of policyholder benefits, expenses, reinsurance settlements, asset purchases, investment commitments, interest on debt, and dividends on common and preferred shares. Sources of available cash flow include general fund premiums and deposits, investment related inflows (such as maturities, principal repayments, investment income and proceeds of asset sales), proceeds generated from financing activities, and dividends and interest payments from subsidiaries. We have various financing transactions and derivative contracts under which we may be required to pledge collateral or to make payments to our counterparties for the decline in market value of specified assets. The amount of collateral or payments required may increase under certain circumstances (such as changes to interest rates, credit spreads, equity markets or foreign exchange rates), which could adversely affect our liquidity.

Liquidity Risk Management Governance and Control

We generally maintain a conservative liquidity position and employ a wide range of liquidity risk management practices and controls, which are described below:

- Liquidity risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Risk Committee.
- Liquidity is managed in accordance with our Asset Liability Management Policy and operating guidelines.
- Liquidity contingency plans are maintained for the management of liquidity in a liquidity event.
- Stress testing is performed by comparing liquidity coverage risk metrics under a one-month stress scenario to our policy thresholds. These liquidity coverage risk metrics are measured and managed at the enterprise and legal entity levels.
- Stress testing of our collateral is performed by comparing collateral coverage ratios to our policy thresholds.
- Cash Management and asset-liability management programs support our ability to maintain our financial position by ensuring that sufficient cash flow and liquid assets are available to cover potential funding requirements. We invest in various types of assets with a view of matching them to our liabilities of various durations.
- Internal capital targets are established at an enterprise level to cover all risks and are above minimum regulatory and supervisory levels. Actual capital levels are monitored to ensure they exceed internal targets.
- We actively manage and monitor our capital and asset levels, and the diversification and credit quality of our investments.
- Various credit facilities for general corporate purposes are maintained.

We are subject to various regulations in the jurisdictions in which we operate. The ability of SLF Inc.'s subsidiaries to pay dividends and transfer funds is regulated in certain jurisdictions and may require local regulatory approvals and the satisfaction of specific conditions in certain circumstances. Through effective cash management and capital planning, SLF Inc. ensures that its subsidiaries, as a whole and on a stand-alone basis, are properly funded and maintain adequate liquidity to meet obligations, both individually and in aggregate.

Based on our historical cash flows and liquidity management processes, we believe that the cash flows from our operating activities will continue to provide sufficient liquidity for us to satisfy debt service obligations and to pay other expenses as they fall due.

Maturity Analysis for Insurance Contracts

The following tables present the undiscounted estimated future cash flows of insurance contract and reinsurance contract held assets and liabilities on our Consolidated Statements of Financial Position. These cash flows include estimates related to the timing and payment of death and disability claims, policy surrenders, policy maturities, annuity payments, minimum guarantees on segregated fund products, policyholder dividends, amounts on deposit, commissions and premium taxes offset by contractual future premiums and fees on in-force contracts. These estimated cash flows are based on the best estimated assumptions used in the determination of insurance contract and reinsurance contract held assets and liabilities. Due to the use of assumptions, actual cash flows will differ from these estimates. Amounts payable on demand, which includes amounts on deposit, dividends on deposit, outstanding claims and policyholder account values, are included in the 1 year or less time band. The amounts included in the table differ from the carrying value of the portfolio due to discounting, risk adjustments, and liability for remaining coverage for contracts using the premium allocation approach.

Amounts in this table include the liability for incurred claims for contracts measured using the PAA, but exclude the liability for remaining coverage for contracts measured using the PAA.

As at December 31,	2023	2022
Insurance contract liabilities:		
1 year or less[(1)]	**$ 11,428**	$ 11,980
1-2 years	**3,670**	4,111
2-3 years	**3,887**	4,018
3-4 years	**4,128**	4,278
4-5 years	**4,451**	4,511
Over 5 years	**556,052**	469,366
Total	**$ 583,616**	$ 498,264
Insurance contract assets:		
1 year or less[(1)]	**$ (463)**	$ (324)
1-2 years	**(323)**	(341)
2-3 years	**(276)**	(287)
3-4 years	**(248)**	(254)
4-5 years	**(225)**	(234)
Over 5 years	**(3,305)**	(3,753)
Total	**$ (4,840)**	$ (5,193)
Reinsurance contract held liabilities:		
1 year or less[(1)]	**$ 140**	$ 132
1-2 years	**83**	80
2-3 years	**88**	86
3-4 years	**91**	89
4-5 years	**95**	94
Over 5 years	**5,036**	5,085
Total	**$ 5,533**	$ 5,566
Reinsurance contract held assets:		
1 year or less[(1)]	**$ (520)**	$ (684)
1-2 years	**(54)**	(20)
2-3 years	**(69)**	(31)
3-4 years	**(105)**	(66)
4-5 years	**(130)**	(104)
Over 5 years	**(11,330)**	(12,102)
Total	**$ (12,208)**	$ (13,007)

(1) Includes amounts payable on demand of $4,800 million (2022 - $4,779 million), $nil (2022 - $nil), $nil (2022 - $nil), and $(33) million (2022 - $(88) million) for Insurance contract liabilities, Insurance contract assets, Reinsurance contract held liabilities, and Reinsurance contract held assets, respectively.

Maturity Analysis – Other Financial Liabilities

The following table summarizes the contractual maturities of our significant financial liabilities and contractual commitments other than insurance contracts as at December 31, 2023 and 2022:

Financial Liabilities and Contractual Obligations

December 31, 2023 ($ millions)		**Within 1 year**		**1 year to 3 years**		**3 years to 5 years**		**Over 5 years**		**Total**
Investment contract liabilities[1]	**$**	**5,728**	**$**	**2,518**	**$**	**1,442**	**$**	**1,727**	**$**	**11,415**
Senior debentures and unsecured financing[2]		**2,347**		**28**		**28**		**533**		**2,936**
Subordinated debt[2]		**204**		**410**		**554**		**7,192**		**8,360**
Bond repurchase agreements		**2,705**		**—**		**—**		**—**		**2,705**
Accounts payable and accrued expenses		**8,665**		**—**		**—**		**—**		**8,665**
Lease liabilities[3]		**188**		**319**		**228**		**534**		**1,269**
Secured borrowings from mortgage securitization		**306**		**885**		**560**		**535**		**2,286**
Borrowed funds[2]		**86**		**103**		**14**		**162**		**365**
Credit facilities[4]		**2,330**		**—**		**—**		**—**		**2,330**
Total liabilities	**$**	**22,559**	**$**	**4,263**	**$**	**2,826**	**$**	**10,683**	**$**	**40,331**
Contractual commitments:[5]										
Contractual loans, equities and mortgages	**$**	**39**	**$**	**1,199**	**$**	**915**	**$**	**2,756**	**$**	**4,909**
Total contractual commitments	**$**	**39**	**$**	**1,199**	**$**	**915**	**$**	**2,756**	**$**	**4,909**

December 31, 2022 ($ millions)		Within 1 year		1 year to 3 years		3 years to 5 years		Over 5 years		Total
Investment contract liabilities[1]	$	5,581	$	2,037	$	1,421	$	1,609	$	10,648
Senior debentures and unsecured financing[2]		2,353		28		28		548		2,957
Subordinated debt[2]		208		416		416		7,856		8,896
Bond repurchase agreements		2,725		—		—		—		2,725
Accounts payable and accrued expenses		8,080		—		—		—		8,080
Lease liabilities[3]		168		297		211		324		1,000
Secured borrowings from mortgage securitization		87		767		757		762		2,373
Borrowed funds[2]		210		26		38		170		444
Credit facilities[4]		2,339		—		—		—		2,339
Total liabilities	$	21,751	$	3,571	$	2,871	$	11,269	$	39,462
Contractual commitments:[5]										
Contractual loans, equities and mortgages	$	1,134	$	1,202	$	375	$	2,359	$	5,070
Total contractual commitments	$	1,134	$	1,202	$	375	$	2,359	$	5,070

(1) These amounts represent the undiscounted estimated cash flows of investment contract liabilities on our Consolidated Statements of Financial Position.

(2) Payments due based on maturity dates and include expected interest payments. Actual redemption of certain securities may occur sooner as some include an option for the issuer to call the security at par at an earlier date.

(3) Lease liabilities are included on the Consolidated Statements of Financial Position due to the implementation of IFRS 16 *Leases* ("IFRS 16").

(4) Reflects a change in presentation effective December 31, 2022.

(5) Contractual commitments and operating lease commitments are not reported on our Consolidated Statements of Financial Position. Additional information on these commitments is included in Note 22 of our 2023 Annual Consolidated Financial Statements.

Additional information on liquidity risk can be found in Note 6 of our 2023 Annual Consolidated Financial Statements and the Risk Factors section in the 2023 AIF.

vii. Other Risks

Risks relating to Pandemics

Pandemics, epidemics or outbreaks of an infectious disease could have an adverse impact on our results, business, financial condition or liquidity, and could result in changes to the way we operate. Pandemics and measures imposed by governments around the world could disrupt the global economy, financial markets, supply chains, business activity and productivity. The potential worsening of the economic and market conditions caused by pandemics, and impact on Clients, industries and individual countries could have a material adverse effect on our businesses including sales, fee income, investment performance, expenses, results of operations, corporate reputation and financial condition. Sustained adverse effects could negatively impact profitability and also make it difficult for us to access capital markets, could impact our liquidity and capital position, or may result in downgrades in our credit ratings. These actions may also have the effect of heightening many of the other risks described in the Risk Factors section in our AIF and section K - Risk Management in this document. This includes, but is not limited to:

- Market risks, such as equity, interest rates and spread, real estate, and foreign currency risks, including impact on fee income;
- Insurance risk, including higher than expected mortality and, morbidity claims and adverse policyholder behaviour including but not limited to higher than expected policy lapses, withdrawals, and surrenders;
- Credit risk, including defaults, impairments and downgrades;
- Business and strategic risk including economic and geopolitical risk, business strategy implementation risk, distribution risk, expense risk, changes in Client behaviour, sales, investment performance, and changes in legal and regulatory environment;
- Operational risk, including information security and privacy risk, human resources risks, regulatory compliance, legal and conduct risk, information technology risk, processing risk, third-party risk, and business disruption risk, and change management risk with the need to quickly implement and execute new programs and procedures to support Clients, advisors, employees, products, and services; and
- Liquidity risk including collateral, and payment deferrals on invested assets or policyholder insurance premium impacts.

Consistent with the protocols and programs established in our Risk Management Framework, we continue to manage the risks that arise when providing products and services to Clients, which are in line with our Purpose to help Client achieve lifetime financial security and live healthier lives.

L. Additional Financial Disclosure

1. Selected Annual Information

	IFRS 17 and IFRS 9		IFRS 4 and IAS 39[1]
($ millions, after-tax, unless otherwise stated)	**2023**	2022	2021
Total revenue	**40,774**	5,769	35,688
Common shareholders' net income (loss)	**3,086**	2,871	3,934
Reported basic earnings per share ($)	**5.27**	4.90	6.72
Reported earnings per share (diluted) ($)	**5.26**	4.89	6.69
Total assets	**333,241**	323,608	345,370

[1] IFRS 17 and IFRS 9 were adopted on January 1, 2023 and results in 2022 were restated, see Note 2 of the 2023 Annual Consolidated Financial Statements. 2021 results are shown on a IFRS 4 and IAS 39 basis.

Exhibit B
Sustainability Report

About this report

Every year, we publish our Sustainability Report to provide an update on the progress we've made globally on key sustainability topics.

Reporting Scope

This report presents the most relevant environmental, social and governance (ESG) issues and impacts of our activities during 2023. We determine the ESG issues of greatest importance to our business and our stakeholders through a periodic materiality assessment. Refer to Stakeholder Engagement and Materiality for more details. Reports from previous years are available on our website.

Reporting Frameworks

We have followed the Global Reporting Initiative (GRI) framework since 2014 to guide our reporting. We have reported in accordance with the GRI Standards for the period from January 1 to December 31, 2023. We also report on select disclosure topics identified in the Asset Management and Insurance standards developed by the Sustainability Accounting Standards Board (SASB).

- GRI Index
- SASB Index

Our Process

We strive to give an accurate and balanced account of our sustainability performance. To achieve this, several groups review the content of this report:

- internal subject-matter experts;
- senior management responsible for key sustainability-related activities;
- members of our Executive Sustainability & Climate Change Council;
- our internal Disclosure Committee; and
- the Governance, Investment & Sustainability Committee of our Board of Directors, prior to recommending to the Board approval of the report for publication.

We obtained external and independent limited assurance of our Scope 1, 2 and selected Scope 3 data for our 2023 greenhouse gas (GHG) emissions, and total operational emissions for our 2019 base year. Refer to the Assurance Statement and GHG Emissions Reporting Methodology for more information. We did not seek an external, independent review of our full report.

Reporting Boundaries

This Sustainability Report ("Report") is for Sun Life Financial Inc., and where applicable, its subsidiaries, joint ventures and associates. It covers the fiscal year January 1 to December 31, 2023. Unless otherwise noted, we presented all information in this Report as at and for the year ended December 31, 2023. All dollar amounts are in Canadian currency, unless otherwise stated. References to "we", "our", "us", "the Company" and "Sun Life" mean Sun Life Financial Inc. and, where applicable, its subsidiaries, joint ventures and associates.

