



# SUSTAINABILITY BOND FRAMEWORK

February 2022

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## Section 1

### Introduction

iA Financial Group's vision for sustainable development is to actively contribute to the wellbeing of our clients, employees, partners, investors and communities and is a commitment deeply rooted in the values of our Board of Directors, management team, and our employees.

Founded in 1892 the iA Financial Group is one of the largest insurance and wealth management groups in Canada, with growing operations in the United States. The group is comprised of over 25,000 representatives and 8,000 employees servicing over 4 million customers across five lines of business; Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations. The Company's values are built on teamwork, continuously improving, respecting individuals and distributors, creating a high-performance environment, and being service oriented.

#### 1.1 iA Financial Group's Sustainability Strategy

Dating back to the early 1990s, the iA Financial Group's sustainability profile has consistently crossed a number of important milestones. Sustainability considerations have long been embedded into our ambition of being a company that contributes to the wellbeing of our clients, employees, partners, investors and communities. Our sustainability ambition is driven by our eight guidelines;

-  Ensure the financial wellbeing of our clients;
-  Effectively manage risks;
-  Follow high standards of governance;
-  Actively contribute to our communities;
-  Manage environmental impact;
-  Create a rewarding work environment centered around diversity and inclusion;
-  Practice responsible sourcing;
-  Incorporate ESG factors in our investment process.

In addition to iA's Responsible Investment Policy, a Sustainability Bond Framework will enhance iA Financial Group's ability to finance its sustainability strategy and further progress towards its eight guidelines. iA Financial Group is proud to continue addressing climate change as well as developing/ supporting social initiatives to positively contribute to the insurance ecosystem.

Our sustainability strategy is underpinned by our commitments, our partnerships, and our actions:

#### Commitments

- ✓ Reduction of our GHG emissions by 20% per employee by 2025.
- ✓ Now and in the future, achieve increased gender equity of between 40% and 60% in iA Financial Group senior leadership positions.

#### Partnerships

- ✓ ESG Disclosures which will continue to be guided by SASB and TCFD reporting frameworks;
- ✓ UN Principles for Responsible Investing signatory;
- ✓ UN Sustainable Development Goals aligned with company activities;
- ✓ CDP (formerly 'Carbon Disclosure Project') disclosure since 2007.

#### Actions

- ✓ \$217M invested in renewable energy across solar, hydro, wind and geothermal in last three years;
- ✓ Carbon Neutrality Certified Business- 2020
- ✓ Majority of our 40+ properties in Canada are BOMA BEST or LEED certified;
- ✓ AUM\* of Socially Responsible Funds has grown by 57% in 2021;
- ✓ 83.1% waste management recovery rate;
- ✓ ESG criteria integrated into executive compensation.

\* This item is a non-IFRS measure.



## Section 2

# iA Financial Group's Sustainability Bond Framework ("Framework")

## 2.1 Use of Proceeds

An amount equal to the net proceeds<sup>1</sup> of each Green, Social or Sustainable Bond will be used to finance or re-finance, in part or in full, expenditures or investments that meet the Eligibility Criteria ("Eligible Assets") within each of the Green Eligible Categories and Social Eligible Categories (collectively, the "Eligible Categories") defined herein. For clarity, a Sustainability Bond can have proceeds which are allocated across both Eligible Categories.

Where the Eligible Asset is a loan or investment in a business, the business must derive 90% or more of its revenues from activities that meet the Eligibility Criteria<sup>2</sup>.



### Green Eligible Categories: Clean Energy

UN SDGs alignment:



### Green Asset Eligibility Criteria

Investments in facilities and equipment for generation, transmission and distribution of the following energy sources:

- Solar;
- Wind (offshore and onshore);
- Geothermal (direct emissions <100gCO<sub>2</sub>e/kwh);
- Geo-exchange heat pump systems;
- Tidal;
- Hydrogen generated using renewable energy;
- New or existing hydroelectric projects, as well as the refurbishment, operation or maintenance of existing hydroelectric facilities that meet either of the following criteria:
  - Run-of-river without artificial reservoir or low storage capacity;
  - Projects will have a power density >5W/m<sup>2</sup>; or;
  - GHG emissions intensity on a lifecycle basis of <100gCO<sub>2</sub>e/kWh.

