



Explore the philosophy of sustainable investing in Sun Life

Sun Life Financial Inc. (“Sun Life”) is playing a leadership role in the growth of sustainable investing. Sun Life Hong Kong Limited, which is a member of the Sun Life group of companies, applies the same philosophy of sustainable investing and we both strive to act according to company’s purpose (“Purpose”), which is to help clients achieve lifetime financial security and live healthier lives. Sustainable investing helps us deliver on our Purpose and is key to delivering sustainable returns for clients and driving the transition to a low-carbon and more inclusive economy.

Across Sun Life, we believe investing with an environmental, social and governance (ESG) lens is at the core of delivering long-term outperformance for our clients. We have an unwavering commitment to ESG investing, because we believe that contributing to a sustainable global environment is key to create a better world. On a global basis, we are targeting to commit CAD\$20 billion new investment from 2021-2025 in assets and business that support the transition to a low-carbon and more inclusive economy. We also aim for net-zero greenhouse gas (GHG) emissions by 2050 and we set this goal across our global operations as well.

We believe that investing sustainably leads to better risk-adjusted returns over time. It also provides our clients with the tools and capabilities they need to accumulate wealth and achieve sustainable investment goals. Sun Life’s ESG effort is also well recognized with “AAA” MSCI ESG rating¹, positioning us as one of the leaders in the insurance industry in managing the most significant ESG risks.

¹ Source: MSCI ESG Research, as of July 31, 2023

What is ESG?

ESG factor can be used as a tool to analyze sustainability of a company. Unlike traditional financial data, that of ESG factors reflects elements that are not disclosed in financial reports but are still important when measuring the value of a company. ESG factors can be regarded as intangible assets of responsible company. For each industry, we consider the relevant factors within each of the environmental, social and governance and other non-financial risks. The factors may vary, and change over time, and we use our investment expertise along with external guidance from various sources, including the Sustainability Accounting Standards Board (SASB), to determine which factors are the most relevant for an industry. ESG generally represents:



E refers to **Environmental**,

which covers areas such as climate change, management of pollution and waste, destruction or stranding of physical property and assets, and changing availability and cost of insurance to mitigate environmental risk



S refers to **Social**,

which focuses on topics like human rights, education standards, labour standard, public health, community and consumer relations, and company-wide diversity



G refers to **Governance**,

which is about factors such as corporate governance, government and sovereign stability and geo-political risk, company bribery and corruption issues, board diversity and independence and corporate incentive structures

Sun Life's Sustainable Investment Objectives and Strategies

Objective: Generate superior risk-adjusted returns in a sustainable manner

Sun Life seeks to meet our client's long-term financial obligations in a manner that reflects our conviction that investing with a rigorous analysis of financial and ESG factors generates superior risk-adjusted returns over time. We believe that successful investing requires a balance between an investment's expected return, its specific financial and non-financial risks in the context of client's objectives.



As a social-responsible company, we believe in contributing to a sustainable global environment, promoting healthy living, and fostering diversity. The manner in which our company operates on a daily basis reflects these values.

Sun Life's sustainable investment strategies

ESG Plus Research and framework: Although ESG is a significant part of our non-financial risk analysis, we believe that there are other risks and opportunities ("Plus" factors) that are far broader than those typically identified under ESG. As such, our proprietary ESG Plus research and framework aims to achieve the following objectives:

- Focus on sectors/industries on their unique non-financial risks;
- Document the findings i.e. material risk factors and considerations;
- Incorporate the identified ESG Plus factors into our "normal course" fundamental analysis of individual investments and sectors as a whole.

Investment process integrated with ESG framework: We integrate ESG factors into our investment decisions and invest sustainably to preserve and enhance the long-term market value and income generation capacity of the assets we manage. In this way, we can improve the expected risk-adjusted return on our assets.

Portfolio managers and research analysts across all of our asset classes are responsible for identifying sustainable investing issues. While their approach could vary from investor to investor, for a number of reasons including the objectives of the underlying mandate, asset types, nature of eligible investments, expected investment holding period, availability of information, etc., it is based on a fundamental ESG assessment. Our ESG Plus research and associated internal issuer ratings are proprietary, and they both serve to inform our investment decision making.

We believe that our professional investment teams are in the best position to consider and "price" financial and non-financial risks. The coordinated, collaborative efforts of our research and portfolio managers drive our sustainable investing efforts.

We are actively engaged in sustainability investment and initiatives. We support allocation to sustainable investment, including but not limited to:



We engage and collaborate with the entities which we invest to improve their sustainability policies and activities, and to seek greater disclosure of sustainability risk metrics.