This Report reflects the data that is available to Sun Life for each of the disclosed metrics. The default scope for disclosures in this Report reflects the following Sun Life business groups (collectively, the "Core Data Group"): Canada, U.S., Asia (includes Hong Kong, Indonesia, Philippines, International) and SLC Management. For clarity, sustainable investing content generally also includes MFS and SLC Management affiliates (BGO, InfraRed and Crescent). Exceptions based on data availability are reflected in footnotes throughout the Report and, where indicated, vary from the Core Data Group as follows:

NOTE 1: Includes Vietnam

NOTE 2: Excludes SLC Management; includes UK and Vietnam

NOTE 3: Includes Vietnam, MFS, UK, SLC Management affiliates (BGO, InfraRed, Crescent and Advisors Asset Management) and Asia joint ventures

NOTE 4: Includes Vietnam and Asia joint ventures (Malaysia and Philippines)

NOTE 5: Includes UK and Vietnam

NOTE 6: Excludes Asia (International) and SLC Management; includes Vietnam and Asia joint venture (Malaysia)

NOTE 7: Includes MFS

NOTE 8: Includes MFS, UK and Vietnam

FORWARD-LOOKING STATEMENTS

Certain statements made in this report are forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this report include statements (i) relating to our strategies, plans, targets, goals and priorities; (ii) relating to our ESG processes, social and governance-related objectives, sustainable investment commitments and net-zero greenhouse gas emissions reduction goals and targets, including our interim emissions reduction targets; (iii) relating to our intention to enhance our emissions measurements; (iv) relating to the development of our climate transition plan; (v) that are predictive in nature or that depend upon or refer to future events or conditions; and (vi) that include words such as "achieve", "aim", "ambition", "anticipate", "aspiration", "assumption", "believe", "could", "estimate", "expect", "goal", "initiatives", "intend", "may", "objective", "outlook", "plan", "project", "seek", "should", "strategy", "strive", "target", "will" and similar expressions. The forward-looking statements represent our current expectations, estimates and projections regarding future events and are not historical facts, and remain subject to change. These forward-looking statements are not a guarantee of future performance, involve inherent risks and uncertainties and are based on key factors and assumptions, all of which are difficult to predict. Future results may differ materially from those expressed in forward-looking statements. Our ability to achieve our net-zero GHG emissions reduction goals and targets is based on a number of assumptions and is subject to a number of factors beyond our control, including the availability of comprehensive, comparable and high-quality GHG emissions data, the need for active and continued participation of stakeholders (including enterprises, financial institutions and governmental and non-governmental organizations), the establishment and fulfilment of climate commitments and net-zero targets by governments and companies, the development and deployment of new technologies and industry-specific solutions including in hard-to-abate sectors, international cooperation, and the development of regulations internationally. The energy transition will not be linear and the pace of decarbonization for different sectors and countries will vary. We intend to review and potentially revise our emissions reduction goals and targets as appropriate, as data quality and methodologies improve and as best practices, regulations and climate science continue to evolve. This report may contain examples of our internal ESG research processes and is not intended to represent any particular product's or strategy's performance or how any particular product or strategy will be invested at any particular time. Other factors that may cause actual results to differ materially from those expressed in forward-looking statements include the matters set out in the Company's Annual Information Form for the year ended December 31, 2023 under the heading "Risk Factors" and other factors detailed in the Company's annual and interim financial statements and management's discussion and analysis and any other filings with Canadian and U.S. securities regulators made available on www.sedarplus.ca and www.sec.gov, respectively. The forward-looking statements contained in this report describe our current expectations and are subject to change. The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

2023 sustainability highlights

Increasing financial security

95,874
financial roadmaps created for Clients in Canada using the Sun Life One Plan digital tool, up from 45,822 in 2022. The tool supports our ambition for every Sun Life Client across Canada to have a financial plan.

2.4 million
lives covered through affordable insurance policies issued in Asia[1]

Enhanced disability coverage options
for physicians, dentists, nurses and other health-care professionals by launching Sun Life for Healthcare Professionals in the U.S.

Fostering healthier lives

$52.4 million
committed to the fight against diabetes globally since 2012, including $5.7 million in 2023

Provided Group Benefits Clients in Canada with the **convenience of a pharmacist** at their fingertips through the launch of Lumino Health™[2] Pharmacy provided by Pillway

Enhanced inclusive benefits and resources
for employees and their families in Canada, the U.S. and Asia to ensure they feel supported regardless of how they choose to identify

Advancing sustainable investing

Issued Sun Life's
second sustainability bond,
raising $500 million to finance new and/or existing green or social assets[3]

Set four interim net-zero targets
for our general account investments[4]

$77 billion
portfolio value of investments in assets and businesses that support the transition to a low-carbon and more inclusive economy[5]

Building resilience to climate change

Maintained
CarbonNeutral®[6] company certification
across our global operations

32%
of global electricity consumption from renewable sources such as solar and wind

Launched the
climate change academy
to educate employees globally on the effects of climate change and the actions they can take

Operating as a trusted and responsible business

Completed Phase 2
of the Progressive Aboriginal Relations certification in Canada

$48 million
invested in employee training and development programs globally, up from $34 million in 2022[7]

Introduced a
Sustainability Modifier
to our Senior Executive Sun Share Unit Plan, enhancing accountability for delivering on our sustainability commitments[8]

[1] Affordable insurance products help people in the mass market (including lower-income segments) meet risk protection needs at an accessible price point. The criteria for a product to be considered affordable insurance varies by country and is based on factors such as: insurance premium amount relative to average income, coverage period, underwriting requirements and/or government regulation. Refer to Report Scope – Note 1.
[2] Used under license by Simpill Health Group Inc.
[3] An amount equivalent to the net proceeds from the offering will be used to finance or refinance, in whole or in part, new and/or existing green or social assets that meet the eligibility criteria set out under Sun Life's Sustainability Bond Framework.
[4] Refer to Sun Life's Net Zero by 2050 report for more details and the latest updates.
[5] Sustainable investment assets under management meet one or more of the criteria for investments based on ICMA Green Bond Principles, ICMA Sustainability Bond Principles, GRESB Real Estate Benchmark, and/or PRI Impact Investing Market Map. Where issuers do not obtain a third-party opinion or provide an internal opinion on their issuance, our investment professionals apply judgement to assess whether the use of proceeds meets the standards set out in the ICMA principles. Assets included may not align with criteria in the Sun Life Sustainability Bond Framework. Does not include all holdings in companies that may be defined as sustainable under other taxonomies.
[6] CarbonNeutral® is a registered trademark of Climate Impact Partners and is achieved in accordance with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.
[7] Refer to Report Scope – Note 3.
[8] Refer to Sun Life's Management Information Circular dated March 15, 2024 for more details.

Global context and megatrends

Events and trends that influenced our sustainability actions in 2023

A concerning climate trajectory

Global greenhouse gas emissions continue to rise. The goal of limiting global warming to 1.5 °C is at significant risk, prompting heightened pressure across all sectors to accelerate climate action and ensure resiliency. Climate change is quickly emerging as a defining force across the global economy.

Sun Life is committed to being a part of the climate solution. We're decarbonizing our business by integrating climate action into everything we do. By achieving net zero by 2050 in our operations and investments, we can have a meaningful and lasting positive impact on the environment. In 2023, Sun Life participated in COP28 to engage and collaborate with industry, government and other organizations on solutions to the climate challenge. To learn more, refer to pages 28-32 and 34-36.

Rapid growth of green energy

In 2023, low-carbon energy investments nearly doubled investments in fossil fuels[1]. The International Energy Agency estimated that global renewable energy capacity will increase by over 30% in 2023[2]. This annual growth in renewables represents the largest absolute increase ever.

Supporting the transition to the low-carbon economy, Sun Life is investing in sustainable innovation including green buildings, renewable energy and transportation infrastructure. Our goal is to invest $20 billion in new sustainable investments between 2021-2025. To learn more, refer to pages 28-32.

Increasing sustainability reporting regulations

Regulators and policymakers across the world introduced comprehensive sustainability policies and regulations. Additionally, the International Sustainability Standards Board issued its inaugural standards with broad endorsement from the international community, including by the International Organization of Securities Commissions, as the new global standards for sustainability disclosures. As a result, companies will face additional, more complex disclosure requirements in numerous jurisdictions. They must identify risk areas, improve controls and implement stronger governance structures.

Sun Life is preparing to comply with federal regulations related to environmental, social and governance (ESG) topics and plans to enhance its disclosures in line with these regulations.

Growing scrutiny over sustainability practices

In line with increasing regulatory requirements for sustainability reporting, scrutiny over what companies disclose continues to grow – both over accuracy and impact. This trend is occurring across a range of sustainability topics including disclosures, climate, social issues, supply chain, human capital and diversity, equity and inclusion. In this climate, sustainability governance becomes increasingly more important.

Sun Life delivers consistent and transparent information on ESG topics. We maintain strong governance and rigorous disclosure practices to ensure we uphold the trust of our stakeholders. To learn more, refer to pages 3 and 11.

The new normal for working

The future of work is here. Hybrid work arrangements and digital collaboration are no longer pandemic phenomena, but rather the new normal for workplaces. Companies are endeavouring to determine the optimal balance between virtual and in-office work. They will also need to adapt the tools they use and make the necessary investments to optimize outcomes in a hybrid work environment.

Sun Life is reimagining how and where we work to create flexibility for our people and business as we serve Clients. We are designing modern workspaces, adopting innovative collaboration tools and developing the talent on our teams to empower our modern workforce to thrive in the new era of hybrid work. To learn more, refer to pages 45-46.

Intensifying affordability crisis

People around the world are increasingly grappling with affordability challenges. The impacts have trickled down to the cost of essentials such as food, housing, transportation and electricity. Many families are struggling to make ends meet, while communities already underserved are being disproportionately affected.

Realizing our Purpose to help our Clients achieve lifetime financial security and live healthier lives is even more essential today. We're committed to continuously increasing access to insurance and wealth products, and health and dental care. We're also removing barriers – particularly for underserved communities. To learn more, refer to pages 14-15 and 17-19.

[1] International Energy Agency. "Clean energy investment is extending its lead over fossil fuels, boosted by energy security strengths". 2023.
[2] International Energy Agency. "Renewable Energy Market Update - June 2023". 2023.

Sustainability at Sun Life

Sun Life's Purpose is to help our Clients achieve lifetime financial security and live healthier lives. Our commitment to sustainability brings our Purpose to life.

Thinking sustainably: The key to our future

Our sustainability ambition is to maximize our positive impact and ensure the resiliency of our organization, in support of our Purpose. We aim to create competitive advantage and differentiation for our business through the following focus areas of our sustainability plan:

Increasing 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.

Fostering 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.

Advancing sustainable investing

We aspire to deliver sustainable returns for Clients. We manage assets with material environmental, social and governance (ESG) factors embedded in our investment processes and offer our Clients sustainable investing opportunities. In addition, we invest our own assets in ways that support a low-carbon and more inclusive economy.

Building resilience to 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.

Operating as a trusted and responsible business

Our sustainability plan builds from our foundation as a trusted and responsible business. We aspire to be a responsibly-managed business that is Client-focused, Purpose-driven, competitive, forward-thinking and sustainable for the long term. From expanding our diversity, equity and inclusion efforts, to ensuring our Clients and employees feel valued, we're building on our long-standing sustainability practices and achievements.

Sustainability Driven

Five years since we launched our Purpose-led Sustainability Plan

We've achieved a number of milestones on our journey to realize our Sustainability Plan. Through these achievements, and others, we're making good progress on the road to building a more sustainable future.

Launched new Sustainability Plan		**Made "Sustainability Driven" a core part of Sun Life's overall business strategy**		**Elevated Climate Change as a cross-cutting lens in our Sustainability Plan**
2019 →	**2020** →	**2021** →	**2022** →	**2023** →
Demonstrated our commitment to the climate by meeting our 20% by 2020 operational greenhouse gas (GHG) emissions intensity reduction target	Broadened infrastructure equity and sustainable investment options for Clients by acquiring a majority stake in InfraRed Capital Partners	Strengthened sustainability leadership and accountability by appointing Sun Life's first-ever Chief Sustainability Officer	Increased access to dental care for underserved people through the acquisition of DentaQuest, the largest provider of Medicaid dental benefits in the U.S.[4]	Provided Clients in Canada with affordable, on-demand access to quality care through the acquisition of Dialogue Health Technologies Inc.
Became the first life insurance company to issue a sustainability bond	Supported the transition to a low-carbon economy by committing $20 billion in new sustainable investments by 2025	Stepped up climate action plans by committing to net zero by 2050 in our operations and investments; set interim operational target for 2030	Advanced our commitment to net zero in our investments by setting interim targets for several of our asset management businesses	Advanced our support for green and social assets by issuing our second sustainability bond
Demonstrated our commitment to diversity by becoming the first insurance company to introduce Kaleidoscope by Hive Learning, a leading DE&I education program	Enhanced the quality of our reporting by obtaining external assurance for GHG emissions accounting for the first time	Focused efforts to build an inclusive culture by launching our DE&I Strategy 2025[2]	Strengthened diversity on our Board of Directors by achieving our aim of gender parity	Strengthened accountability for climate-related performance by publishing Sun Life's first Net Zero by 2050 report and setting interim net-zero targets for our general account investments
Helped more Clients and other Canadians get access to the health-care resources they need, when and how they need them by expanding the Lumino Health network	Strengthened sustainability disclosures by beginning to report in line with the TCFD framework and against select Sustainability Accounting Standards Boards metrics	Helped group benefits Clients in Canada prevent or address mental health issues by launching our Mental Health Coach	Expanded sustainable investing options for Clients by launching Stellar, the first ESG-focused savings plan in Hong Kong[5]	Contributed to closing the savings and protection gap in Asia by covering 2.4 million lives through affordable insurance policies[6]
Helped Canadians be their authentic selves by introducing gender affirmation coverage within group benefits	Accelerated efforts to develop representative leadership by establishing aspirational DE&I goals at the senior management level	Demonstrated our commitment to the climate by achieving CarbonNeutral®[3] company certification across our global operations	Provided more diverse support for family building by adding new surrogacy, adoption and fertility services benefits to group benefits plans in Canada	Reached a milestone in the global fight against diabetes by surpassing $50 million committed since 2012
Strengthened our commitment to being a trusted and responsible business by launching Client Data Privacy Principles	Helped Clients in Canada take 1.2 million positive financial actions to increase their financial security[1]	Helped Canadians with diabetes get access to affordable insurance by launching the Diabetes Signature Solutions pilot program	Assisted Clients in reducing health-care costs by recording US$30.5 million in savings for Sun Life and our stop-loss Clients through our Clinical 360 program in the U.S.	Enhanced leadership accountability by introducing a Sustainability Modifier to our Senior Executive Sun Share Unit Plan[7]

[1] Examples of positive financial actions include adding voluntary benefits, adding a voluntary savings product, or making a lump sum deposit.
[2] Refer to Diversity, Equity & Inclusion Strategy 2025.
[3] CarbonNeutral® is a registered trademark of Climate Impact Partners and is achieved in accordance with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.
[4] Based on number of members as of September 2023. Ranking compiled by Sun Life U.S. using publicly available data from the September 2023 Medicaid & CHIP Enrollment Data Highlights, state Medicaid agencies and other sources, and information disclosed by competitors.
[5] Based on market conditions as of April 12, 2022 and comparison among other savings plans for new Composite and Long-Term Businesses as defined by the Insurance Authority in the Register of Authorized Insurers.
[6] Affordable insurance products help people in the mass market (including lower-income segments) meet risk protection needs at an accessible price point. The criteria for a product to be considered affordable insurance varies by country and is based on factors such as: insurance premium amount relative to average income, coverage period, underwriting requirements and/or government regulation. Refer to Report Scope - Note 1.
[7] Refer to Sun Life's Management Information Circular dated March 15, 2024 for more details.