All new hydroelectric projects will have an assessment report including an environmental and social impact assessment conducted with no significant risk, controversies, or expected negative impact identified from a reputable third party.

Refurbishment of existing operational projects will not increase the size of the dam/reservoir and also meet the hydroelectric criteria noted herein.

- Waste biomass and renewable biofuels (sources include sustainable agriculture and forestry residues) with direct emissions <100gCO<sub>2</sub>e/kwh;
- Electric power transmission and distribution grid investments that specifically target the interconnection, and deployment of renewable resources or;
- Electric power transmission and distribution grid investments that meet either of the following criteria:
  - average grid system emissions is <100g CO<sub>2</sub>e/kWh on a rolling 5-year average basis; or;
  - More than 67% of newly connected generation capacity in the grid system is <100g CO<sub>2</sub>e/kWh on a rolling 5-year average basis.

<sup>1</sup> Net proceeds defined as funds raised less expenses and fees associated with such issuance.

<sup>2</sup> The 90% revenue threshold does not apply for Eligible Categories which are based on ownership composition (i.e. Majority women-owned businesses, and Indigenous communities & businesses)



## Green Eligible Categories: Energy Efficiency

UN SDGs alignment:

### Green Asset Eligibility Criteria

Investments and/or expenditures in the development, construction, acquisition, installation, operation, and upgrades of facilities and equipment that improve energy efficiency greater than 30%, or help manage and store energy including:

- Energy efficient heating and cooling systems, ventilation and lighting retrofits, refrigeration, high performance insulation;
- District heating (powered by >50% renewable energy and/or waste heat recovery<sup>3</sup>);
- Research and development of technologies excluding those powered by fossil fuels, that will increase efficient use of energy and reduce GHG emissions;
- Advanced Metering Infrastructure (AMI) or smart metering technology;
- Battery Storage.



## Green Eligible Categories: Clean Transportation

UN SDGs alignment:

### Green Asset Eligibility Criteria

Investments in clean transportation projects and infrastructure including but not limited to:

- Private Transport: electric vehicles, hybrid vehicles (with CO<sub>2</sub>e emission threshold of <75gCO<sub>2</sub>e/p-km), or charging stations;
- Public Transport: train (rolling stock and vehicles for electrified public transport, such as electrified rail, trams and trolleybuses), buses with no direct emissions (electric or hydrogen), hybrid buses (with CO<sub>2</sub>e emission threshold of <50gCO<sub>2</sub>e/p-km), or transportation infrastructure (expansion of metro/train network, station upgrade);
- Public transport promotion including public transit reimbursements and/or subsidies;
- Multi-modal transportation promotion, excluding fossil fuel transport financing, or non-motorized methods like cycling and walking.

<sup>3</sup> Waste heat recovery will not be sourced from fossil fuel production and activities.





## Green Eligible Categories: Green Buildings

UN SDGs alignment:

### Green Asset Eligibility Criteria

Investments in the purchase development and/or redevelopment of properties that have received or are expected to receive at least one of the following green building certifications or regional standard:

- Leadership in Energy and Environmental Design (LEED) Gold or Platinum or equivalent levels in other certification programs such as BOMA BEST (Gold or Platinum), or BREEAM (Excellent or above);
- ENERGY STAR (85 or above);
- Passive House Institute- EnerPHit;
- Toronto Green Standard Tier 2 or higher;
- BC Step Code (Step 3 or above);
- New or existing buildings belonging to top 15% low carbon buildings based on emission intensity in the region; as determined by a third-party assessment.



## Green Eligible Categories: Sustainable Water and Waste Management

UN SDGs alignment:

### Green Asset Eligibility Criteria

Investments in activities, facilities and/or equipment that improve water quality, efficiency of resources and water conservation including:

- Water treatment infrastructure including collection, treatment, recycling or reuse and wastewater treatment systems not used for the fossil fuel industry;
- Infrastructure for flood prevention, flood defense, or storm-water management where vulnerability/feasibility studies demonstrate expected benefits of infrastructure projects that would support its defense and adaptation;
- Water metering activities to support conservation initiatives;
- Water capture and storage infrastructure, including storm water management systems, water distribution systems, aquifer storage, and sewer systems.