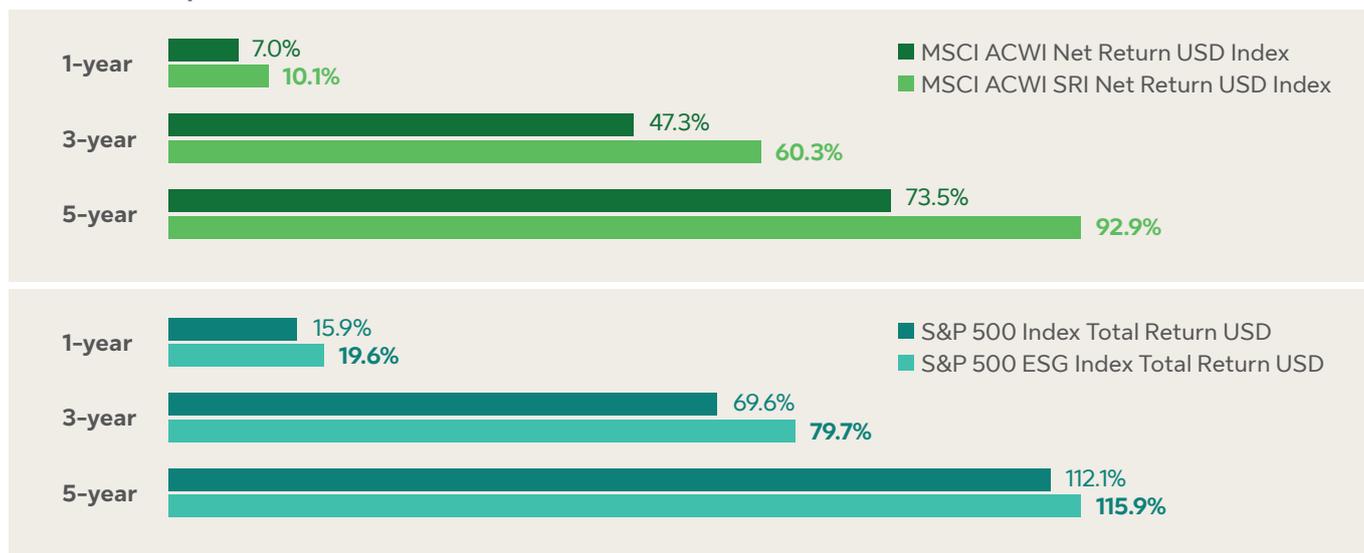
We also embed sustainability in our business strategies. We can learn from and contribute to initiatives that bring interested stakeholders together to share best practices and advance the principles of sustainability, and ultimately, to create value to the society.

Performance comparison between ESG and Non-ESG indices of major asset classes

We have seen outperformance from ESG indices over their corresponding non-ESG indices across equities and fixed income². MSCI AC World Socially Responsible Investing (“SRI”) Net Return USD Index, S&P 500 ESG Index Total Return USD and Bloomberg MSCI US Corporate ESG Weighted Index outperformed the standard non-ESG indices on both 1-year, 3-year and 5-year basis.

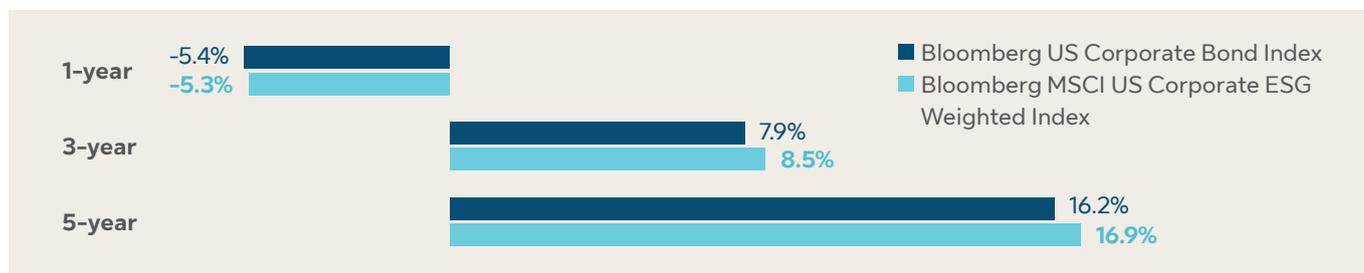
² Past performance is not indicative of future performance

Return % of Equities



Source: Bloomberg, as of March 25, 2022

Return % of Fixed Income



Source: Bloomberg, as of March 25, 2022

The information contained in this flyer is based on and compiled with information from sources that is deemed to be reliable, but Sun Life Hong Kong Limited does not guarantee the accuracy or completeness of such information, and will not accept any liability for the information. It is for general reference only. This should not be regarded as any form of guarantees or professional advice. It does not constitute any recommendations, offers or solicitations. Nor should it form basis for any contract to sell or to purchase any products. For more information, please contact your Advisor.

This leaflet is intended to be distributed in Hong Kong only and shall not be construed as an offer to sell or a solicitation to buy or provision of any products of Sun Life Hong Kong Limited outside Hong Kong.

Investment involves risks. You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of any insurance product, you are in doubt as to whether a certain insurance product, is suitable for you (including whether it is consistent with your investment objectives), you should seek independent financial and/or professional advice and choose the insurance product(s) most suitable for you taking into account your circumstances.

Sun Life Hong Kong Limited
(Incorporated in Bermuda with limited liability)

A member of the Sun Life group of companies. Head Office in Toronto, Canada.
Printed in November 2023 Issued by Sun Life Hong Kong Limited