Our material ESG topics

Our Sustainability Plan – along with this report and complementary web disclosures – addresses the ESG topics that our stakeholders identify as most important for us to act on, based on our latest materiality assessment conducted in 2021. We will be conducting a new materiality assessment in 2024. Refer to Stakeholder Engagement and Materiality for details.

Our sustainability governance model

From our Board of Directors to our front-line business teams, we continue to drive sustainability strategies, deepen our expertise and skills, and monitor sustainability performance at all levels.

Board of Directors

The Board has ultimate oversight of sustainability and the enterprise approach to climate change. Each Board committee has oversight of different aspects of sustainability and climate change issues.

The Governance, Investment & Sustainability Committee (GISC) of the Board assists the Board with oversight of sustainability matters, including those related to climate. The GISC is responsible for reviewing and approving Sun Life's Sustainability Policy, overseeing progress against Sun Life's Sustainability Strategy and commitments (including decarbonization targets), reviewing and recommending Board approval of the annual Sustainability Report and the annual Chief Sustainability Officer (CSO) plan, and overseeing the development and implementation of Sun Life's climate transition plan. In addition, the GISC reviews any material issues related to sustainability raised by management throughout the year, including climate-related matters.

The Risk Committee of the Board assists the Board with enterprise-wide oversight of the management of current and emerging risks, which may include climate-related risks and, broadly, environmental risks.

The Audit Committee reviews ESG disclosures (including climate-related disclosures) required to be included in Sun Life's financial disclosure documents and reviews management's quarterly reports on the effectiveness of Sun Life's internal controls over financial reporting, including any evolving standards over ESG disclosures.

Executive Sustainability & Climate Change Council

Our Executive Sustainability and Climate Change Council (ESC) is composed of senior executives from Sun Life's Global Leadership Team. Members include the: CSO (Chair), Chief Executive Officer, Chief Financial Officer, Chief Client and Innovation Officer, Chief People and Culture Officer, Chief Legal Officer, Chief Strategy and Enablement Officer, Chief Risk Officer and Chief Investment Officer. The ESC is the decision-making body for the approval of cross-enterprise sustainability programs and issues management (e.g., human rights), as well as external commitments and goals including related progress oversight (e.g., net zero, sustainable investing, diverse supplier spend).

Global Sustainability Leadership Team

Our Global Sustainability Leadership Team (GSLT) is composed of senior executives from each of our business groups and key functions who have sustainability mandates. The GSLT advises and drives execution towards our sustainability objectives.

Chief Sustainability Officer

The CSO has oversight of and responsibility for sustainability at the Corporation, including the sustainability policy, sustainability strategy, and annual sustainability report and related disclosures. This accountability includes setting the strategy and governance framework for our organization. The CSO chairs our ESC and GSLT.

Global Sustainability Team

The corporate sustainability team is a central resource and expert on all sustainability activities. The team has responsibility for the sustainability strategy and sustainability-related disclosures, as well as other sustainability-related matters as needed. The team is a subject-matter expert to ESC and GSLT members and working level staff, and provides support in project management, metrics development and accountability. The team also leads engagement and communications around sustainability internally and externally.

Business Groups and Functional Sustainability Teams

Business Groups and relevant Functions provide dedicated resources to support the implementation of the sustainability strategy.

UN Sustainable Development Goals

Sun Life has been a supporter of the United Nations Sustainable Development Goals (SDGs) for many years. Our work is aligned to the following SDGs where we believe we can have the greatest impact:

- #3 Good health and well-being
- #5 Gender equality
- #7 Affordable and clean energy
- #8 Decent work and economic growth
- #13 Climate action

Read our separate report, Supporting the Sustainable Development Goals, to learn how we're contributing to each of these SDGs.

Tracking our progress

Sustainability scorecard and goals

Objective	Goal	Status	2023	2022
Increasing financial security				
Increase the lifetime financial security of Clients, employees and communities	We are developing metrics related to this objective.	In progress	-	-
Fostering healthier lives				
Improve health and wellness outcomes for Clients, employees and communities	We are developing metrics related to this objective.	In progress	-	-
Advancing sustainable investing				
Grow sustainable investment portfolio	$20 billion in new sustainable investments between 2021-2025[1]	In progress Total invested since 2021: $17.6 billion[2]	$3.3 billion in new investments[2]	$6.6 billion in new investments[2]
Achieve net-zero greenhouse gas (GHG) emissions by 2050 for our investments	Achieve initial interim targets set for Sun Life's general account investments	In progress Refer to our Net Zero by 2050 report for the latest details.	Set four interim net-zero targets, applicable to three asset classes, for our general account investments.	Developed 2019 base year GHG emissions profile for Sun Life's general account.
	Achieve initial interim targets set for our asset management businesses	In progress Refer to our Net Zero by 2050 report for the latest details.	SLC Fixed Income set Net Zero Asset Managers (NZAM)-accepted interim targets for select assets it manages for the Sun Life general account.	Several asset managers had interim targets accepted through the NZAM initiative.
Building resilience to climate change				
Achieve net-zero GHG emissions by 2050 for our operations	50% absolute reduction of GHG emissions[3] in our operations by 2030 (2019 base year)	In progress	3.7% increase	29% reduction[4]
	Maintain carbon neutral operations globally	Achieved	Achieved CarbonNeutral®[5] company certification	Achieved CarbonNeutral®[5] company certification
Operating a trusted and responsible business				
Accelerate diversity, equity and inclusion by 2025[6]	Gender balance on Board	Achieved	50% women	55% women
	5% diverse supplier spend (North America)	In progress	1.4%	1.0%
	Achieve Progressive Aboriginal Relations certification (Canada)	In progress	Phase 2 complete and Phase 3 in progress	Phase 1 complete and Phase 2 in progress
	Aspirational goals			
	Gender parity[7] in VP+ roles (global)	In progress	37% women	33% women
	25% underrepresented ethnicities[8] in VP+ roles (North America)	In progress	20%	19%
	3.5% Black employees in VP+ roles (Canada)[9]	In progress	1.9%	3.1%
	5% Black employees in student workforce roles (Canada)[9]	Achieved	5%	8%
	13% Black/African employees at each level (U.S.)[10]	In progress	9%	8%

[1] General account and certain third-party Clients, where relevant. Investments counted toward Sun Life's sustainable investment goal meet one or more of the criteria for investments based on ICMA Green Bond Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Principles, GRESB Real Estate Benchmark, and/or PRI Impact Investing Market Map. Where issuers do not obtain a third-party opinion or provide an internal opinion on their issuance, our investment professionals apply judgment to assess whether the use of proceeds meets the standards set out in the ICMA Principles. Assets included may not align with criteria in the Sun Life Sustainability Bond Framework. Does not include all holdings in companies that may be defined as sustainable under other taxonomies.

[2] Values are as at transaction date. Client asset values included represent a non-IFRS financial measure.

[3] 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.

[4] Restated due to correction of errors, improvements made to capture accurate travel data and application of appropriate emissions factors.

[5] CarbonNeutral® is a registered trademark of Climate Impact Partners and is achieved in accordance with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.

[6] Underrepresented ethnicity data is based on employee voluntary self-identification. 91% of employees surveyed have provided self-identification data. Board representation data based on self-identification.

[7] Gender parity is defined as women representation between a range of 47% to 53%. This range accounts for employees who identify as non-binary based on current global averages.

[8] Canada: those who voluntarily self-identify as Visible Minorities per the Employment Equity Act; U.S.: those who voluntarily self-identify as People of Color per the Equal Employment Opportunity Commission.

[9] Part of a series of aspirational goals included in our role as signatory to the BlackNorth Initiative.

[10] U.S. refers to the U.S. Group Benefits, Dental and In-Force management businesses of Sun Life U.S. as reported by Sun Life Financial Group Inc.

Advancing sustainable investing

We aspire to deliver sustainable returns for Clients. To pursue our aspiration, we:

- Manage assets with material environmental, social and governance factors embedded in our investment processes
- Offer our Clients sustainable investing opportunities
- Invest our own assets to support a low-carbon and more inclusive economy

Material topic in this chapter:

- Sustainable investing

Our work is aligned to Sustainable Development Goals:

Sustainable investing

We aren't just invested in a sustainable future, we're creating it

The asset management industry has increased its focus on sustainability in recent years. Sun Life recognizes the influence that comes with being one of the world's largest asset managers. We have the ability to use our position to better meet our own and our Clients' objectives.

Sustainable investing is a key aspect of being a part of the climate solution. It can also be a driver of social good. By mobilizing capital towards these two objectives, Sun Life, as an asset owner, is prioritizing the innovations that can have a measurable positive impact on the environment and society.

Our approach at a glance

> Meeting our duty to act in the best interests of our asset management Clients

> Prioritizing engagement and education, where consistent with Client objectives

> Supporting a low-carbon and more inclusive economy, where consistent with Client objectives

> Advocating for effective public policy and regulation

> Strengthening transparency and reporting to help stakeholders evaluate our efforts

Learn more online

In this section, we primarily discuss Sun Life's general account and asset management businesses and fund platform noted below.

Asset Managers

SLC Management:
A group of asset managers offering a diverse range of traditional and yield-oriented asset classes to institutional investors globally.

- **Fixed income:**
  - Investment grade public and private fixed income and infrastructure debt offered by SLC Fixed Income
  - Private credit and non-investment grade public fixed income offered by Crescent Capital Group ("Crescent")
- **Real assets:**
  - Real estate asset investment and management in primary, secondary and co-investment markets offered by BGO
  - Infrastructure equity across a range of listed and unlisted funds offered by InfraRed Capital Partners ("InfraRed")

MFS Investment Management ("MFS"):
Asset manager offering a comprehensive selection of actively managed equity and fixed income products to retail and institutional investors globally, including pension plans, sovereign wealth funds, monetary authorities, and endowments and foundations.

SLGI Asset Management Inc. ("SLGI"):
Investment manager offering a diverse lineup of innovative investment solutions to a broad array of Canadian retail and institutional Clients.

Fund Platform

Sun Life Group Retirement Services ("GRS"):
The largest Canadian workplace retirement and savings plan provider for capital accumulation plans and defined benefit plans.

2023 Performance

During the year, we continued to make progress towards our sustainable investing objectives, including achieving net zero by 2050 for our investments. We leveraged our assets and resources to create positive social and environmental impacts. In addition, some of our asset managers continued to offer sustainable investing solutions and education for investors looking to further incorporate sustainable investing in their portfolios.

Differences in approaches between our asset managers and fund platform are due to their distinct business models, the varying stages of their sustainable investing journeys and the Clients they serve. We provide highlights of key 2023 initiatives in the following pages. Some of our asset managers also publish their own sustainable investing reports for readers interested in learning more.

Progress on net-zero targets and plans

- Set four interim net-zero targets for Sun Life's general account, applicable to three asset classes. Refer to our Net Zero by 2050 report for more details and the latest updates.
- Continued to enhance our understanding of greenhouse gas (GHG) emissions within different investment portfolios to serve as a baseline for climate action. For example:
  - Sun Life Asia expanded the scope of GHG emissions measurement within its investment portfolios in Asia.
  - Crescent engaged a data provider to conduct borrower level Scope 1, Scope 2 and Scope 3 emissions estimates across select private credit portfolios.

- InfraRed collected emissions data from portfolio companies through an annual GHG emissions questionnaire. The questionnaire helps to frame the company's engagement strategy relating to climate change. As a result of targeted engagement by InfraRed's asset management team, they achieved a 98% response rate, up from 75% in 2022.