## Green Eligible Categories: Pollution prevention and control

UN SDGs alignment:

### Green Asset Eligibility Criteria

Investments or expenditures (not related to the fossil fuel industry), in the construction, development, operation, acquisition and maintenance of land, facilities, systems or equipment used for:

- Collection, treatment/remediation of recyclable waste;
  - Will include reuse of emissions, waste, hazardous waste, e-waste and contaminated soil so long as they are accompanied by robust waste management processes to mitigate associated risks.
- Facilities, systems and equipment that are used to divert waste from landfills or reduce emissions;
- Methane capture projects used for energy generation or captured from closed/decommissioned landfill with high gas capture efficiency of 75% or more;
- Carbon capture and utilization (CCU) or carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions, which :
  - does not result in lock-in of carbon or;
  - is not applicable to hard-to-abate industrial sectors or;
  - will not be used for the fossil fuel industry.

## Green Eligible Categories: Environmentally sustainable management of living natural resources and land use

UN SDGs alignment:



### Green Asset Eligibility Criteria

Investments or expenditures in activities that contribute to the sustainable management of living natural resources and land use and natural ecosystem protection including:

- Sustainably managed forests and forest products certified by credible third party certification systems such as Forest Stewardship Council (FSC) and the Program for the Endorsement of Forest Certification (PEFC), Sustainable Forestry Initiative (SFI);
- Environmentally sustainable agriculture certified by a recognized third-party certification such as Canada Organic, USDA Organic, FAIRTRADE, UTZ, or Rainforest Alliance;
- Environmentally sustainable fishery and aquaculture, certified by a recognized third-party certification such as Marine Stewardship Council, Aquaculture Stewardship Council, Global G.A.P for Aquaculture, Best Aquaculture Practices (2 stars or more).

## Social Eligible Categories: Access to Essential Services & Infrastructure

UN SDGs alignment:



### Social Asset Eligibility Criteria

Investments related to providing services and infrastructure of publicly available, free or subsidized essential services which are targeted to low-income and underserved communities, including infrastructure related to:

- Educational institutions (public schools, universities, including dormitories or athletic facilities);
- Healthcare in jurisdictions with public/universal healthcare systems (public hospitals, medical equipment, mental health facilities and programs, homes or health facilities for aged or people with disabilities);
- Care Centers (childcare, eldercare, community centers and facilities for people with disabilities).

## Social Eligible Categories: Affordable housing and basic infrastructure<sup>4</sup>

UN SDGs alignment:



### Social Asset Eligibility Criteria

Investments related to the construction, development, operation, acquisition, refurbishment and maintenance of:

- Housing, shelters, transitional housing, housing associations, subsidized rentals/ownership homes, that:
  - Meet accredited or registered social/affordable housing definitions (such as CMHC's Investment in Affordable Housing Initiative or social and affordable housing overseen by government regulators or;
  - Contributes to access for low-income<sup>5</sup> residents.
- Projects for underserved, vulnerable or rural<sup>6</sup> communities which results in:
  - Increased access to improved drinking water sources;
  - Sanitation and plumbing;
  - Electricity and distribution connected to existing regional grids (and for certainty not linked to dedicated fossil fuel electricity generation);
  - Communication networks ;
  - Rural transportation infrastructure with inadequate existing basic infrastructure.

<sup>4</sup> As it pertains to any affordable housing lending in this section, loans supporting mixed-use development projects will also be included on a pro rata basis according to the percentage of affordable housing units in the project.

<sup>5</sup> Low-income definition based on relevant definitions within the jurisdiction in which it is built. For greater certainty, in Canada, this can include Statistics Canada's low income definition.

**UK** – As defined by reference to relevant Government policy frameworks:

**US** – As defined by Office of Policy Development and Research and supplemented by the annual State Income Limits published by the Office of Policy Development and Research:

[huduser.gov/portal/datasets/ii/fmr98/sect8.html](http://huduser.gov/portal/datasets/ii/fmr98/sect8.html) | [huduser.gov/portal/datasets/ii/ii21/State-IncomeLimits-Report-FY21.pdf](http://huduser.gov/portal/datasets/ii/ii21/State-IncomeLimits-Report-FY21.pdf)

<sup>6</sup> Rural community or area is as defined by Statistics Canada which refers to all areas which are outside of Population Centers (an area that has at least a population of 1,000 and a population density of 400 persons or more per square kilometre, based on the most current census).



