

SHAREHOLDER ENGAGEMENT STATEMENT

Sun Life Assurance Company of Canada (U.K.) Limited

June 2023



**Sun Life Financial
of Canada**

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1. Introduction and purpose

Purpose

This statement describes how we execute our accountabilities as a responsible investor through the promotion of shareholder engagement using the requirements of the United Nations sponsored Principles of Responsible Investment (“UNPRI”) as our guide.

In this document we use active ownership to refer to shareholder engagement as this aligns with the terminology used in our responsible investing principles.

Scope

This statement applies to all the third party investment managers we use to manage the investment of our assets and, where appropriate, it covers actively and passively managed holdings.

We will review this statement every year to make sure it is up-to-date with all legal and regulatory developments, changes in business practices, and the risk and control environment.

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2. Our approach

Overview

Our principles for responsible investing cover Environmental, Social, Governance (“ESG”) factors and active ownership:

- Environmental - Support the move to a low-carbon economy.
- Social - Invest in high quality companies that effectively manage their relationships with their workforce, the societies in which they operate, the political environment and encourage innovation leading to a positive social impact.
- Governance - Encourage strong corporate governance principles in the companies in which we invest.
- Active Ownership - Engage with our appointed investment managers to ensure active ownership is embedded in their investment processes.

We believe that responsible investing produces better financial results and returns over the long term. Responsible investing helps us identify strong investment opportunities.

We use specialist investment managers to manage our funds and have started engaging with them to deliver these principles on our behalf and exercise effective active ownership of the companies in which we invest.

Our belief in the value of active ownership and oversight by our selected investment managers extends across equity and credit assets. We expect the responsible investing principles to continue to evolve as ESG based research progresses.

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Monitoring the companies we invest in

We require our investment managers to complete in-depth research¹ and have regular discussions with the companies in which they invest. Their industry analysts across all asset classes have extensive knowledge of their sectors. They are required to develop long-term relationships with the companies they cover. They continually evaluate companies' corporate strategies, investment and financing activities, management incentives, resource use, regulatory policies, governance framework and environmental and social impact. They also monitor their overall effect on and engagement with consumers, employees, and the communities in which they operate. This is a key part of their investment process and helps to assess and promote effective and responsible investing.

Our investment managers' research models and ESG practices provide long-term constructive engagement and informed feedback. Through this, they can affect corporate behaviour that we believe improves the potential for better financial results and returns over the long term.

¹. Not relevant for passively managed holdings.

Active ownership of the companies we invest in

We require that a core part of our investment managers' investment process is to engage directly with the companies in which we invest on a range of issues. This includes company strategy, financial performance and risk, capital structure, and ESG considerations using their own metrics.

A big part of their research is provided by direct contact with company management and boards of directors. This ongoing discussion helps them to put their engagement responsibilities into practice and supports the investment decisions they make for us.

It allows them to monitor the companies in which we invest, gain differentiated insights, develop productive ongoing discussion, and impact company behaviour.

Voting

Although we retain the right to direct the voting of our investment managers, currently we delegate the responsibility to them. Each investment manager is expected to vote to maximise the long-term value of our clients' assets taking into account their wider impact on ESG factors. We are discussing with our investment managers how to incorporate our responsible investing principles into their voting decisions.

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Conflicts of interest

We place the interests of our customers first and aim to avoid conflicts of interest. This includes those that may develop within our investment managers. Some of these potential conflicts are connected to the investment managers' active ownership responsibilities. These include the possibility, for example, that investment managers (and where applicable their employees) may have multiple advisory, transactional, financial and other interests in investments that may be purchased, sold or held in the mandates they manage. These activities could influence their trading decisions, shareholder voting and other interactions with companies in which we invest. Potential conflicts could also develop where the company, or a related party, such as its pension scheme, is itself a client of the investment manager.

We require our investment managers to have defined and robust policies and procedures to identify, prevent and manage conflicts of interest.

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3. Requirements

Overview

This section outlines our minimum requirements of our investment managers in line with our regulatory obligations and the UNPRI. All our investment managers have signed up to the UNPRI. We have defined these requirements within the Investment Management Agreements for each individual manager.

Each investment manager must provide information to us in an agreed form in line with the UNPRI and their engagement policy.

UNPRI requirements

The investment manager commits to the following principles (“Principles”):

- Incorporate ESG issues into its investment analysis and decision making processes.
- Act as active owners and incorporate ESG issues into ownership policies and practices.
- Seek appropriate disclosure on ESG issues by the companies it invests in.
- Promote acceptance and implementation of the Principles within the investment industry.
- Enhance effectiveness in implementing the Principles.
- Report on activities and progress towards implementing the Principles.



4. Management and controls

Management

We maintain responsibility for the oversight of our investment managers, with our own dedicated investment professionals responsible for investment management controls.

We have appropriate contracts, monitoring and reporting in place with our investment managers. This includes monitoring their approach to active ownership.

Control

We have established policies and procedures for the ongoing due diligence on investment managers. Investment specialists review the performance of each investment manager relative to their mandate on an on-going basis and report to the senior management team every quarter, at least. We complete a formal investment manager evaluation including both quantitative and qualitative factors every year. This and other governance processes have been expanded to include a review of active ownership practices.

The investment managers' compliance with this statement is integral to these policies and procedures.

The senior management team reviews the evaluation and reports any significant issues to the Board, supported by actions plans.

Where an investment manager change is required, we follow an agreed tendering process to recommend a manager change to the Board, which includes the investment manager's approach to ESG, active ownership and affiliation to the UNPRI principles.

Communication to our customers

We publish this Shareholder Engagement Statement on our website and include links to the relevant investment managers' websites where their active ownership and voting reports are made available to the public.