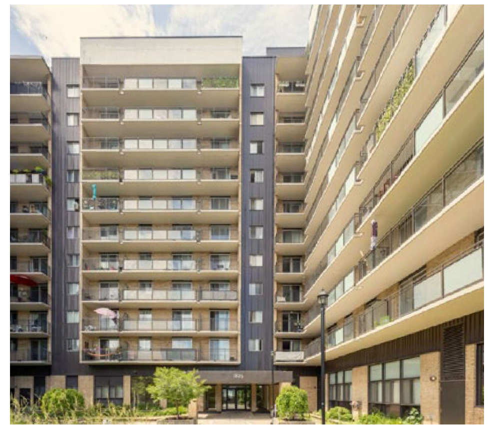
- Enhanced engagement with investee companies on their decarbonization strategies. Proactive engagement is critical to understanding risks and can contribute to achieving net-zero goals. Examples include:
  - MFS led and co-led three engagements and supported three other engagements via Climate Action 100+. It also conducted its engagements with tier 1 and tier 2 priority companies as part of its commitment to the Net Zero Asset Managers (NZAM) initiative. MFS conducted these engagements to aid its financial analysis and explore the creation of science-based emissions reduction plans where helpful to mitigate investment risk.
  - Sun Life Asia participated in engagement efforts with six companies in Asia, via the Asia Investor Group on Climate Change and Climate Action 100+. The companies included utility and power companies in Hong Kong, Indonesia, Malaysia and Thailand. The strategy has been to engage with these issuers to discuss their capital allocation decisions toward assets and operations that would align them with our Clients' goals and investing principles.
  - SLC Fixed Income continued to participate in company engagements through Climate Action 100+ and Climate Engagement Canada.

- SLC Fixed Income set three interim targets applicable to assets it manages for the Sun Life general account. The targets were accepted by the NZAM initiative in July 2023. Refer to our Net Zero by 2050 report for details and the latest updates.

93%

Sun Life's North American real estate investment portfolio, based on net rentable area, with at least one green building certification[1] (2022: 93%)

- SLGI launched two new funds with a net-zero focus[2]:
  - The Sun Life Acadian International Equity Fund will seek to reduce the Fund's carbon exposure to 50% of the Fund's baseline levels by 2030.
  - The Sun Life Net Zero Target Bond Fund invests in a manner that is consistent with achieving net-zero GHG emissions by 2050. The Fund applies a GHG decarbonization and a sovereign green bond allocation 2030 target to fund holdings consistent with prevailing industry frameworks.



The Faro Montreal building

Both funds will seek to achieve further reductions in a manner that's consistent with achieving global net-zero GHG emissions and/or carbon emissions by 2050.

- The Faro Montreal building, owned by Sun Life and managed by BGO, achieved Zero Carbon Building (ZCB)-Peformance Standard certification from the Canada Green Building Council. The ZCB-Performance Standard supports the net-zero transition by establishing a framework for how buildings are assessed against their zero carbon operational goals. The building qualified for this certification through the implementation of energy-efficient measures, including switching from natural gas to electric boilers.

- SLC Fixed Income and BGO strengthened their climate-related disclosures through the publishing of inaugural Climate Reports.

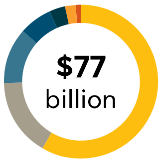
Investing to create a low-carbon and inclusive future

- Contributed an additional $3.3 billion in new investments towards Sun Life's sustainable investment goal of $20 billion between 2021 and 2025[3,4]. These additional investments ranged from renewable energy, energy efficiency, sustainable buildings, water management and clean transportation, to social infrastructure projects such as an emergency shelter (refer to our feature story "Financing emergency shelters for women and families in the U.S."). As of December 31, 2023, we have achieved 88% of our goal. Sun Life currently has $77 billion in sustainable investments including assets in our general account and certain of our asset management businesses[4,5].

- Sun Life Hong Kong made direct private investments of nearly NZ$40 million in a New Zealand rooftop solar and battery operation. The investment is being co-financed with the government-owned New Zealand Green Investment Finance Limited. Sun Life

[1] Certificates include BOMA BEST, LEED®, IREM Certified Sustainable Property, Fitwel and ENERGY STAR® certified 2023. LEED®, and its related logo, is licensed in Canada to the Canada Green Building Council and is used here with permission.
[2] Refer to SLGI's latest Simplified Prospectus for more information.
[3] Values as at transaction date.
[4] General account and certain third-party Clients, where relevant. More information on AUM methodology, including asset managers and criteria included in the calculation, is available upon request. Client asset values included represent a non-IFRS financial measure. Investments counted toward Sun Life's sustainable investment goal meet one or more of the criteria for investments based on ICMA Green Bond Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Principles, GRESB Real Estate Benchmark, and/or PRI Impact Investing Market Map. Where issuers do not obtain a third-party opinion or provide an internal opinion on their issuance, our investment professionals apply judgment to assess whether the use of proceeds meets the standards set out in the ICMA Principles. Assets included may not align with criteria in the Sun Life Sustainability Bond Framework. Does not include all holdings in companies that may be defined as sustainable under other taxonomies.
[5] Portfolio at December 31 (general account and certain third-party Clients, where relevant).

Sustainable investment AUM[4,5]



- Sustainable/green buildings[6] ($42.9 billion)
- Renewable energy ($12.3 billion)
- Access to essential services ($8.7 billion)
- Green, social and sustainability bonds ($7.2 billion)
- Energy efficiency ($3.5 billion)
- Clean transportation ($1.7 billion)
- Sustainable water management ($0.7 billion)

Progress towards goal of $20 billion in new sustainable investments by 2025

Hong Kong also invested US$25 million in a 600 megawatt green field offshore wind farm in Taiwan. The project will generate enough renewable energy to power around 650,000 households, reducing reliance on coal and supporting Taiwan's drive towards a 20% renewable energy target by 2025.

- Sun Life Philippines was an anchor investor in the country's first Sustainability-Linked Note issued by Ayala Corporation (valued at PHP 5 billion).
- Sun Life Philippines and Sun Life Indonesia made inaugural investments in green bonds. Sun Life Vietnam also purchased its first public bond from the Bank for Investment and Development of Vietnam, issued to fund green projects.
- Sun Life Hong Kong and Sun Life's Asia regional office seeded and launched an Asia ESG Pilot bond strategy with a mandate to invest in dollar-denominated bonds by Asian issuers with higher ESG ratings or that are ESG-aligned[7].

Deepening ESG integration and expertise

- BGO took steps to build a loan portfolio designed to enhance resilience to sustainability risks while maximizing positive environmental and social impact. It developed a new scorecard to help measure the ESG and sustainability strength of each relevant loan application it evaluates. Where relevant, BGO will engage with the borrower where sustainability risks arise or where ESG qualifications of the investments can be improved.
- BGO established a Climate Project Team to support its climate and net-zero ambitions. It's a cross-functional group, consisting of senior decision-makers, supported by four working groups with subject-matter experts from across the business.
- Sun Life Asia engaged a global consulting firm with deep experience in climate change and net-zero strategies to assess its top financed emitters for alignment with the Paris Aligned Investment Initiative's Net Zero Investment Framework. Based on these assessments, we engaged with the investees to encourage them to strengthen their commitments to net zero.
- MFS amplified its commitment and approach to encourage them to respect human rights everywhere it does business, as outlined in its newly published Statement on Human Rights.
- Continued to educate Clients and investors on ESG-related topics. Our investment businesses use various communication channels and formats, including articles, blogs, videos and presentations, to discuss the merits and opportunities of sustainable investing. For example, MFS published reports such as "Is Engagement More Powerful Than Exclusion?" and "Linking Climate, Companies and Communities: A Framework for Evaluating the Just Transition". SLC Management produced Three in Five podcast episodes including "Kevin Quinlan on climate change as a material investment risk" and "Kate McKeon on sustainable investing and Net Zero".

Meeting Client demand for sustainable investing

- Further advanced sustainable investing goals of Sun Life's general account by completing our second sustainability bond offering. The $500 million Sustainability Bond (SLF Series 2023-1 subordinated debentures due 2035) follows the success of Sun Life's inaugural sustainability bond offering issued in 2019, which won the Corporate Sustainability Bond of the Year Award from Environmental Finance in 2020. Sun Life intends to use an amount equivalent to the net proceeds from the offering to finance or refinance, in whole or in part, new and/or existing green or social assets that meet the eligibility criteria set out under Sun Life's Sustainability Bond Framework.
- GRS added the PH&N Future Solutions Bond Segregated Fund to its core investment platform. The Fund's goal is to provide long-term capital growth through investment in fixed income securities of issuers that aim to create positive environmental or social change. As of December 31,

[6] Real estate assets include investment properties, owner-occupied properties and real estate in limited partnership investments.
[7] The strategy has a mandate to invest in bonds that are: (i) from issuers that are contributing to the climate transition (e.g. renewable energy infrastructure or electric vehicle supply chains), (ii) from issuers that are top ESG-rated within their respective sector, or (iii) labelled as green, social or sustainability according to ICMA Principles. ESG ratings are based on an internal assessment of the issuers' public disclosures and external ratings such as MSCI.

Powering the future: InfraRed invests in its first EV charging infrastructure business

The challenge:

European Union (EU) member states approved a plan in March of 2023 that requires all new cars sold in the EU to be zero-emission by 2035. Despite the broad support for a low-carbon future, the transition from internal combustion engines to electric vehicles (EVs) faces many challenges. In particular, EV affordability, availability and charging infrastructure are major barriers to EV adoption.

The initiative:

InfraRed made an investment in JOLT Energy ("JOLT"), a company specializing in ultra-fast chargers for EVs in European and North American cities. JOLT's innovative technology through the combination of ultra-fast chargers and battery storage allows an electric car to fully charge within 20-30 minutes. The transaction is the culmination of several years of work assessing the EV charging sector.

The impact:

JOLT's first stations are already in operation, with plans to install hundreds more throughout 2024. With InfraRed's investment, JOLT will be able to scale its business and deploy thousands of ultra-fast chargers in metropolitan areas across its service territories — bridging the gap between the era of internal combustion engines and an electrified future.

2023, the GRS Core Investment Platform offers five screened funds (fossil fuel free) and six sustainability-focused investment options. In addition, GRS' Shariah Fund for group savings plans, launched in 2022, continued to grow, with 63 plan sponsors offering the fund and a total of $11.8 million in assets.

- Expanded our ESG product portfolio in Hong Kong with four ESG-focused product launches. SunGuardian, SunGuardian (Care Version) and SunProtect were the first ESG-focused whole life protection plans in the Hong Kong market[8]. The plans are backed by investments made through an ESG framework focused on creating value for people, society and the environment. Additionally, one of the new fund choices we launched was a low-carbon focused Mandatory Provident Fund (MPF) fund. We provide this fund as an investment option for our MPF members to save towards a healthy retirement in a better and sustainable way[9].
- Sun Life Philippines launched the Peso Global Sustainability Growth Fund, its first sustainability-driven variable universal life equity fund. The Fund aims to generate long-term capital appreciation by investing in global funds that are focused on ESG factors.
- GRS undertook Client research to better understand the awareness, experience and information needs of plan members related to sustainable investing. Among the findings, members expressed interest in having consistent data and proof points specific to the investment managers/funds that they use. GRS will use the results of this research to further refine its sustainable investing member experience in 2024.

Stewardship and proxy voting

- Sun Life's International Investment Centre (IIC) enhanced its annual ESG questionnaire and Request for Proposals to gather more information on managers' proxy voting and engagement activities. The IIC is Sun Life's internal investment research and consulting group. Findings include:
  - 90% of managers confirmed that they vote in line with their proxy voting policy and 81% publish their voting records online.
  - 74% of managers voted in favour of climate-related resolutions in 2023.
- MFS updated its proxy voting policy to enhance transparency on its voting decisions and establish guidance on key ESG topics, including remuneration and board diversity. Refer to MFS' website for more information on its proxy voting policy.
- SLGI sent questionnaires to all investment managers, including affiliates, on strategy-specific climate considerations and stewardship principles. Stewardship-related questions concerned responsible investment matters such as:
  - participation in environmental (and related) shareholder proposals,
  - voting and stewardship guidelines and records around including Indigenous Peoples, and
  - advocacy efforts.

[8] Based on market conditions as of June 30, 2023 for SunGuardian and SunProtect and comparison among other whole life protection plans for new Composite and Long Term Businesses as defined by the Insurance Authority in the Register of Authorized Insurers.
[9] As of July 28, 2023, according to the MPFA website (www.mpfa.org.hk), Sun Life MPF Global Low Carbon Index Fund is the only Low Carbon MPF fund in Hong Kong.

"From an institutional investor perspective, we see climate change as material, pervasive and non-diversifiable at the portfolio level. So collaborating on the global fight against climate change means preserving wealth over time, mitigating downside risk and seizing investment opportunities that will continue to arise from a low-carbon transition."

Adelina Romanelli
Director, Responsible Investing, SLGI, Sun Life

- SLGI implemented new climate-related reporting requirements for its newly launched ESG-focused funds (the Sun Life Acadian International Equity Fund and the Sun Life Net Zero Target Bond Fund)[2]. They include:
  - notification of material changes to ESG approaches (methodologies and/or assumptions),
  - climate-related metrics, and
  - greater transparency around stewardship activities.
- Recognized 13 'gold standard' projects through InfraRed's Creating Better Futures Awards. The awards encourage and celebrate impactful initiatives that align with InfraRed's vision of creating better futures across four sustainability priorities: impact on climate, impact on environment, impact on communities and impact on people. The awards are open to all InfraRed portfolio businesses. They have been designed to create a forum through which best practices can be shared.