**Social Eligible Categories: Majority Women-owned businesses**

**UN SDGs alignment:**



### **Social Asset Eligibility Criteria**

Investments in micro, small, and medium-sized businesses that are majority owned<sup>7</sup> and operated by women.

**Social Eligible Categories: Indigenous communities & businesses**

**UN SDGs alignment:**



### **Social Asset Eligibility Criteria**

Lending or financing to an Indigenous government and/or micro, small and medium-sized enterprise<sup>8</sup> majority owned<sup>7</sup> by said government or Indigenous individuals.

<sup>7</sup> At least 51% owned.

<sup>8</sup> Micro, small, and medium-sized enterprise is as defined by the International Finance Corporation which is determined based on assessment of an enterprise's employee count, total assets, and annual sales.



## 2.2 Process for Project Selection and Evaluation

iA Financial Group has established a sustainability Bond Committee («SBC») to ensure a robust process for project evaluation and selection. The SBC will meet semi-annually and will oversee the governance of this Framework and ensure that projects financed by a Sustainable Bond are aligned to the Green and Social Bond Principles. The SBC comprises of key members including Chief Financial Officer, Chief Investment Officer, Chief Risk Officer, Executive Vice-President Corporate Strategy & Development and Head of Investor Relations & Sustainable Development. The SBC will ensure that the iA's Sustainability Steering Committee remains informed of all progress related to the governance of this Framework.

The SBC will review potential Green and Social projects against the Eligibility Criteria as defined by this Framework and evaluate their qualification. Further responsibilities include:

- Review and approval of amendments to the Framework and the submission of any changes for a Second Party Opinion;
- Review, approval and selection of Eligible Assets within the Green Eligible Categories and Social Eligible Categories for addition to the Sustainability Bond Register;
- Monitoring of Eligible Assets within the Green Eligible Categories and Social Eligible Categories over the life of the transaction, to ensure that the eligibility of investments have not changed;
- Review and approval annually of post-issuance allocation and impact reports, oversight of external verification, and implementation of any changes as a result of the external audit;
- Monitoring of evolution and market practices of the Sustainability Bond market;
- Ensuring all Eligible Assets are screened in accordance with iA Financial Group's Responsible Investment Policy.

### **Sustainable Investment Approach and Risk Mitigation Process**

[iA' Responsible Investment Policy](#), [Sustainable Development Policy](#) and [Proxy Voting Policy](#) provide guidance on how our investment teams incorporate ESG considerations in investment management and stewardship activities in a consistent and comprehensive manner.

When assets are managed internally, Industrial Alliance Investment Management Inc. ("iAIM") portfolio managers and analysts are expected to adhere to the guiding principles of the Responsible Investment Policy and the integration of ESG considerations in the investment process, in particular. iAIM will regularly assess the application of this Policy across its investment portfolios. When assets are managed by an external manager, we review their responsible investment policy and practices as part of the selection process and on a regular, ongoing basis.

## 2.3 Management of Proceeds

A Sustainability Bond Register will be maintained to enable the SBC to track Eligible Assets for investment. The Eligible Asset portfolio will be reviewed semi-annually by the SBC and will contain relevant information including Eligibility Categories and allocation amounts. The Eligible Asset portfolio will be monitored by the SBC to ensure assets continue to meet the eligibility criteria and are greater than or equal to the aggregate amount of the outstanding Sustainability Bond issuances.

The net proceeds of each Green, Social or Sustainability Bond, or an equal amount, will be credited to the general account and earmarked for allocation to the portfolio of Eligible Assets within the Sustainability Bond Register as long as they are outstanding.

The Sustainability Bond will finance new Eligible Assets or refinance existing Eligible Assets and any future commitments for those investments.

Pending full allocation, any unallocated proceeds may temporarily be invested in cash, cash equivalents, other highly liquid assets including government bonds, money market securities or to repay existing indebtedness that are unrelated to fossil-fuel investments. Investment in green social/sustainable and/or highly rated ESG securities will be privileged where feasible.

iA Financial Group intends to allocate the proceeds of its Green, Social or Sustainability Bonds within 36 months following issuance. The payment of principal and interest on a Green, Social or Sustainability Bond will be made from iA Financial Group's general account and will not be linked to the performance of an Eligible Assets nor will the Eligible Assets be ring-fenced as collateral to the specified Green, Social or Sustainability Issuances.