External collaboration and commitments

- Participated in industry forums and organizations to advocate for advancements in sustainable finance. For example:
  - Sun Life began co-chairing the Canadian Chamber of Commerce's Green and Transition Finance Council. This advocacy group brings together members of the financial sector to promote improved climate-related financial disclosures and action on a Canadian Sustainable Finance Taxonomy.
  - Sun Life became a signatory to the Statement by the Québec Financial Centre for Sustainable Finance, an initiative of Finance Montreal. The statement outlines the commitments of stakeholders within the province's financial sector regarding responsible investment and sustainable finance.
  - Sun Life Hong Kong participated in the Hong Kong Federation of Insurers Green Insurance Task Force. The task force brings together industry experts to establish best practices and guidelines in areas such as disclosures and green product development.
  - Sun Life Philippines was a key participant in a regulator-led engagement on the initial draft of the Philippines' Sustainable Finance Taxonomy Guidelines.
  - InfraRed established a dedicated portfolio impact strategy, focused on strengthening relationships with investee companies. The objective is to support the delivery of more targeted social impact initiatives for the communities in which its assets are located.
  - SLC Fixed Income joined the Institutional Investors Group on Climate Change (IIGCC). The IIGCC brings together members of the investment community to share best practices in achieving net zero and a climate resilient future. MFS and SLGI are also members.

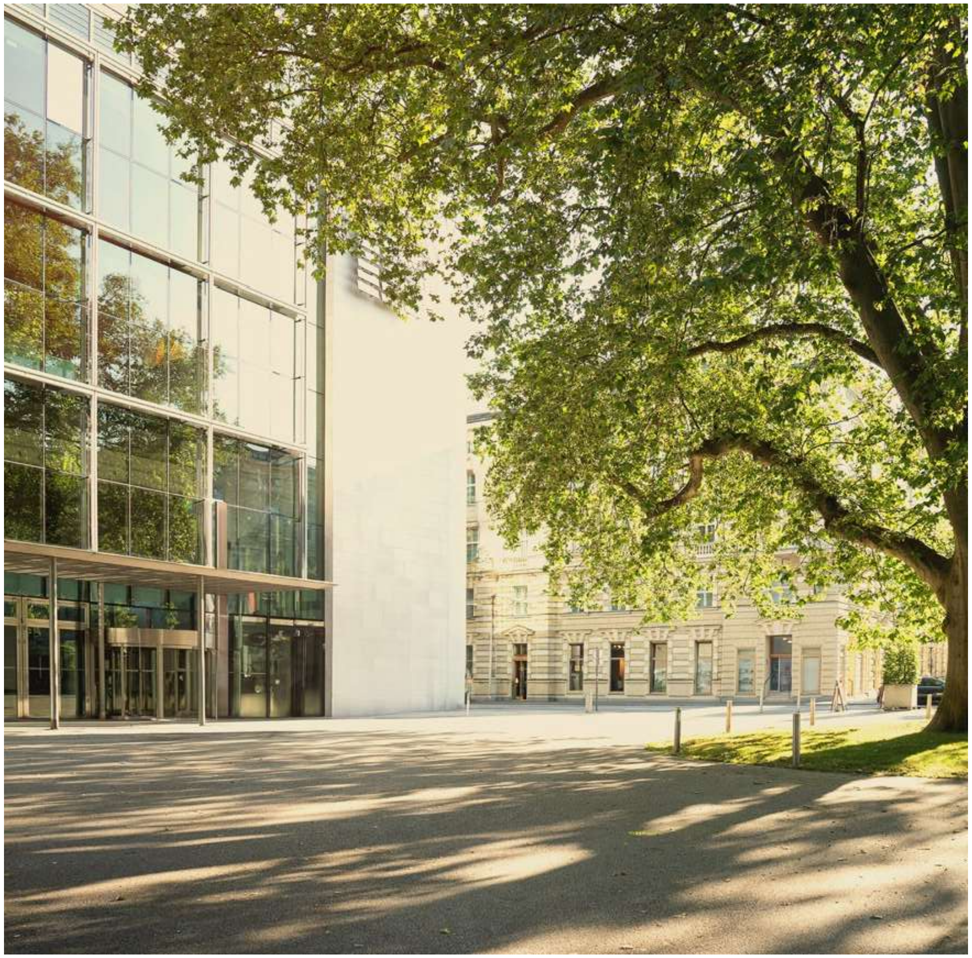
Refer to our website for a list of our key external commitments and memberships.

JUST THE NUMBERS

- ESG Performance Tables

MORE ONLINE

- Net Zero by 2050: Sun Life's Climate Journey
- Financing emergency shelters for women and families in the U.S. (feature story)
- MFS Net Zero Progress Report
- MFS 2022 Annual Sustainability Report
- SLC Fixed Income 2022 Sustainable Investing Report
- SLC Fixed Income 2022 Climate Report
- BGO 2023 Environmental, Social and Governance Report
- BGO 2022 Climate Report
- InfraRed 2023 Sustainability Report
- InfraRed Net Zero Progress Report
- Sun Life Global Investments
- Sun Life Group Retirement Services
- Sustainability Bond Framework



Building resilience to climate change

We're committed to being a 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.

Material topic in this chapter:

- Climate change

Our work is aligned to Sustainable Development Goals:

Climate change

Committed to doing our part in the transition to net zero

Climate change is the defining issue of our time. It puts what we do and who we serve at risk. It takes all of us to tackle climate change and limit its effects on our planet. Sun Life is focused on implementing plans and tactics to achieve our goal of net-zero greenhouse gas (GHG) emissions in our operations and investments by 2050. More information can be found in our Net Zero by 2050 report.

While we remain committed to reducing our own carbon footprint, we know these efforts alone are not enough. Doing our part means bringing others along with us to move the needle on global climate change goals. This is why we have brought climate change to the forefront of our sustainability work. We're engaging our employees, Clients and communities so we can collectively drive meaningful action to address climate change.

Our approach at a glance

> Setting and working towards interim targets aligned to our net-zero goal in our operations and investments
> Assessing and mitigating climate risks across our businesses
> Adapting our facilities and portfolios to improve climate resilience
> Embedding accountability at all levels in Sun Life
> Measuring our performance and focusing on transparent reporting
> Contributing to global climate action through collaboration and advocacy

Learn more online

2023 Performance

Much of our work in 2023 focused on educating and engaging employees on the transition to net zero. By bringing together experts and forming important partnerships, we made efforts to expand our enterprise knowledge and drive collective impact. We also put significant effort into broadening our understanding of our scope 3 emissions and set interim targets for our general account emissions. We continue to take important steps in defining our pathway to net zero. We recognize that to truly tackle the ongoing climate crisis, we need to raise ambition and engagement at all levels.

This section highlights our climate efforts and broader environmental activities related to Sun Life's operations and workforce. Refer to Sustainable Investing for more details on our sustainable investment approach and activities in 2023, including the ways we're supporting the net-zero transition.

Improving the climate performance of our operations

- Absolute GHG emissions in our operations increased by 3.7% against our 2019 base year – from 40,368 tonnes of carbon dioxide equivalents (tCO_2e) to 41,847 tCO_2e[1]. Since our 2019 base year, we've made progress toward reducing emissions in our corporate real estate portfolio. Our overall operational emissions rose primarily due to an increase in travel in support of our business priorities. As we continue to develop our climate strategy and data quality and availability improves, we expect to identify additional decarbonization levers that will help to reduce our operational emissions.
- Implemented and installed environmentally-friendly technology across our corporate offices. Improving the sustainability of our office spaces is an ongoing effort. For example, we:
  - Installed ENERGY STAR certified equipment and waste management systems that accommodate recycling and compost streams at several of our Canadian and U.S. offices, and our office in Ireland. Our aim is to improve diversion and reduce waste to landfill.
  - Renovated four of Sun Life's U.S. offices (in Maine, Connecticut, Massachusetts and Maryland) and two Canadian offices (in Waterloo, Ontario) with water-efficient toilets, faucets and fixtures, LED lighting, and implemented waste recycling and diversion strategies. Our employees can also make sustainable commuting choices through easy access to public transportation, along with bike storage and EV charging options at select offices in North America.
  - Sourced the equivalent of 32% of our global electricity consumption through renewable sources in 2023. Our Waterford, Ireland office used solar power for an average of 20% of its monthly energy needs, following the installation of 276 solar panels that went into operation in February 2023.
- Further advanced our management of environmental impacts at the Sun Life Global Solutions (SLGS) India office by getting ISO 14001:2015 certification. This is an international standard for environmental management systems, which includes guidelines for how businesses should deal with the environment in the form of plans, policies, procedures and records.

32%
of our global electricity consumption from renewable sources such as solar and wind

[1] 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. Refer to the ESG performance tables for more details.

- Encouraged employees in the Waterloo Region in Canada to contribute to Sun Life's sustainability efforts through the Region's TravelWise program. The online platform allows employees to connect with carpool partners and/or acquire a corporate public transportation pass. TravelWise is an internationally recognized workplace program focused on encouraging employees to take transit, cycle, walk or carpool to work instead of driving alone.
- Maintained CarbonNeutral®[2] company certification across our global business operations[3] in line with The CarbonNeutral Protocol developed by Climate Impact Partners. This certification covers our operational GHG emissions from our corporate offices, data centres and business travel. We continue efforts to reduce GHG emissions across our operations, and for the emissions that remain, we've purchased high-quality carbon credits. Carbon offsetting is not part of our long-term decarbonization strategy but an interim measure to help manage Sun Life's impact in pursuit of net zero. Selected projects were focused on forestry conservation and reforestation in Canada and the U.S., as well as increasing the use of biogas in India.
- Progressed development of an enterprise climate transition plan that will act as the roadmap to 2050. This roadmap will lay out the pathways by which the organization will meet its interim and long-term net-zero goals. The plan will integrate climate risk management, strategy and governance considerations and will be informed by high-quality data.

Supporting nature and biodiversity conservation

- Demonstrated our commitment to integrating nature-related considerations into our business decision making by joining the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. The Forum provides an opportunity for organizations to contribute to the development of additional TNFD guidance.

Climate-related goals

1. Net-zero GHG emissions by 2050, for operations and investments. Interim targets established or under development for our asset management businesses and for Sun Life's general account[4]. Refer to Sustainable Investing.
2. 50% absolute reduction of GHG emissions in our operations by 2030, relative to 2019[1]
3. Carbon neutral operations globally from 2021[3]

- Contributed to biodiversity conservation projects in our markets in Asia. For example, SLGS India employees planted more than 2,200 trees as part of a forest project and will provide tree maintenance for two years. In addition, $80,000 was allocated via the Sun Life Foundation to fund a two-year mangrove restoration and citizen-science project in the Philippines.
- Helped provide food security and sustainable livelihoods for Filipinos. The Sun Life Foundation signed an agreement with World Wide Fund for Nature (WWF) Philippines to establish two food shed farming enterprise projects in Surigao del Norte, Philippines. The projects are designed to provide economic resiliency for low-income urban communities. The projects also aim to mitigate food shortages in the community by using sustainable agriculture methods. These methods promote climate-resilient and sustainable production systems that minimize stresses that contribute to food insecurity. The initiative has touched nearly 3,000 lives.
- Diverted waste from landfills through the installation of two reverse vending machines at our SLGS India office. The vending machines allow employees to insert used plastic bottles, aluminum cans or multi-layer packaging to be recycled. The office also added a composting bin for food waste.

Building capacity for climate action

- Continued to expand our dedicated group of climate experts responsible for integrating climate across our business. These responsibilities include:
  - Climate change risk: Responsible for identifying, assessing and addressing the impacts of physical and transitional risks posed by climate change to our business.
  - Climate change performance: Responsible for managing Sun Life's enterprise-wide GHG emissions inventory, ensuring our carbon accounting and performance management practices are grounded in industry best-practice frameworks and methodologies.
  - Climate change strategy: Responsible for the development and implementation of an enterprise-wide climate transition plan including working with each business to build and operationalize roadmaps for decarbonization.
  - Program management: Responsible for governing and managing our climate initiatives to deliver on expected business outcomes. Our program team collaborates across climate and business teams to ensure we bring a continuous improvement and performance excellence mindset to our work.

  These new roles help build our capacity to drive climate action in key performance areas and support our businesses in developing and implementing their climate strategies.

[2] CarbonNeutral® is a registered trademark of Climate Impact Partners and is achieved in accordance with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.
[3] Includes MFS and SLC Management affiliates (BGO, InfraRed Capital Partners, Crescent Capital Group and Advisors Asset Management).
[4] Refer to our Net Zero by 2050 report for details and our latest updates.

Driving climate education and engagement

- Launched a series of virtual climate training modules to support and educate our employees globally on the effects of climate change and actions they can take to reduce their environmental impact. Employees gained an understanding of climate science and the impact climate change has on people, communities, biodiversity and nature. In addition, employees discovered how these global challenges can affect our businesses and their teams' work. They also learned about how we measure and reduce our carbon footprint.
- Elevated Sun Life's leadership engagement on climate change as we advanced on the transition to net zero. For example, we provided climate-focused training to the Board of Directors and had regular engagement with the Board and Executive Team on climate-related matters throughout the year.
- Contributed $80,000 to support research by the Intact Centre on Climate Adaptation. The research will assess select Canadian municipalities on the state of their preparedness to limit extreme heat risk. The Centre is an applied research institute at the University of Waterloo focused on reducing risks associated with climate change and extreme weather.
- Provided US$50,000 in funding to the Society of Actuaries to support a research project that addresses the impact of climate change, air pollution and air quality on mortality and morbidity risk.

Advancing scope 3 emissions reporting

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

While data challenges exist, to date we have made significant strides in measuring our scope 3 emissions footprint through the quantification of select data associated with our real estate, business travel, data centres and general account investments. Related to our general account investments, we have measured and disclosed our emissions associated with our directly managed listed equities and listed corporate bonds (refer to our ESG Performance Tables for details). Looking ahead, we aim to enhance our ability to measure our scope 3 footprint, including emissions from our purchased goods and services, employee commuting, remote work and more.

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

- Aimed to bring greater awareness to the link between health and wellness outcomes and severe impacts from climate change through our active participation with Climate Proof Canada. Together, we co-convened a roundtable on adapting to extreme heat with the Canadian Association of Physicians for the Environment. We contributed to Climate Proof Canada's recommendations to the federal government on achieving health and well-being targets in Canada's first National Adaptation Strategy. In addition, Sun Life participated in a panel discussion at COP28, with representatives from Health Canada and the Canadian Association of Physicians for the Environment, on how to address the potential impacts of climate change on mortality and morbidity outcomes.