## 2.4 Transparency and Reporting

### **Allocation Reporting**

iA Financial Group intends to publish an annual Sustainability Bond allocation and impact report on its website until full allocation of the proceeds. In the case of any material changes in the interim, iA Financial Group will publish an updated report in a timely manner. Each report will be reviewed by the SBC with limited assurance by iA Financial Group's financial auditor as discussed in section 3.2.

iA Financial Group's Sustainability Bond allocation report will include the following information:

- Net proceeds raised from Green, Social and/or Sustainability Bonds;
- Amount allocated, in aggregate or per Eligible Category;
- Balance of unallocated proceeds;
- Amount used for financing vs re-financing;
- Relevant quantitative and qualitative performance descriptions subject to confidentiality considerations.

## Impact Reporting

iA Financial Group will report annually on relevant environmental and social impacts of financed and/or refinanced assets where feasible and will disclose measurement methodology for quantitative indicators, examples of which are provided below:

Eligible Categories	Potential Quantitative Performance Measures
Clean Energy	<ul style="list-style-type: none"> <li>— Annual GHG emissions reduced/avoided in tons of CO2 equivalent</li> <li>— Annual renewable energy generation in MWh/GWh</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>— Annual energy savings in MWh/GWh</li> <li>— Annual GHG emissions reduced/avoided in tons of CO2 equivalent</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>— Annual GHG emissions reduced/avoided in tons of CO2 equivalent</li> <li>— Reduction of air pollutants &amp; particulate matter</li> <li>— Number of clean vehicles deployed</li> <li>— Kilometers of new or improved train lines/dedicated bus, BRT, LRT corridors, bicycle lanes</li> </ul>
Green Building	<ul style="list-style-type: none"> <li>— Percentage of energy use reduced/avoided vs local baseline/building code</li> <li>— Annual GHG emissions reduced/avoided vs local baseline/baseline certification level</li> <li>— Amount of waste minimized, reused or recycled</li> <li>— Certification level</li> <li>— Amount of rainwater harvested and reused</li> <li>— Energy efficiency from installation of motion detectors (kWh) vs baseline</li> </ul>
Sustainable Water and Waste Management	<ul style="list-style-type: none"> <li>— Reduction in water consumption of economic activities</li> <li>— Annual absolute water use before and after the project</li> <li>— Wastewater treated to appropriate standards</li> <li>— Percentage of total waste prevented, minimized, reused or recycled</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>— Tons of waste diverted or recycled</li> <li>— Number of new facilities, systems and equipment used to divert waste from landfills or reduce emissions</li> <li>— Absolute amount of carbon captured through CCUS technologies</li> </ul>

Eligible Categories	Potential Quantitative Performance Measures
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>— Number of hectares purchased/protected and certified</li> <li>— Number of hectares of farmland converted to sustainable agriculture practices or number new sustainable agriculture certifications</li> <li>— Number of nautical miles protected and certified</li> </ul>
Access to Essential Services & Infrastructure	<ul style="list-style-type: none"> <li>— Number of underserved patients receiving access to healthcare</li> <li>— Number of students receiving access to affordable housing</li> <li>— Number of elderly provided access to retirement homes</li> <li>— Number of students receiving training and education</li> </ul>
Affordable housing and basic infrastructure	<ul style="list-style-type: none"> <li>— Percentage of rental costs below the national/regional rent index</li> <li>— Percentage of rent/revenue below market</li> </ul>
Women-owned businesses	<ul style="list-style-type: none"> <li>— Number of investments in women owned businesses</li> <li>— Number of women entrepreneurs supported</li> <li>— Income per employee</li> <li>— Number of jobs created and/or retained</li> </ul>
Indigenous communities & businesses	<ul style="list-style-type: none"> <li>— Number of individuals/families benefiting from subsidized housing</li> <li>— Number of residents benefitting from basic infrastructure</li> <li>— Indigenous unemployment rate</li> </ul>

**2.5 Amendments to this Framework**

The SBC will review the Framework on a regular basis, including its alignment to updated versions of the Green & Social Bond Principles as and when they are released. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of iA Financial Group and Sustainalytics or another external reviewer.