JUST THE NUMBERS

- ESG Performance Tables

MORE ONLINE

- Net Zero by 2050: Sun Life's Climate Journey
- Climate-related financial disclosures (guided by the Task Force on Climate-related Financial Disclosures framework)
- 2023 GHG Emissions Reporting Methodology
- 2023 GHG Emissions Assurance Statement

Operating as a 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.

From expanding our diversity, equity and inclusion efforts, to ensuring our Clients and employees feel valued, we're building on our long-standing sustainability practices and achievements.

Material topics in this chapter:

- Diversity, equity and inclusion
- Client experience
- Data security and privacy
- Talent management
- Risk management
- Governance and ethics

Our work is aligned to Sustainable Development Goal:

Risk management

From climate risks to cyber threats – we're risk ready

A proactive risk management approach makes our business more resilient and helps us meet our financial commitments to Clients. It protects our competitiveness and long-term sustainability and leads to better societal outcomes.

Our Annual Report provides more details on our approach to risk management. The section to the right focuses on our 2023 performance for environmental and social risks.

Our approach at a glance

> Following our Risk Management Framework ensures a consistent approach across Sun Life
> Prioritizing risk management through our risk culture
> Staying risk ready with global risk management training
> Achieving control and accountability through three lines of defence
> Managing climate-related risks
> Addressing other ESG risks

Learn more online

2023 Performance

- Reinforced our commitment to being a responsibly-managed business with 98% of our global employees completing risk-related training in 2023[1]. A key premise of our culture is that all employees play an important role in managing the Company's risks.

98%

of employees completed risk-related training in 2023[1] (2022: 91%)

- Supported the resiliency of our business through risk management practices and by building our capabilities to identify, track and mitigate evolving sustainability risks including climate risk. For example, we:
  - Strengthened leader oversight of climate risk by hiring an AVP of Climate Change Risk and an actuary focused on climate risks.
  - Continued to hold senior discussions on sustainability risks and opportunities in areas such as climate change and human rights.
- Enhanced climate-related reporting in our 2023 Annual Report by updating our disclosures guided by the Task Force on Climate-related Financial Disclosures. These disclosures give stakeholders insight on our governance, risk management, strategy, and metrics and targets related to climate change. We also disclose newly integrated governance processes and provide information about our ongoing climate maturity journey.
- Helped advance the development of regulatory and policy responses to climate-related risks by engaging with policy makers and industry stakeholders. For example, we offered recommendations to the Office of the Superintendent of Financial Institutions (OSFI) in Canada, directly and through the Canadian Life and Health Insurance Association, on aligning with existing and emerging industry-standard reporting frameworks. In addition, we supported OSFI issuing life insurance industry-specific reporting guidelines. We were also an active participant in the Government of Canada's Sustainable Finance Action Council (SFAC). One of the key priorities of SFAC is to enhance and standardize the disclosure of climate risks and opportunities.

Sun Life's financial strength ratings continue to be among the highest in the industry

	Standard & Poor's	Moody's	A.M. Best	DBRS
Sun Life Assurance Company of Canada	AA Very strong	Aa3 High quality	A+ Superior	AA Excellent

Ratings are for Sun Life Assurance Company of Canada ("Sun Life Assurance"). Sun Life Assurance is Sun Life Financial Inc.'s principal operating life insurance subsidiary.

JUST THE NUMBERS
- ESG Performance Tables

MORE ONLINE
- Annual Report
- 2024 Management Information Circular
- Financial Strength Ratings

[1] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope - Note 5.

Governance and ethics

Setting the foundation for trusted and responsible business

Instilling confidence in the way we manage our business – and the financial needs of our Clients – is fundamental to our strength, stability and reputation as a global financial organization. For us, it's about good governance and management. It's about acting responsibly, complying with laws and regulations and exhibiting the highest standards of professional behaviour. And it's about treating our Clients, employees and other stakeholders with the utmost respect at all times.

Our approach at a glance

> Committing to best-in-class corporate governance
> Embedding an ethical culture through robust practices
> Providing a confidential way to raise concerns about unethical behaviour
> Respecting fundamental human rights
> Shaping public policy in a way that benefits public interests

Learn more online

2023 Performance

- Achieved our aim of gender balance on the Board (with at least 35%-45% self-identifying as women) and representation of underrepresented groups (aim: 20-25%), with:
  - 50% of Board members self-identifying as women; and
  - 25% of Board members self-identifying as members of underrepresented groups[1].
- Enhanced accountability for delivering on our sustainability commitments by introducing a Sustainability Modifier to our Senior Executive Sun Share Unit Plan. The modifier (+/- 10 percentage points) is based on our performance over three years against four sustainability goals. Goals include sustainable investment, gender and underrepresented ethnicity representation at executive levels and greenhouse gas emissions reduction in our operations[2].
- Renamed the Board committee with oversight for sustainability matters the Governance, Investment & Sustainability Committee and expressly included climate-related matters and Sun Life's Sustainability Strategy (including the development of a climate transition plan) amongst existing sustainability-related responsibilities for that Committee.

50%
of Board members self-identify as women

25%
of Board members self-identify as belonging to an underrepresented group[1]

75%
of Board committee chairs self-identify as women

- Measured our progress in achieving an ethical culture through employee surveys. In 2023, 80% of employees told us they feel it's safe to speak up at Sun Life[3] (2022: 78%). This result exceeds the global financial services norm of 76%[4].
- Strengthened our ethical culture by undertaking a review of our Code of Conduct and updating it to better reflect relevant and emerging trends within our industry and alignment with the Company's initiatives. The refreshed Code will be published in 2024 and will be made available in nine languages. In 2023, 97% of our employees completed Sun Life's annual Code of Conduct training[5].
- Maintained strong governance of our supply chain by assessing the alignment of 100% of critical suppliers with our Supplier Code of Conduct. Our Supplier Code sets out standards and expectations for suppliers on topics such as privacy, ethics, human rights and sustainable practices.
- Strengthened our approach to managing key human rights issues. For example, we initiated an enterprise-wide human rights supply chain risk assessment and are developing targeted training.

JUST THE NUMBERS
- ESG Performance Tables

MORE ONLINE
- Sun Life Code of Conduct
- Ethics Hotline
- Statement of Corporate Governance Policies and Practice
- 2024 Management Information Circular

[1] Individuals who have self-identified as members of the Black, Indigenous, People of Colour, disabled and/or LGBTQ2+ communities.
[2] Refer to Sun Life's Management Information Circular dated March 15, 2024 for more details.
[3] Based on the Q3 global employee engagement survey. 73% of employees surveyed participated. Refer to Report Scope - Note 4.
[4] Based on Willis Towers Watson's Benchmark of Global Financial Services
[5] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope - Note 5.

APPENDIX II: ESG performance tables

Relevant standards/ indicators	Financial security	2023	2022	2021
GRI 3-3, 203-2 SDG 8.3, 8.10	Number of lives covered under affordable insurance policies (Asia)[1] (millions)	**2.4**	1.6	1.5
	Number of positive financial actions taken by Clients in Canada towards financial security[2] (millions)	**1.3**	1.1	1.1
	Number of Sun Life Canada Group Retirement Services Clients with a financial plan	**401,006**	331,477	284,933
	Number of financial roadmaps created for Clients in Canada, powered by the Sun Life One Plan digital tool	**95,874**	45,822[3]	-
	Dollars paid in claims and benefits[4] ($ billions)	**$26.0**	$21.6[5]	$18.7

[1] Affordable insurance products help people in the mass market (including lower-income segments) meet risk protection needs at an accessible price point. The criteria for a product to be considered affordable insurance varies by country and is based on factors such as: insurance premium amount relative to average income, coverage period, underwriting requirements and/or government regulation. Refer to Report Scope - Note 1.
[2] Examples of positive financial actions include adding voluntary benefits, adding a voluntary savings product, making a lump sum deposit and more.
[3] Restated due to change in methodology.
[4] Refer to Report Scope - Note 2.
[5] Restated due to change in accounting standards.

Relevant standards/ indicators	Client health	2023	2022	2021
GRI 3-3, 203-2 SDG 3.4, 3.8, 3.d	Number of positive health actions taken by Clients in Canada towards health and wellness[1]	**1,840,735**	-	-
	Number of Clients and their family members with access to Lumino Health Virtual Care in Canada	**871,000**	755,000	556,000
	U.S. stop-loss Clinical 360 savings for Sun Life and Clients ($ millions)	**US$36.2**	US$30.5	US$24.5

[1] Positive health actions are actions a Client makes to lead a healthier life. One example of a positive health action is consulting a health-care professional via Lumino Health Virtual Care.

Relevant standards/ indicators	Employee wellness	2023	2022	2021
GRI 3-3, 403-6 SDG 3.4, 3.8, 5.4	Total spent on compensation and benefits[1] ($ billions)	**$6.1**	$5.1	$5.1
	Percentage of qualified employees in North America voluntarily contributing to Sun Life's defined contribution plan			
	Canada	**91%**	90%	88%
	Percentage eligible for auto-enrollment who did not opt out	**92%**	94%	94%
	U.S.	**88%**	88%	86%
	Percentage eligible for auto-enrollment who did not opt out	**95%**	95%	98%
	Percentage of qualified employees in North America voluntarily contributing to Sun Life's share purchase plan			
	Canada	**62%**	61%	65%
	U.S.	**20%**	21%	21%
	Percentage of employees who say that their immediate supervisor/manager supports their well-being[2]	**92%**	92%	-
	Percentage of employees who completed Sun Life's annual safety and emergency preparedness training[3]	**98%**	93%	96%
	Absentee rate (% of total days scheduled)	**5.6%**	4.7%	4.8%
	Critical injuries (work-related accidents)[4] (Canada)	**0**	0	0

[1] Refer to Report Scope - Note 3.
[2] Based on the Q3 global employee engagement survey. 73% of employees surveyed participated. Refer to Report Scope - Note 4.
[3] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope - Note 5.
[4] Refers to a serious injury that places life in jeopardy, and involves an employee that is unconscious, experienced a significant loss of blood, a fracture or amputation of a limb, burns over major portions of the body, loss of sight in an eye or other significant losses that require immediate medical attention in a hospital setting.

Relevant standards/ indicators	Community wellness	2023	2022	2021
GRI 3-3, 203-2 SDG 3.4, 3.8, 3.d	Total corporate giving[1] ($ millions)	**$25.1**	$23.8	$20.9
	Sun Life	**$18.9**	$17.8[2]	$15.3
	MFS	**$4.3**	$4.1	$4.3
	BGO	**$1.1**	$1.0	$0.8
	Crescent	**$0.5**	$0.5	$0.4
	InfraRed	**$0.3[3]**	$0.4	$0.1
	Breakdown of Sun Life donations by focus area ($ millions)			
	Health	**$12.7**	$10.5	$9.2
	Oral Health	**$1.2**	$0.6[4]	-
	Diabetes	**$5.7**	$5.7	$6.0
	Mental Health	**$4.4**	$3.3	$0.8
	Culture	**$0.5**	$1.3	$1.7
	Social Services	**$4.7**	$3.3	$3.3
	Education	**$1.0**	$1.2	$1.1
	Total donations to diversity, equity and inclusion initiatives ($ millions)	**$4.3**	$3.8	$2.0
	Percentage of Canadian philanthropic donations spent on Black community initiatives[5] (**Aim**: 3%)	**9%**	10%	-
	Total donations to climate change initiatives ($ millions)	**$0.3**	-	-
	Dollars raised by employees for charities across North America and Ireland[6] ($ millions)	**$2.2**	$2.2	$2.3
	Number of registered charities supported by employee giving and volunteering in North America and Ireland[6]	**4,263**	3,212	3,085
	Employee volunteer hours[7]	**28,351**	25,978[8]	19,553

[1] Corporate giving amounts reflect giving towards registered charities and non-profit organizations.
[2] Restated to include DentaQuest.
[3] Amount is impacted by rounding.
[4] Reflects donations made following Sun Life's acquisition of DentaQuest in June 2022.
[5] Part of a series of aspirational goals included in our role as signatory to the BlackNorth Initiative.
[6] 2021 value does not include Ireland.
[7] Number of hours an employee performed a service without pay for the greater good of others, on behalf of a registered charity. 2023 value includes India and Malaysia joint venture, 2022 and 2021 values include Vietnam and Malaysia joint venture.
[8] Restated due to correction of error.

Relevant standards/ indicators	Sustainable investing	2023	2022	2021
GRI 3-3, 203-1, 203-2 SDG 7.1, 7.2, 7.3, 13.1, 13.3	Sustainable investment AUM*[1] ($ billions)	**$77.0**	$80.4	$65.4
	Renewable energy	**$12.3**	$13.0	$10.9
	Energy efficiency	**$3.5**	$2.8	$1.9
	Sustainable/green buildings[2]	**$42.9[3]**	$47.1	$35.8
	Clean transportation	**$1.7**	$1.8	$1.3
	Sustainable water management	**$0.7**	$0.7	$0.7
	Access to essential services	**$8.7**	$9.5	$9.3
	Green, social and sustainability bonds	**$7.2**	$5.5	$5.5
	Value of new sustainable investments[1,4,5] ($ billions) (**Goal:** $20 billion between 2021-2025[6])	**$3.3**	$6.6	$7.7
	Sustainability-themed investment AUM (SLGI)[7] ($ millions)	**$595**	$523	$469
	Percentage of green-certified space (real estate investments in North America)[8]	**93%**	93%[9]	86%

[*] Portfolio at December 31 (general account and certain third-party Clients, where relevant). Client asset values included represent a non-IFRS financial measure.
[1] General account and certain third-party Clients, where relevant. More information on AUM methodology, including asset managers and criteria included in the calculation, is available upon request. Client asset values included represent a non-IFRS financial measure. Sustainable investments meet one or more of the criteria for investments based on ICMA Green Bond Principles, ICMA Social Bond Principles, ICMA Sustainability Bond Principles, GRESB Real Estate Benchmark, and/or PRI Impact Investing Market Map. Where issuers do not obtain a third-party opinion or provide an internal opinion on their issuance, our investment professionals apply judgment to assess whether the use of proceeds meets the standards set out in the ICMA principles. Assets included may not align with criteria in the Sun Life Sustainability Bond Framework. Does not include all holdings in companies that may be defined as sustainable under other taxonomies.
[2] Real estate assets include investment properties, owner-occupied properties and real estate in limited partnership investments.
[3] Amount is impacted by rounding.
[4] Values are as at transaction date. Figures may be adjusted year-over-year due to rounding. Client asset values included represent a non-IFRS financial measure.
[5] Examples of typical investments include solar, wind and hydro renewable energy investments, energy efficiency projects, affordable housing and long-term care facilities.
[6] Includes investments from the Sun Life general account, SLC Fixed Income and two of SLC Management's affiliates: BGO and InfraRed.
[7] Represents mutual funds investments in companies with good environmental, social and governance credentials and high potential to generate positive and measurable environmental and social outcomes. Investments may represent all or only a portion of a mutual fund. For further details into SLGI's mutual funds, refer to its latest Simplified Prospectus.
[8] Certificates include BOMA BEST, LEED®, IREM Certified Sustainable Property, Fitwel and ENERGY STAR® certified 2023. LEED®, and its related logo, is licensed in Canada to the Canada Green Building Council and is used here with permission.
[9] Figure restated following completion of external audit.

Relevant standards/ indicators	Client experience	2023	2022	2021
GRI 3-3, 203-2	Change in Client Satisfaction (CSAT) score[1] from previous year (**Goal:** +2)	**+1**	-	-
	Problem resolution in Canada:			
	Client problems reviewed by Sun Life's Client Advocacy team	**1,777**	1,531	875
	Client problems resolved by Sun Life's Client Advocacy team[2]	**1,838**	1,462	1,062
	Client problems reviewed by an independent complaint resolution body or regulator[3]	**65**	48	28
	Client problems reviewed that resulted in a recommendation different from Sun Life's position[3]	**0**	0	0

[1] Sun Life began measuring overall Client Satisfaction (CSAT) globally in 2022 as a replacement to the Client Experience Index. As a result, year-over-year changes in CSAT are only available for 2023. Refer to Report Scope - Note 6.
[2] Client problems resolved in the calendar year may be higher than the number of problems reviewed, as prior year problems may not be resolved until the following year.
[3] Represents cases investigated by OmbudService for Life and Health Insurance, Ombudsman for Banking Services and Investments, or Autorité des marchés financiers.

Relevant standards/ indicators	Diversity, equity and inclusion[1]	2023	2022	2021
GRI 2-7, 3-3, 405-1, 405-2 SASB FN-AC-330a.1 SDG 5.1, 5.2, 5.5, 8.5	Women (Global)	**60%**	59%	59%
	Senior management[2] (Vice-President and above) (**Aspirational goal:** Gender parity by 2025[3])	**37%**	33%	31%
	Middle management (Assistant Vice-President and Director)	**50%**	48%	48%[4]
	Staff	**62%**	62%	61%
	Underrepresented ethnicities[5] (North America)	**36%**	34%	31%
	Senior management (**Aspirational goal:** 25% by 2025)	**20%**	19%	17%[4]
	Middle management	**31%**	29%	28%[4]
	Staff	**38%**	35%	32%
	Black/African American	**8%**	6%	5%
	Indigenous[6]	**1%**	1%	1%
	Asian	**18%**	18%	16%
	Hispanic/Latino	**3%**	2%	2%
	Other underrepresented ethnicity	**7%**	7%	8%
	Not disclosed	**9%**	10%	11%
	LGBTQ+ (North America)	**3%**	3%	3%
	Persons with disabilities (North America)	**2%**	2%	1%
	Black (Canada)[7]	**5%**	5%	4%
	Senior management[2] (**Aspirational goal:** 3.5% by 2025)[8]	**1.9%**	3.1%	2.2%
	Middle management	**2%**	2%	1%
	Staff	**6%**	5%	4%
	Within student workforce (**Aspirational goal:** 5% by 2025)[8]	**5%**	8%	4%
	Indigenous[6] (Canada)	**1%**	1%	1%
	Senior management	**1%**	1%	1%
	Middle management	**0%**	0%	0%
	Staff	**1%**	1%	1%
	Black/African American (U.S.)[9]	**13%**	10%	8%
	Senior management (**Aspirational goal:** 13%)	**7%**	10%	7%
	Middle management (**Aspirational goal:** 13%)	**6%**	3%	3%
	Staff (**Aspirational goal:** 13%)	**15%**	11%	9%
	Diversity in hiring			
	Women (Global)	**60%**	58%	55%
	Underrepresented ethnicities[5] (North America)	**48%**	52%	51%
	Age diversity (Global)			
	<30	**18%**	19%	18%
	30-50	**60%**	60%	58%
	50+	**22%**	21%	24%

[1] Underrepresented ethnicity data is based on employee voluntary self-identification. 91% of employees surveyed have provided self-identification data.
[2] 2022 and 2021 data has been restated as our definition of senior management has been amended to reflect alignment with our asset management peer group.
[3] Gender parity is defined as women representation between a range of 47% to 53%. This range accounts for employees who identify as non-binary based on current global averages.

	[1]	2023	2022	2021
	Average total compensation for women as a percentage of men by role[10] (Canada)			
	Senior management	**95%**	96%	94%
	Middle management	**98%**	98%	98%
	Staff	**97%**	98%	99%
	Average total compensation for underrepresented ethnicities[5] as a percentage of non-underrepresented ethnicities[10,11] (Canada)			
	Senior management	**104%**	111%	105%
	Middle management	**101%**	101%	100%
	Staff	**103%**	103%	103%
	Average total compensation for women as a percentage of men by role[10] (U.S.)			
	Senior management	**98%**	97%	99%
	Middle management	**98%**	98%	97%
	Staff	**96%**	97%	96%
	Average total compensation for underrepresented ethnicities[5] as a percentage of non-underrepresented ethnicities[10,11] (U.S.)			
	Senior management	**101%**	103%	116%
	Middle management	**102%**	104%	100%
	Staff	**100%**	101%	101%
	Average total compensation for women as a percentage of men by role[10,12,13] (Countries in Asia)			
	Middle management	**95-102%**	89-104%	98-106%
	Staff	**96-99%**	98-101%	97-101%
	Percentage of total direct spend (North America) with certified diverse suppliers (**Goal:** 5% by 2025)	**1.4%**	1.0%	1.6%
	Percentage of employees who feel that Sun Life supports diversity in the workplace (recognizing and respecting the value of human differences)[14]	**94%**	95%	94%
	Diversity and Inclusion Index score[14]	**88%**	87%	-

[4] Restated as our definition of senior management has been amended to reflect alignment with our asset management peer group.
[5] Canada: those who self-identify as Visible Minorities per the Employment Equity Act; U.S.: those who self-identify as People of Color per the Equal Employment Opportunity Commission.
[6] Indigenous is a collective name for the original peoples of North America and their descendants. In Canada, the term Aboriginal Peoples is also used for individuals identifying themselves as First Nations, Inuit or Métis.
[7] 2022 and 2021 data has been restated due to changes in employee self-identification.
[8] Part of a series of aspirational goals included in our role as signatory to the BlackNorth Initiative.
[9] U.S. refers to the U.S. Group Benefits, Dental and In-Force management businesses of Sun Life U.S. as reported by Sun Life Financial Group Inc.
[10] As at April 1, following completion of annual compensation cycle. Calculated for full-time employees only, excluding those participating in specialized incentive plans; includes base salary, annual incentives and long-term incentive grants.
[11] Includes primarily employees who self-identify as white, those who choose not to identify and those for whom there is no data.
[12] Senior management populations across comparator groups did not meet the minimum required for reporting.
[13] Countries in Asia include India, Indonesia, Hong Kong and the Philippines.
[14] Based on the Q4 global employee engagement survey. 71% of employees surveyed participated. Refer to Report Scope - Note 4.

For MFS diversity, equity and inclusion data refer to MFS Diversity Annual Report.

Relevant standards/ indicators	Talent management	2023	2022	2021
GRI 2-7, 3-3, 401-1, 401-2 SDG 5.4, 5.5, 8.5	Total number of employees[1]	**58,245**	52,072[2]	50,012
	Regular employees	**30,941**	28,932[2]	24,589
	Temporary employees	**999**	1,066[2]	1,233
	Regular employees – Asia joint ventures	**25,775**	21,549	23,576
	Temporary employees – Asia joint ventures	**530**	525	614
	Employee engagement score[3]	**88%**	89%	89%
	Participation rate in employee engagement survey[3]	**71%**	68%	72%
	Total turnover rate[4]	**11.6%**	14.7%[5]	14.0%[5]
	Percentage of employees who left who identify as women	**57.8%**	55.1%	54.6%
	Voluntary turnover rate	**8.7%**	13.1%[5]	12.3%[5]
	Percentage of employees who voluntarily left who identify as women	**59.4%**	55.9%	54.9%
	Average employee tenure[4] (years)	**8.2**	8.4	9.0
	Percentage of employees who received a promotion[4]	**8.1%**	9.8%[5]	8.6%
	Percentage of employees who received a promotion who identify as women	**57.0%**	55.9%	54.6%
	Number of new hires[4]	**10,321**	9,765[5]	7,026[5]
	Percentage of hires filled by internal candidates	**38%**	44%[5]	53%
	Percentage of hires filled by women	**59.7%**	58.0%	56.0%
	Percentage of women in technology	**37%**	38%	38%
	Percentage of women in junior management positions	**61%**	60%	60%
	Total invested in training and development[6] ($ millions)	**$48**	$34	$25
	Total hours of employee training[7]	**626,420**	515,526	328,596
	Average hours of training per employee[8]	**21**	20	10
	Mandatory risk-related training	**5**	3	4
	Other training[9]	**16**	17	6
	Senior management	**16**	-	-
	Middle management	**21**	-	-
	Staff	**22**	-	-

[1] Represents full-time equivalent employees. Refer to Report Scope – Note 3.
[2] Restated due to change in methodology.
[3] Refer to Report Scope – Note 4.
[4] Refer to Report Scope – Note 7.
[5] Restated to reflect additional data.
[6] 2022 figure reflects resumption of some training and development and conferencing activities which were cancelled or delayed due to the pandemic. Refer to Report Scope – Note 3.
[7] Refer to Report Scope – Note 8.
[8] Amounts are impacted by rounding. Refer to Report Scope – Note 8.
[9] Other training includes skills and career development training.

Relevant standards/ indicators	Risk management	2023	2022	2021
GRI 3-3 SDG 13.1	Percentage of employees who completed Sun Life's annual risk-related training modules[1]	**98%**	91%	94%

[1] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope – Note 5.

Relevant standards/ indicators	Data security and privacy	2023	2022	2021
GRI 3-3, 418-1	Number of scenarios used in phishing simulation tests that were delivered to employees, contractors and Canadian Advisors (combined total)[1]	**36**	30	36
	Number of substantiated privacy complaints from a regulatory body[1]	**1**	1	1
	Percentage of employees who completed Sun Life's annual information security and privacy training[2]	**98%**	91%	96%
	Privacy Impact Assessments (PIAs) reviewed[3]	**584**	511	566

[1] Refer to Report Scope – Note 5.
[2] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope – Note 5.
[3] PIAs are mandatory evaluations that teams across Sun Life must complete when developing new business initiatives. Conducting a PIA is a strong risk management practice for identifying and mitigating privacy risks. Refer to Report Scope – Note 5.

Relevant standards/ indicators	Governance and ethics	2023	2022	2021
GRI 3-3, 405-1 SDG 5.1, 5.2, 5.5	Number of directors on the Board	**12**	11	12
	Number of independent directors on the Board	**11**	10	11
	Percentage of Board members who self-identify as women (**Aim:** gender balance)	**50%**	55%	42%
	Percentage of Board committee chairs who self-identify as women	**75%**	75%	50%
	Percentage of Board members who self-identify as belonging to an underrepresented group[1] (**Aim:** 20–25%)	**25%**	27%	25%
	Percentage of employees who feel it is safe to speak up at Sun Life[2]	**80%**	78%	81%
	Percentage of employees who completed Sun Life's annual Code of Conduct training[3]	**97%**	96%	89%
	Percentage of employees who completed Sun Life's annual financial crime awareness training[3]	**98%**	92%	96%

[1] Individuals who have self-identified as members of the Black, Indigenous, People of Colour, disabled and/or LGBTQ2+ communities.
[2] Based on the Q3 global employee engagement survey. 73% of employees surveyed participated. Refer to Report Scope – Note 4.
[3] Training completion rates are as at January 15 since annual training assigned during the reporting year may be completed after year-end. Refer to Report Scope – Note 5.