## Section 3

### External Review

#### 3.1 Second Party Opinion

iA Financial Group has obtained a Second Party Opinion from Sustainalytics on this Framework which confirms alignment with the ICMA Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. The opinion provides a third-party assessment of the Framework and ensures alignment and transparency. The Second Party Opinion is available on Sustainalytics' website<sup>9</sup> and on iA Financial Group's website.

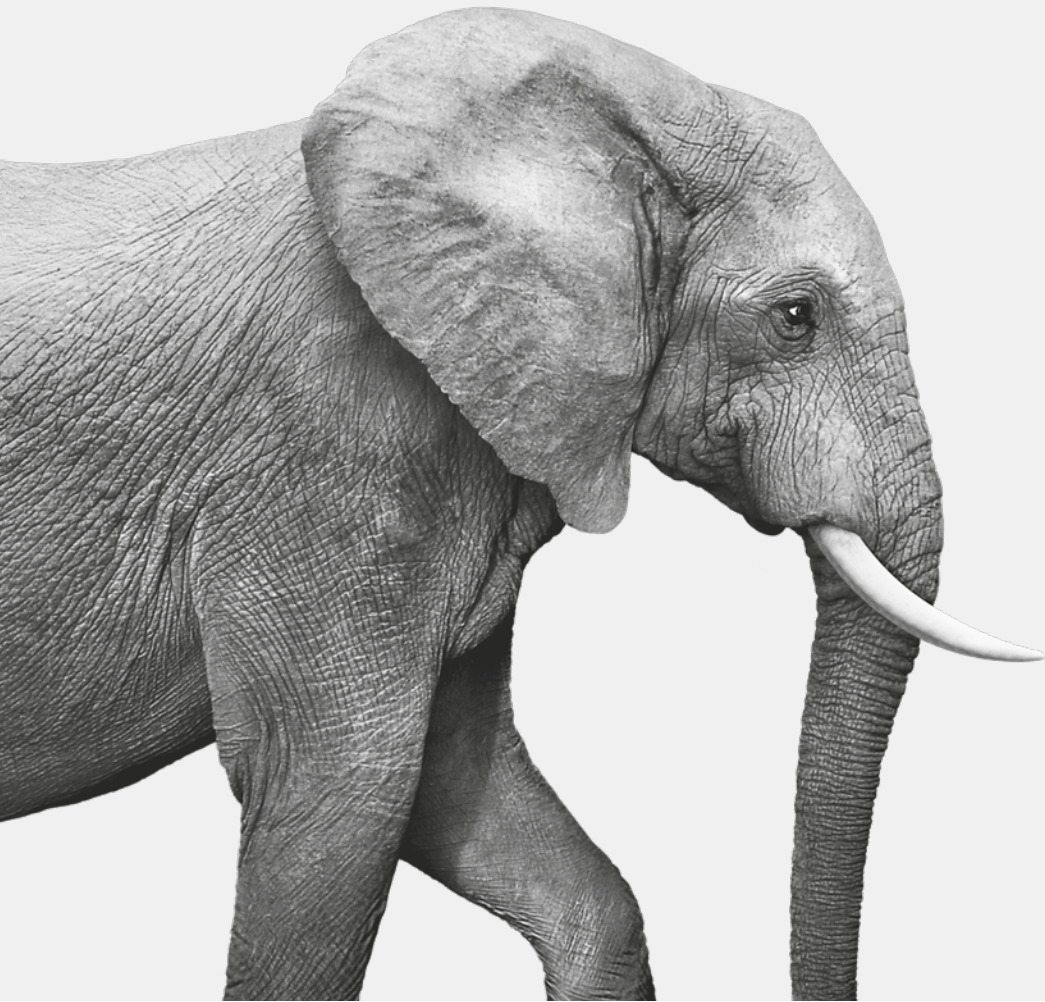
#### 3.2 Post-Issuance External Verification

An external verification of the allocation of Green, Social or Sustainability Bond proceeds will be carried out by iA Financial Group's external auditor or another external reviewer on an annual basis until the full allocation of proceeds. iA Financial Group will seek a limited assurance over the allocation of proceeds.

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<sup>9</sup> [sustainalytics.com/sustainable-finance/ourwork/](https://www.sustainalytics.com/sustainable-finance/ourwork/)





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