Relevant standards/ indicators	Enterprise greenhouse gas emissions (tCO_2e)	**2023**	2022	2021	2019 (base year)
GRI 3-3, 305-1, 305-2, 305-3, 305-5 SDG 3.9, 8.4, 13.1, 13.3	**Scope 1**	**15,057**	15,046	13,532	16,839
	Natural gas	15,010	14,995	13,476	16,780
	Distillate oil	47	51	56	59
	Scope 2 Location-based[1]	**19,161**	20,164	19,138	24,717
	Purchased electricity	18,506	19,445	18,519	24,081
	District heat and steam	616	684	582	593
	Chilled water	39	35	37	43
	Scope 2 Market-based[2]	**12,553**	12,281	17,103	23,253
	Impacts of contractual instruments (renewable energy credits and residual mix emissions factors)[3]	-6,608	-7,883	-2,035	-1,464
	Scope 3 Location-based	**8,947,866**	28,818	23,601	40,482
	Category 4 Upstream transportation and distribution[4]	223	227	233	236
	Category 5 Waste generated in operations[5]	2,475	2,757	2,635	3,175
	Category 6 Business travel	18,872	5,962	1,011	13,755
	Air	15,918	4,730	545	11,004
	Car[6]	2,024	1,219	462	2,704
	Rail	14	13	4	47
	Other (taxi, ride-share, bus)[7]	916	-	-	-
	Category 8 Upstream leased assets[8]	20,616	19,872	19,722	23,316
	Natural gas	5,180	5,251	5,212	5,716
	Distillate oil	11	18	31	34
	Purchased electricity	14,576	13,455	13,394	16,291
	Chilled water	16	21	20	26
	District heat and steam	734	1,021	954	1,117
	Water	99	106	111	132
	Category 15 Investments (general account: listed equities and corporate bonds)[9]	8,905,680	-	-	-
	General account: listed equities and listed corporate bonds (Scope 1 & 2)	2,328,990	-	-	-
	General account: listed equities and listed corporate bonds (Scope 3)	6,576,690	-	-	-
	Scope 3 Market-based[10]	**8,947,889**	28,674	23,597	40,173
	Impacts of contractual instruments (renewable energy credits and residual mix emissions factors)[3]	23	-144	-4	-309
	Total emissions location-based[11]	**8,982,084**	64,028	56,271	82,038
	Total emissions market-based[12]	**8,975,499**	56,001	54,232	80,265

The significant increase in emissions totals from 2022 to 2023 is in large part due to the addition of Scope 3, Category 15 investments, which was introduced in the emissions inventory in 2023.

Sun Life engaged KPMG LLP (KPMG) to provide limited assurance over selected Scope 1, 2 and 3 data for GHG emissions in this report, for the year ended December 31, 2023. Refer to the Assurance Statement for more information.

In 2023, we applied changes to our methodology. Refer to Section 7.1 of Sun Life's GHG Emissions Reporting Methodology for more information.

1 Location-based electricity emissions reflect the grid-average emission intensity (gCO_2e/kWh) for the region in which a property is located.
2 Market-based electricity emissions reflect contractual instruments implemented with respect to electricity purchases, i.e., renewable energy credits (RECs) or power purchase agreements (PPA).
3 Refer to Sun Life's 2023 GHG Emissions Reporting Methodology for more information on RECs and residual mix emissions factors.
4 Emissions associated with water transmission and distribution (not including wastewater treatment) at Real Estate Investment (REI) properties.
5 Emissions associated with waste by disposal type (landfill, recycling, etc.) for REI properties.
6 Emissions associated with car rental for business purposes and employee-claimed mileage.
7 Emissions associated with taxi, ride-share and bus are included in 2023, however prior year data is not available.
8 Sun Life does not have ownership or financial control over its Corporate Real Estate (CRE) leased offices (unless they are in REI properties), thus, all energy and water emissions from CRE are allocated to Scope 3 Category 8 upstream leased assets, except for CRE spaces located in REI properties.
9 Beginning in 2023, Sun Life calculated and reported financed emissions associated with listed equities and corporate bonds for its general account (GA) in alignment with The Partnership for Carbon Accounting Financials (PCAF) Standard Part A: Financed Emissions. These assets represent approximately 21.4% of GA assets under management.
10 Market-based emissions reflect the usage of RECs and residual mix emissions factors that are leveraged to offset emissions associated with CRE properties.
11 Total of all location-based emissions across Scope 1, 2, 3. The significant increase in emissions totals from 2022 to 2023 is in large part due to the addition of Scope 3, Category 15 investments, which was introduced in the emissions inventory in 2023.
12 Total of all market-based emissions across Scope 1, 2, 3. For Scope 3, Category 8 upstream leased assets the market-based emissions total is 20,639 tCO_2e. The significant increase in emissions totals from 2022 to 2023 is in large part due to the addition of Scope 3, Category 15 investments, which was introduced in the emissions inventory in 2023.

Relevant standards/ indicators	Operational greenhouse gas emissions by source (tCO_2e)	**2023**	2022	2021	2019 (base year)
GRI 3-3, 302-2, 305-3 SDG 3.9, 8.4, 13.1, 13.3	**Total operational emissions**[1]	**41,847**	28,657	23,312	40,368
	Corporate Real Estate (CRE) offices[2]	**20,981**	20,733	20,309	24,982
	Global data centres	**1,994**	1,962	1,992	1,631
	Business travel	**18,872**	5,962	1,011	13,755
	Carbon offsets[3]	**-41,847**	-28,657	-23,312	-403

Sun Life engaged KPMG LLP (KPMG) to provide limited assurance for 2019 base year and 2023 total operational GHG emissions. Refer to the Assurance Statement for more information. The current reported base year decreased by 6% compared to the base year emissions number reported in the 2022 Sustainability Report due to correction of errors, improvements made to capture accurate travel data and application of appropriate emissions factors. Please note that the base year number reported in 2022 was not assured.

1 Sun Life's operational emissions include emissions resulting from global corporate offices, data centres and business travel, inclusive of majority-owned Sun Life affiliate companies.
2 Emissions from all global CRE offices, including the spaces that are in Sun Life's REI properties.
3 Sun Life has maintained a CarbonNeutral® company certification since 2021 which includes the purchase of carbon offsets for operational emissions. The total number of carbon offsets purchased by Sun Life from 2021 to 2023 is higher than the carbon offset values reported in the table above and in the 2022 Sustainability Report due to the requirements of The CarbonNeutral Protocol. CarbonNeutral® is a registered trademark of Climate Impact Partners and is achieved in accordance with The CarbonNeutral Protocol, the leading global framework for carbon neutrality.

Relevant standards/ indicators	Real estate energy and water use	Corporate Real Estate (CRE)[2] 2023	CRE 2022	CRE 2021	CRE 2019 (base year)	Real Estate Investments (REI) 2023	REI 2022	REI 2021	REI 2019 (base year)
GRI 3-3, 303-5 SDG 3.9, 8.4, 13.1, 13.3	**Energy**[1]								
	Total energy use (eMWh)	**93,995**	93,789	94,951	111,164	**221,450**	213,896	200,640	238,926
	Heating fuels	**26,822**	28,064	27,890	30,625	**80,167**	79,952	71,842	89,540
	Natural gas	**26,781**	27,992	27,767	30,495	**79,982**	79,749	71,620	89,307
	Distillate oil	**41**	72	123	130	**185**	203	222	233
	District heat and steam	**2,732**	3,773	3,467	4,035	**1,875**	2,088	1,779	1,840
	Chilled water	**326**	275	282	341	**1,180**	251	269	312
	Total electricity	**64,115**	61,677	62,952	76,163	**138,228**	131,605	126,750	147,234
	Grid electricity	**56,416**	55,771	57,710	70,945	**80,919**	62,974	112,252	129,793
	Renewable electricity[3]	**7,699**	5,906	5,242	5,218	**57,309**	68,631	14,498	17,441
	Energy use intensity (eMWh/Sq.ft)	**0.0214**	0.0187	0.0183	0.0213	**0.0082**	0.0077	0.0073	0.0096
	Water								
	Total water use (L)	**254,582,368**	275,605,149	292,790,535	374,028,846	**1,433,837,166**	1,406,130,510	1,357,647,080	1,359,487,020
	Water use intensity (L/Sq.ft)	**57.9**	54.8	56.6	71.8	**59.4**	51.1	50.8	57.6

[1] All energy use values are in equivalent megawatt hours (eMWh).
[2] For the CRE offices located within REI properties, Energy & Water use for these offices are included under the REI portfolio totals to avoid double-counting.
[3] Renewable electricity (eMWh) represents on-site generation, all external REC purchases and green power purchases through the utility.

Relevant standards/ indicators	Paper consumption (tonnes) in North America[1]	2023	2022	2021
GRI 3-3 SDG 8.4, 13.1, 13.3	Office paper (internal)[2]	57	40	48
	Business forms (external)[3]	279	294	320
	Total	336	334	368

[1] Approximate total volumes from operations in Canada and the U.S., excluding subsidiaries.
[2] Copy paper printed from networked printing devices.
[3] Marketing, direct-mail and statements.

The following notes apply to enterprise greenhouse gas (GHG) emissions, operational GHG emissions and real estate energy and water use, as reported on pages 54 and 55.

- All values are reported for the calendar year (January 1 to December 31).
- Historical results have been restated to reflect methodology changes, acquisitions and dispositions, updated emission factors and improvements in the data collection process, where applicable.
- Amounts are impacted by rounding.

Refer to Sun Life's GHG Emissions Reporting Methodology for more information.

Exhibit C
Excerpts from Net Zero by 2050

Foreword

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

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

About this report

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

Our fight against climate change

A letter from the Chief Executive Officer and Chief Sustainability Officer

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

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

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

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

A multi-phased journey to net zero

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

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

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

The choice belongs to each of us

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

Kevin Strain,
President and
Chief Executive Officer

Alanna Boyd,
Senior Vice-President and
Chief Sustainability Officer

[1] As of December 31, 2023.
[2] Comprises general fund assets, segregated funds, mutual funds, managed funds and other AUM.
[3] Rounded to the nearest hundred.

1.0 Our path to achieving net zero

Our net-zero commitment

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

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

What is net zero?

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

Why by 2050?

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

Our climate priorities

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

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

Key elements

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

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

The values guiding us

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

Advancing the measurement of our scope 3 emissions

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

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

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

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

Priority 1. Achieve net zero for our investments by 2050

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

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

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

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

Sun Life

Sun Life General Account

Interim targets

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

- **Listed corporate bonds:**
  - Minimum 40% reduction in carbon intensity relative to the baseline of 82.4 tCO_2e per million dollars invested (absolute financed emissions baseline: 3,239,000 tCO_2e[7]).
  - 65% of the top 50 financed emitters in material sectors[8] achieving net zero 'aligned' or 'aligning' (2022 baseline: 0% achieved net zero, 2% aligned, 34% aligning, 34% committed, 30% not aligned).
- **Directly managed listed equities:** 50% reduction in carbon intensity relative to baseline of 59.3 tCO_2e per million dollars invested (absolute financed emissions baseline: 29,000 tCO_2e[7])
- **Commercial real estate:** 50% reduction in carbon intensity relative to baseline of 0.034 tCO_2e per square metre (absolute financed emissions baseline: 126,000 tCO_2e[9])

Active initiatives

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

Recently completed

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

Learn more

- Sun Life 2023 Sustainability Report
- Sustainable investing webpage

[6] As of December 31, 2019, Sun Life's general account invested AUM was $161.6 billion.
[7] Financed emission values are calculated in alignment with the Partnership for Carbon Accounting Financials (PCAF), Part A Financed Emissions 2nd Edition (2022). Note this figure is not externally assured and may be adjusted in future publications due to changes in the organizational portfolio in addition to improvements in availability, controls and quality of data. Values are impacted by rounding. The unit tCO_2e refers to metric tonnes of carbon dioxide equivalent.
[8] Material sectors include utilities (electric, multi and gas); oil, gas and consumable fuels; aviation; chemicals; construction materials, and mining. Alignment metric follows the asset alignment methodology as set out in Paris Aligned Investment Initiative's Net Zero Investment Framework.
[9] Interim target and baseline emissions for commercial real estate associated with those of the Sun Life BGO Real Estate Equity Fund. Interim target developed using the SBTi methodology and has been submitted to and accepted by the Net Zero Asset Managers (NZAM) initiative. Note this figure is not externally assured and may be adjusted in future publications due to changes in the organizational portfolio in addition to improvements in availability, controls and quality of data. Values are impacted by rounding.

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

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

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

Interim target	Active initiatives
50% absolute reduction of GHG emissions in our global operations by 2030, relative to 2019[18]; in the interim we're purchasing enough high-quality carbon offsets to match the emissions we haven't yet eliminated.	• **Corporate Real Estate** (**North America**) **Sustainability programming:** Develop a comprehensive real estate-focused sustainability program that tracks and manages the performance of Sun Life's North American offices, and identifies areas of improvement for emission reduction. ***New*** • **Energy efficiency:** Continue to conduct building energy audits for remainder of our North American Corporate Real Estate portfolio to help identify additional opportunities to reduce energy consumption. • **Energy data and monitoring:** Explore technology solutions for real-time energy monitoring in collaboration with landlords. • **Travel:** Explore approaches to influence employee behaviour at point of airfare booking.
	Recently completed
	• Piloted occupancy sensors at one of our U.S. offices to identify operational emissions reduction opportunities by determining underutilized and high-traffic areas through real time monitoring. • Piloted motion sensors for lighting at 11 of our offices in North America to increase energy use efficiency.

Learn more

- Sun Life 2023 Sustainability Report
- Climate change webpage

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

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

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

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

Why improving disclosures matters

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

Advocacy and public policy engagement

We continue to contribute to public policy discussions and work with governments to drive climate progress. In 2023, we:

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

2.0 Managing the journey ahead

Measuring and reporting progress

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

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

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

Holding ourselves accountable

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

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

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

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

[20] As of March 26, 2024, MFS, SLC Fixed Income, BGO, InfraRed and SLGI Asset Management are signatories to NZAM.

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

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

Our beliefs

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

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

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

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

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

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

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

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

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

Our investment principles

Our leadership approach

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

How we invest

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

Climate strategy

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